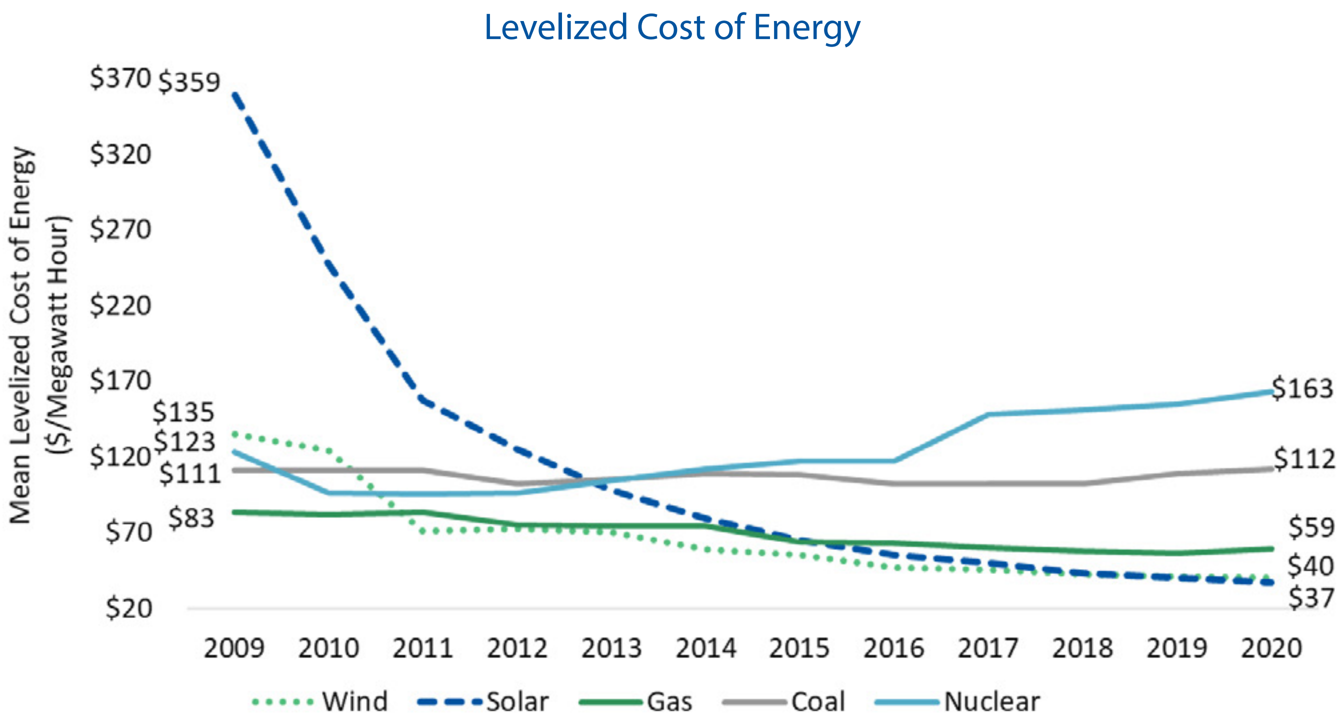
# Low Costs Make Renewables the Obvious Choice

**Funds in focus:** Brompton Global Dividend Growth ETF (BDIV), Brompton Global Real Assets Dividend ETF (BREA), Brompton European Dividend Growth ETF (EDGF), Global Dividend Growth Split Corp. (GDV), Sustainable Power & Infrastructure Split Corp. (Reserved Ticker: TSX: PWI, PWI.PR.A)

Most of the world has come to accept that fossil fuels are a major contributing factor to climate change. Renewables are part of the solution, but the question of who will pay to replace cheap and abundant fossil fuels with expensive renewables is another matter. In the past, governments had to provide both incentives (subsidies and tax benefits) and deterrents (regulation and penalties) to motivate consumers and businesses to adopt cleaner energy.

Over the past decade, the economics for electricity generation has shifted dramatically in favour of renewables. The graph below highlights the change in the levelized cost of energy since 2009 for the major renewable and fossil fuel electricity sources. The levelized cost of energy is the average all-in unit cost of electricity over the lifetime of a project. Renewable power tends to have higher upfront costs but lower operating costs since they do not consume fuel. Due to improving technology, the levelized cost of energy for renewables has steadily decreased over the past decade. Solar cells became more efficient and cheaper with increased scale. Wind turbines have grown in size with the largest with blades as long as 115.5m with the ability to power 20,000 households.[1] Solar and wind have become the lowest cost option for new electricity generation no longer requiring subsidies.

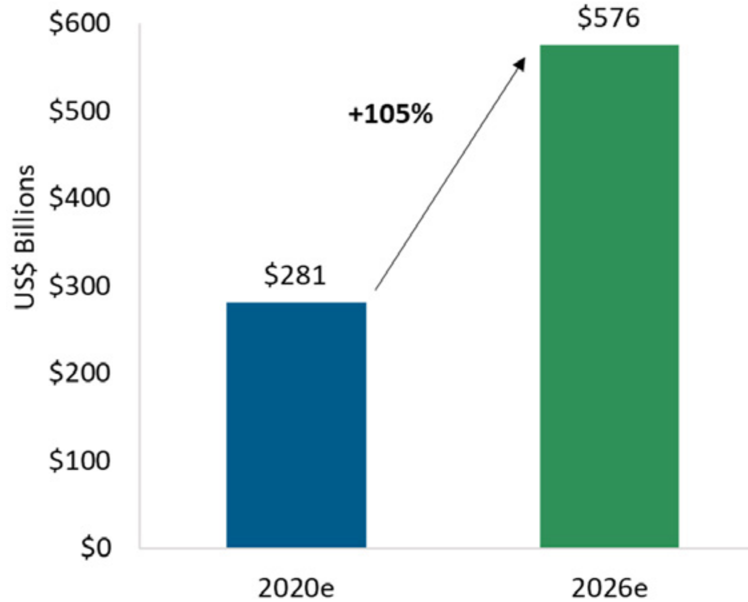



Source: Lazard, October 2020. https://www.lazard.com/media/451419/lazards-levelized-cost-of-energy-version-140.pdf

That is why 82% of the new electricity generation in 2020 was from renewables, primarily wind and solar.[2] In fact, the global investment in renewable power is projected to double for renewable power to become the largest source of electricity in the world by 2026.

According to the International Energy Agency, the power sector is at the core of decarbonization since 30% of global carbon dioxide emissions come from coal-fired electricity generation.[3] By 2040, this sector is expected to deliver more than half of the required emissions reductions to keep the global temperature rise to less than 2°C.[4]

## Global Annual Investment in Renewable Power




Source: IEA, June 17, 2020. https://www.iea.org/data-and-statistics/charts/power-sector-investment-in-2019-and-2020e-and-annual-average-investment-in-the-sustainable-development-scenario

## Brompton's Approach

Our approach to investing in renewable energy companies across our funds, including Brompton Global Real Assets Dividend ETF (BREA), Brompton European Dividend Growth ETF (EDGF), Brompton Global Dividend Growth ETF (BDIV) and Global Dividend Growth Split Corp. (GDV) is based on attractive valuations grounded by both revenue growth and cash flow generation. Currently approximately 20% of BREA is invested in utilities and 100% of the utility holdings are in renewables ranging from offshore wind, hydroelectric generation and solar power. We focus on industry leaders in Real Assets that have the ability to generate solid returns and steady free cash flow. These weights are actively managed based on our fundamental view of each sector.

1) https://www.vestas.com/en/products/offshore%20platforms/v236_15_mw#!technical-specifications
2) https://www.bloomberg.com/news/articles/2021-04-05/china-u-s-made-2020-a-record-year-for-renewable-power-growth?sref=BoK3viqG
3) https://www.iea.org/reports/global-energy-co2-status-report-2019/emissions
4) Suisse Global ESG Research, "Decarbonising themes and stocks" March 12, 2021



BROMPTON FUNDS

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