

**Timely thematic topic:**

## 5 reasons to look at the Energy Transition Right Now

### 1. Anticipated increase in renewable generation in 2022.

The economics around renewables substitution from fossil fuel based generation—and in Europe and Asia away from all fossil fuels direct use for industrial and commercial activity—have improved markedly, and that should drive additional commercial volumes ahead.

### 2. Global electric vehicle sales are outpacing expectations.

Demand is outstripping supply for many Original Equipment Manufacturer (OEMs) and at much higher average selling prices (ASPs) than expected. That means the units are more profitable, earlier than expected. Which of course drives management teams that wish to accelerate more. We believe we are in the early stages of “the really big switch,” accelerated by the chip shortage but amplified by great technology improvements in range and dynamic performance overall in these units. This is by far the best of the themes in Energy Transition at the moment, and our portfolios have exposure to multiple companies feeding into volume sales in this ecosystem (specialty power parts and equipment, semiconductor power conversion). High commodity prices also gives an extra boost to renewables and electrification.

### 3. Equity market pullback in 2022 (after a subdued 2021) has been unrelenting for clean energy.

This sector used to correlate somewhat to energy overall. That correlation has flipped and turned negative recently. Relative to the health and outlook for renewables, it feels way overdone.

### 4. Continued step-up in Net Zero and climate related policies by both corporates and nations globally.

It's a big strategic repositioning of capex and technology. Ecofin's portfolios have exposure to this trend.

### 5. Potential for U.S. bipartisan climate deal still exists, though not priced in.

One of the key drivers of the sector remains policy support—that can be in market design, in efficiency standards and subsidy frameworks. The collapse of the Build Back Better Act (BBB) inserted significant uncertainty in the U.S. That uncertainty is twofold: 1) we are uncertain of what will pass eventually, but are optimistic most of the climate pieces will, as they were never specifically objected to 2) companies will suffer a bit near term in contracting activity in clean electricity infrastructure because of some uncertainty around what specific market mechanisms will look like going forward as BBB sorts itself out. We had expected 2022 to be accelerating growth and instead the uncertainty on future framework will restrain near-term growth on the margin. It's not structural, and the huge economic advantages to switching remain. We think this is a great time to introduce investors to the asset class prior to

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