NXG INVESTMENT MANAGEMENT

The Next Generation of Investment Management

Planned Renewables Growth

January 2023

Renewables are the cheapest source of new power generation and can help contribute to energy independence. Yet only ~13% of present generation is from solar and wind in the US and globally[1]. We are at the beginning of the global renewables installation cycle. There are countless grandiose forecasts for renewable growth from investment banks, think tanks, and consultants. What are the companies generating renewable power actually planning though? The U.S. Energy Information Administration (EIA) provides a peek into the future.

NXG Investment Management is dedicated to providing Next Generation investment strategies to investors seeking long-term growth in companies focused on a clean and sustainable future, as well as traditional and transformational infrastructure companies.

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EIA Sees 90% of New Installations as Renewable

At NXG, we strive to find hard data that will guide our investment strategies. The EIA provides detailed analysis of recent trends that demonstrate that renewables investment is dominating new energy infrastructure. **For the calendar year through November 2022, 73% of the new power installations in the US have been solar, wind, and batteries.**

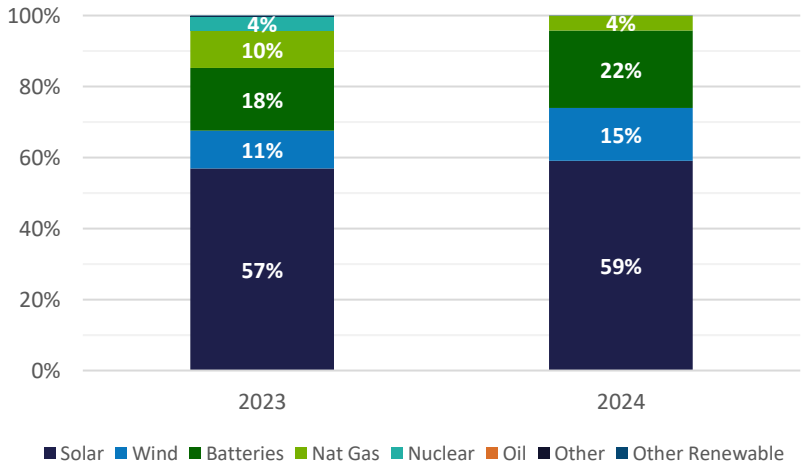
The EIA also aggregates utilities' planned capacity changes based on their submissions to various regulators, providing a glimpse of their multiyear investment plans. **Utilities have proposed renewables for 90% of new electricity installations in the next two years.** These are not "pie-in-the-sky" forecasts, but rather the intentions of the utilities.

The acceleration in new renewable capacity is replacing old fossil fuel generation, which accounts for 89% of the power retirements during the same November 2022 year-to-date period. Solar generation accounts for 58% of the new capacity coming online as measured by generating capacity, totaling 57 gigawatts (GW). Solar's dominance in new installations is the result of the superior economics of utility-scale solar farms relative to other power generation formats. What is surprising is batteries are expected to be the second largest source of new power additions; the 19GW of new battery capacity in 2023-24 contribute 19% of the new additions. Although battery installations do not generate power themselves, they enable storage of renewable power for consumption outside of periods when power can be produced, expanding the available power from renewable generation.

Incredible Growth Rates Confirmed

Renewables are *the* choice of US utilities for incremental growth in electricity needs and to replace retired generation assets. The EIA's insight into planned renewable additions implies average annual capacity growth rates of +32% for solar, +4% for wind, and +76% for batteries. The EIA data gives us confidence that the incredible growth rates forecasts are achievable.

***Planned* US Power Installations (% by Generating Capacity)[2]**



[1] BNEF. Generation for 2021 as of 1/4/2023.

[2] EIA. "Electrical Power Monthly" data as of October 2022, released 12/22/2022.

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