



## WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

### ***A client asked: “What the heck is going on with Green Tech?”***

#### **Ouch!**

Farm southwest of Moncton has more than 50 wind turbines

The Canadian Press · Posted: Oct 29, 2021 2:03 PM AT | Last Updated: October 29, 2021



A wind turbine at the Kent Hills wind farm was found collapsed across an access road in September. TransAlta Renewables now says it has found cracks in the foundations of other turbine towers at the site. (Submitted by Steve Shannahan)

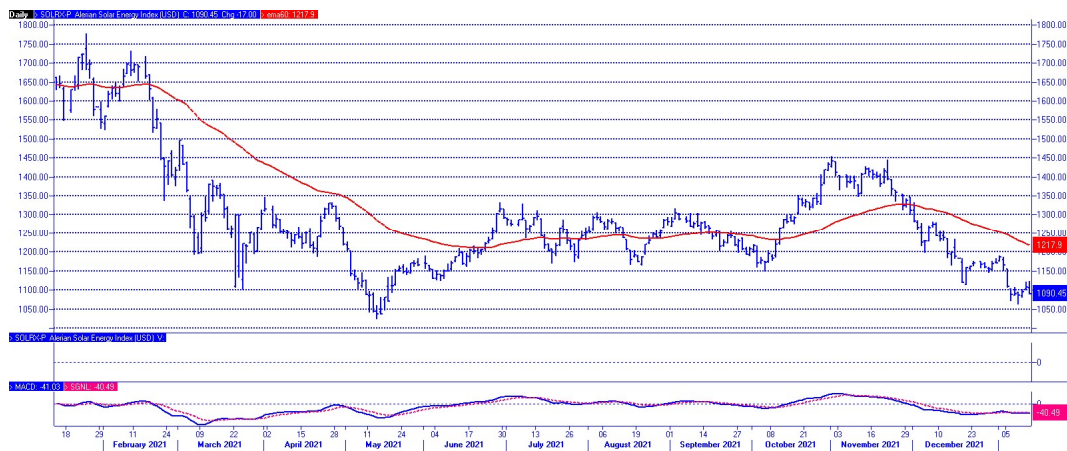
Investors appear to be revisiting the Green Tech New Paradigm energy transition. It's been a rout. As we haven't seen much coverage of these declines in the financial media, I'll focus on it this week.

### Canada's SP/TSX Renewable Energy & Clean Tech Index (XCT) 12 months



Canada's Green & Clean Index peaked at 304.30 Jan 25, 2021. At this writing the index stands to 183.07 representing 40% decline. It's not just Canada either.

### Alerian Solar Energy Index originally Bloomberg Solar Index (SOLRX) 12 months \$USD.



The Solar Index peaked Jan 25, 2021 at 1,777. Mid-session today 1,078 = -40%,

### iShares Global Clean Energy ETF (ICLN-US) 12 months





This US listed ETF peaked, you guessed it, Jan 25, 2021 at \$33.57. Today's mid-session price of \$19.35 = **-42.3%** = +73.5% to breakeven with previous highs. Note these prices are in US dollars a rising Loonie makes this worse for Canadian investors.

**Ballard Power (BLDP-\$13.52) 12 months**



We've cautioned on Ballard (BLDP \$TSX-\$13.52) regularly over the past 2 years and again last week. It got worse. BLDP is down **-8%** this week and down **-75%** from the \$53.90 Feb 9, 2021 high. The stock price requires close to a 300% regain to breakeven with those highs.

**Remember US based electric truck maker 'Workhorse Group' (WKHS) 12-months**



WKHS shares peaked at \$42.96 Feb 4, 2021. Today's trading saw a 52-wk low of \$3.89 equating to a **-91%** loss.

A lot of money has been lost in the space. We've warned of these risks ad-nauseam. We haven't completely avoided these losses in our portfolios.



## Brookfield Renewable Energy Partners LP (BEP.UN-TSX-\$41.17) 12 months



We hold shares of BEP.UN. Our model portfolio cost for Brookfield is around \$41.63, close to today's range. We sold/trimmed Brookfield last year, have remained underweight allocation to the stock and the sector. Our Canadian Dividend portfolio shows +26.2% return over the same above period. Seems to have worked out.

**DISCLOSURE: I own Brookfield Renewable Energy Partners personally, hold it for family members and in client portfolios over which I have trading authority. We have traded in the security within the past 60 days**

### What's going on?

The election of US President Joe Biden in the Nov/202 election had investors salivating over subsidy-driven investments into New Energy Finance. Bloomberg coined that phrase (and created a for-profit media info division around it). Canada has its own brand of these ideas. With apparently endless Govt largess, what's not to like? North American investors seemed to have read the same playbook as they came to the same price conclusions at the same time, even on the same day! Prices went parabolic. We were trimmers/sellers. Given the apparent rebound in the US economy rebuilding on its own, creating jobs now, in industries that exist today without \$1 Trillion+ Govt spending, the immediate need for 'Build Back Better' to save jobs now (and get elected) appears less urgent. This is no comment on the desirability of alternatives to our current energy mix. Who pays for it, and when, has become an issue. Bottom line: The assumed Tsunami of Govt money flooding into alternative energy didn't happen. Lesson. Politics is fickle. Investors shouldn't count on Government money.

### Then came the Revenge of Oil.

The collapse in demand for all things hit the oil & gas too. Drilling ceased as the revenue dried up. Meanwhile an 'uninvestable' label was slapped on hydrocarbon assets at developed-nation University/public education funds and endowments, Euro area Sovereign



Wealth funds. California and New York's State Pension funds, Canada's CPP fund and Quebec's Caisse-Depot, joined in.

<https://www.reuters.com/business/sustainable-business/canadas-second-largest-pension-fund-caisse-reveals-new-climate-targets-2021-09-28/>

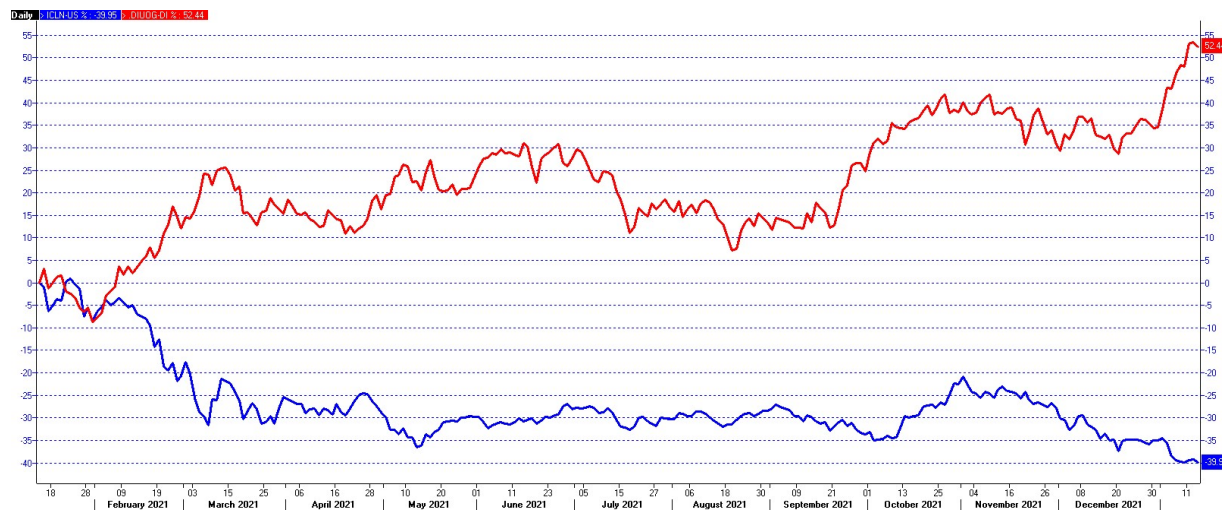
Banks have been pressured to cease lending to the sector. Investors, burnt by the excess of the shale-fracking 'Drill Baby Drill' era chased New Energy.

It not complicated. Oil & Gas are consumed = a declining supply. There's a linear relationship between exploration/drilling, and future supply. Cutting off oil& gas investment means cutting of exploration means eventually reduced supply. Unless demand declines proportionately, the likely outcome is scarcity of supply = rising prices. Oil prices can go up fast. Really fast! Anti-hydrocarbon policies (carbon taxes, etc.) assume this will happen, the intent being to enforce change. Voila! prices are up. We'll see how voters react. US politicians are very aware of their career risk due to rising energy costs, gasoline prices in particular. Gasoline prices up = politicians out. Career risk may be playing into their sudden caution.

I believe part of the decline in Green Tech we're seeing is an unwinding effect of Big Money feeling it had to own the sector last year For Big Money this means maybe a 5% sector allocation. When you're sitting on multiples of billions, 5% means a lot of money chasing a few names to show in a portfolio. Up go the prices. All it takes is less buying for the shares to flop.

Meanwhile, investors realized the implications of contracting oil exploration on supply. Oil and natural Gas prices have soared carrying producers along with it. We've been warning of this as well and have been positioned to take advantage of it.

iShares Clean Energy ETF (ICLN-blue) vs. DJ US Oil & Gas Index (DIUOG-red) % chg. 12 mos.

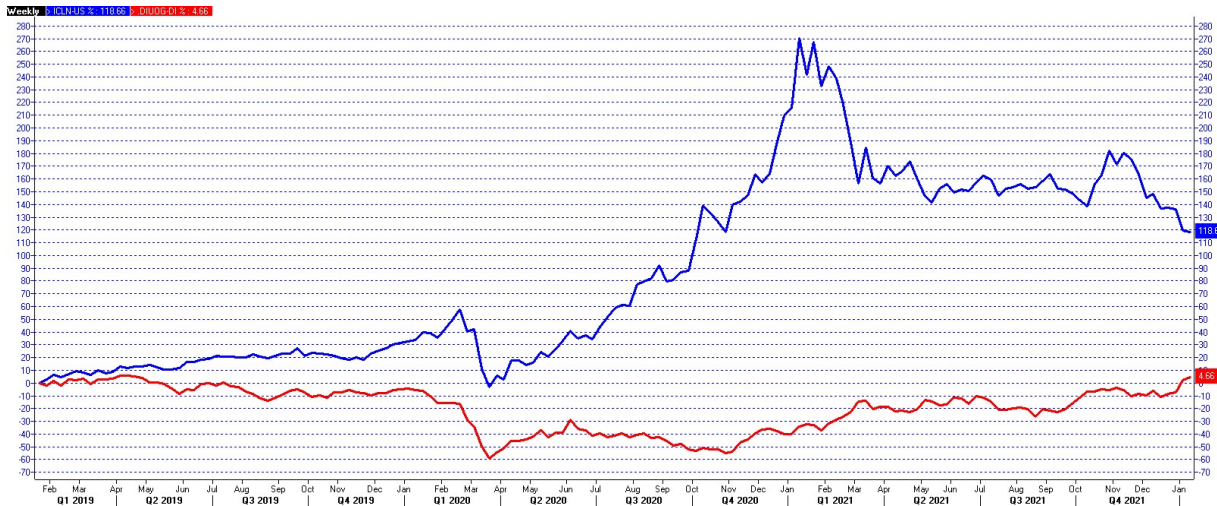


Over the past 12 months ICLN **-42%**. DJ Oil & Gas Index **+69%**





To be fair this isn't the whole story. Here's the same paring over the past 5 years.



**ICLN (blue) +115%. O&G (red) +6%.**

It's a tad early to call an end to the Green Tech Revolution. Are we simply seeing Green Tech take a healthy and need breather from a hyperbolic period, or is there a lot more downside yet to come? Is this the last gasp of barbarous crude oil, or is there a lot more upside for conventional energy? Perhaps both. I don't see this as an ideological battle between 'good' and 'bad' energy. Energy is energy. We need it. Let's go make some money! Canada's political environment has limited our ability to fully participate in this rally. Minimal tidewater access means our energy assets remain tied to US access. We can't help Europe directly meaning we can't profit directly. Canada's raw energy products must travel through US to their dramatically expanded LNG and crude oil/refined product terminal export capacities. We've fought over pipelines. They've built terminals. We ship to the US, the US ship to Europe and SE Asia. We'll sell more product but not at the price we should be getting. Recall Canada's raw materials belong to all of us. The companies extracting do so at the pleasure of Crown Govt license. We get a 'royalty' portion of the profits which are much lower than they could/should be. That's my beef. Our incumbent companies, already being well positioned will see increased demand/make more money. That's why we still own them.

**What next for Oil & Gas. Now that prices are up, is this the last chance to sell and get out?**

We've featured the work of Goering & Rozencwajg (GoRozen) in previous readings. They've correctly been bullish on oil & gas for all the right reasons, pointing to both the lack of investment and clarify they're views on fallacies around any energy transition costs and timing. They do not contest an energy transition is likely or coming. They believe nuclear power will be a big part of any future solution. They provided an update this week. They're still bullish

***'The Energy Crisis is Here - What's Coming Next?' GoRozen - Jan 6, 2022***

<http://blog.gorozen.com/blog/the-energy-crisis-is-here-what-is-coming-next>



NBF remains optimistic on the Green Tech revolution. They favor Independent Power Producers (IPPs). We agree and have owned the sector for some time.

### ***Extract from NBF's daily energy notes Jan 11, 2022***

**Renewables & Energy Transition 2022 outlook.** *Stocks in our coverage were down ~20% on average in '21, with rising yields and a move out of green and growth stocks. Weakness has continued, with much of our coverage trading near 52-week lows. Weakness in 2021 was also pronounced in EV and alternative fuel stocks, which were down more than 60% in our coverage last year (including a few stocks that were recent IPO's, and strength in ANRG following its IPO). With momentum behind the energy transition, the sector has good visibility on growth for decades, but could see headwinds from rising yields and continued impacts from the pandemic in the near-term. There is a lot more detail in our report, including a breakdown by company, which can be found [here](#).*

If the hyperlink won't work for you here is the full link. (A full copy of the report is available by request. Let us know. We'll email you a copy – SH). NBF is bullish on Green Tech too.

<https://nbf.bluematrix.com/sellside/EmailDocViewer?encrypt=6c57f620-fff7-4202-8a08-ac7a0d758439&mime=pdf&co=nbf&id=steven.hilberry@nbc.ca&source=mail>

### **CNR Letter to Shareholders**

A client brought in a copy of Canadian National Railways (CNR-TSX-\$\$153.93) Nov, 2021 'Letter to Shareholders' provided as part of the Nov report. I wish to salute our client for actually wading through the quarterly and annual reports! This letter makes for interesting reading as it clarifies details surrounding a proxy fight between CNR's current management and UK-based hedge fund TCI who has been acquiring CNR stock in an attempt to change the direction of the company. Normally proxy fights are more about egos than money. This one provides searing detail of the shenanigans that go on in our industry. It's worth reading. With a recent gain exceeding 50% we're pleased with our CNR investment and agree with current management's approach.

<https://www.cn.ca/en/news/2021/11/cn-issues-letter-to-shareholders/>

# The Cost of Missed Opportunity in Investing | Strategic Financial Risk Taking

January 14, 2022



Watch Anna's latest video here

<https://www.youtube.com/watch?v=lrSMKvmuna0>

## Have a Great Weekend

Steve & Anna Hilberry



### FOR THE RECORD Jan 14, 2022

DOW INDUSTRIALS:	35,776
S&P 500:	4,642
S&P/TSX COMP:	21291
WTI:	\$83.93
LOONIE IN \$USD:	\$0.7962 \$US

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