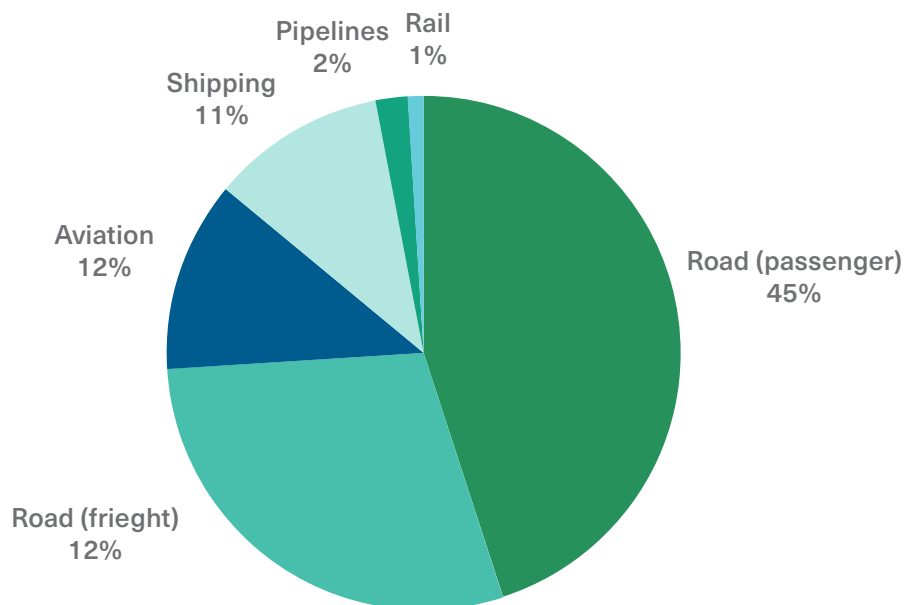


Funds in focus: Sustainable Power & Infrastructure Split Corp. (Reserved Ticker: TSX: PWI, PWI.PR.A)

As we discussed in [our last issue of Brompton Insights](#), there is a growing acceptance that fossil fuels are an antiquated source of energy, and the adoption of renewable energy is projected to grow rapidly as costs come down and rates of return improve. One area where this is most visible is in electric vehicles (EVs).

Global CO₂ Emissions from Transport

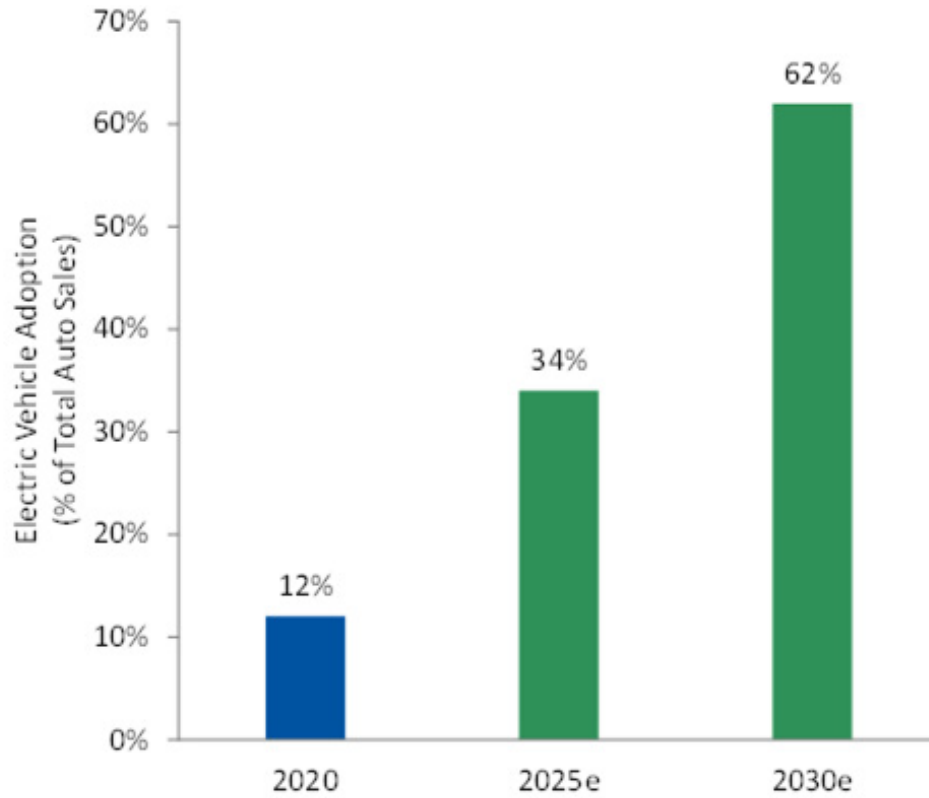


Source: OurWorldinData.org. Based on global transport emissions in 2018, which totaled 8 billion tons CO₂.

Approximately 23% of global CO₂ emissions come from the transportation sector, and within transportation 74% of these emissions come from our roads including both passenger vehicles and trucking. This issue has been taken more seriously lately with the implementation of, and future plans for, stronger environmental standards and regulations. Many countries are implementing stricter fuel efficiency standards, penalties to automakers, and a limit on the number of internal combustion engine (ICE) vehicle registrations to encourage the switch to electric vehicles. In addition to penalizing those who do not abide, some countries are incentivizing the switch to EVs through subsidies and other public spending packages. US President Joe Biden recently proposed an infrastructure stimulus package with \$174 billion committed to EVs, including consumer tax rebates and funding for new charging stations. President Biden also announced intentions to switch from internal combustion engine vehicles to electric vehicles for school buses, transit buses, and federal vehicles.

The pressure to switch to electric vehicles has certainly put the pressure on automakers, but one factor that is perhaps more impactful is the cost. With recent technological advancements and increased economies of scale, the cost to produce electric vehicles has declined significantly. One area of progress that has helped advance the production of EVs is the decreased cost of batteries to power these vehicles. It is estimated that EVs will be more profitable by 2022 with the help of government subsidies and by 2028 without the help of subsidies. EVs accounted for 12% of new auto sales in 2020 but it is expected that this number will grow to 34% in 2025 and 62% in 2030. This is similar to the experience with wind and solar power over the past decade where declining costs resulted in a surge in new investment.

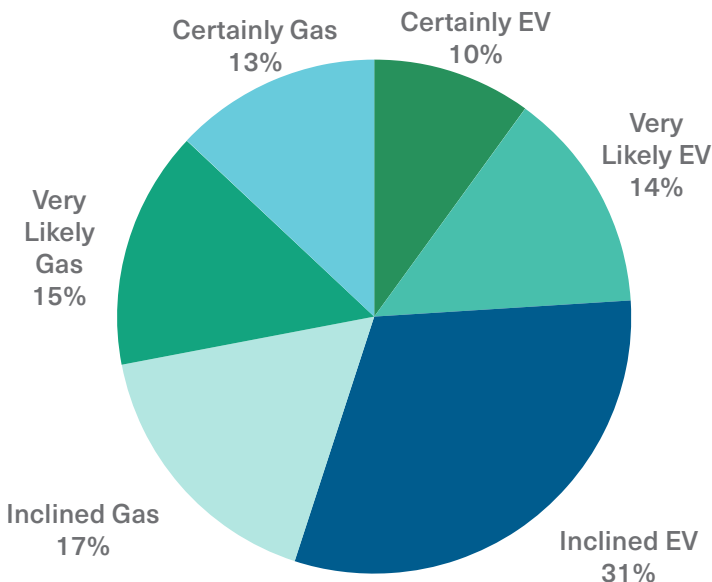
EV Share of New Auto Sales



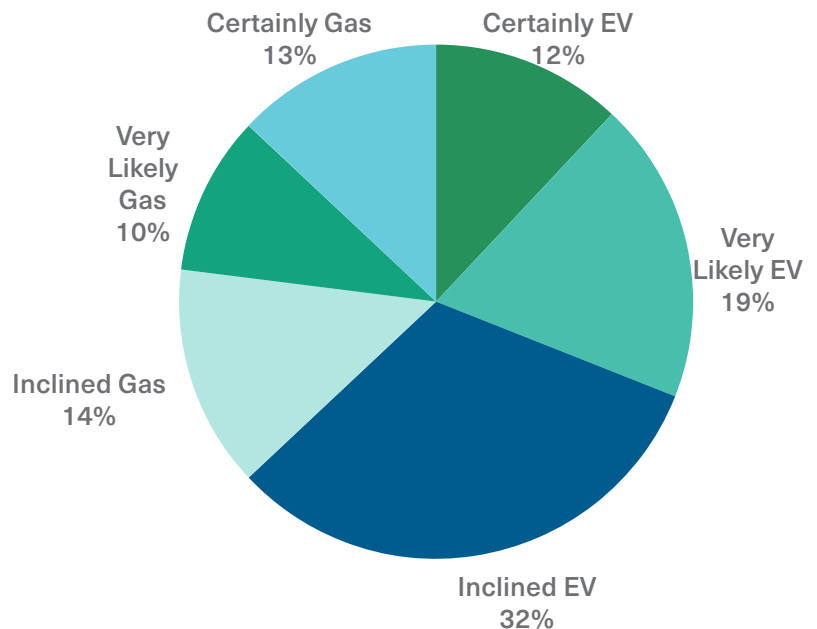
Source: Automotive Semis: Powering the EV megatrend, Credit Suisse, March 22, 2021. Represents battery-electric and hybrid-electric vehicles sales as percentage of total global auto units sold.

The eagerness to switch to electric vehicles is growing for many reasons. Consumers are able to save on gasoline and decrease their carbon footprint, both of which are important factors in the desire to switch from ICE vehicles to EVs. Previous concerns about the range of electric vehicles are being eliminated with technological improvements to increase their range along with the rollout of new charging facilities. The chart below details results from a recent poll that states from March 2019 to November 2020 the proportion of Canadians who would certainly buy, are very likely to buy, or are inclined to buy EVs has increased from 54% to 63%. This trend is also growing globally and should only increase with continued new technological advancements and cost reductions for electric vehicles.

March 2019



November 2020



Source: Clean Energy Canada, December 12, 2020.

<https://cleanenergycanada.org/poll-electric-vehicles-are-picking-up-speed-in-public-support/>

With costs coming down, consumer interest increasing and the expectation that EV sales will grow to represent over 60% of new vehicle sales by the end of the decade, we think investors will be well-served by repositioning their portfolios to include investments with exposure to this theme. If the experience is anything like wind and solar investments over the past decade, then there are attractive returns to be found.



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