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<https://www.nytimes.com/2021/01/14/business/energy-environment/how-sustainable-is-the-rally-in-renewable-energy-stocks.html>

How Sustainable Is the Rally in Renewable Energy Stocks?

Solar and wind power companies have soared in value. Are they in a bubble or in a virtuous upward cycle?

The overall stock market was fabulous last year, but as investors focused on climate change, renewable energy stocks did even better.

Consider that while the SPDR S&P 500 Exchange-Traded Fund Trust, which tracks the benchmark S&P 500, returned 18.37 percent in 2020, the ... Invesco WilderHill E.T.F., which invests more broadly in alternative energy of various types, rose 204.83 percent.

Returns like those are so strong that they are unlikely to be replicated: It is possible that the stocks of companies engaged in carbon-free energy production are already in a bubble. Jason Bloom, head of fixed income and alternative E.T.F.s for Invesco, describes the sector this way: “I would call it rational optimism in view of improving fundamentals.”

The International Energy Agency recently called solar-generated energy the “cheapest” electricity source in many countries. In the United States, it accounts for just 3 percent of energy output, but it is increasing rapidly. Wind power, which now supplies roughly 8 percent of domestic energy, has also been growing. There is plenty of room for expansion for many renewable energy companies.

The results of the presidential election have already bolstered the returns of these companies, too. While President Trump has promoted the use of fossil fuels like coal, President-elect Joseph R. Biden Jr. has advocated a \$2 trillion climate plan to “achieve a carbon pollution-free power sector by 2035.” His plan, not yet fully detailed, includes a variety of investment inducements and tax breaks.

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Buying shares of renewable energy stocks now requires a degree of faith, because they are so expensive, partly because of low interest rates engineered by Federal Reserve

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... said that the high prices in the renewables sector are based on solid achievement. “It’s not like the dot-com era,” he said. “These are real actors with real technology.” ... “We’re living in this wonderful moment in time when virtue and self-interest coincide.”

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