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**Go woke, go broke:  
the one net zero stock  
to avoid at all costs**

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# Go woke, go broke: the one net zero stock to avoid at all costs

Eoin Treacy, Investment Director, *The Fleet Street Letter*



**Eoin Treacy**

I am often contacted by solar panel salespeople. The sales patter is always the same: “Think of how much money you can save!”, “Subsidies like these won’t last forever!” and “Think of the environment!”

When I get down to the hard numbers, they just don’t make sense.

I signed a two-year contract for electricity 14 months ago. It locks in my price at 13.3 cents a kilowatt hour and I get weekends free.

When I grill salespeople about what the equivalent cost of solar panels is, the closest quote I’ve received is 17 cents and the majority are a lot higher than that.

That means I would have to go through all the upfront costs and inconveniences of installing solar panels and I would still lose money over the long term.

I live in Dallas, Texas. Summers are hot. There is at least a month or longer every year when temperatures are around 40 degrees Celsius. Yet when I look outside, none of my neighbours have solar panels.

They have done the same calculation I have and concluded it just does not make sense.

There is another reason people in Texas are reluctant to get solar panels on their homes: hail.

We sit on the edge of the Great Plains. Tornadoes are common in the surrounding states during the spring.

When rain falls, it comes all at once. We might not have rain for a few weeks and two inches would fall in only a few hours. Those downpours are often associated with thunderstorms.

Hail can get as big as a baseball. That does not happen all the time but it is a constant threat. I have often seen pickup trucks peppered with the impact of hail for example.

Only one of those storms would make mincemeat out of rooftop solar.

These kinds of local climate anomalies are a significant headwind for the growth projections of the solar sector.

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When I lived in California, solar panels were more popular because the weather is more predictable and electricity costs are about double those in Texas. However, where I lived at least, the number of homes with solar was still quite low.

The reason is that even if they make sense, you need to have funds to buy them and pay for installation upfront. Even when you take a solar lease plan from Sunrun, for example, you still pay an electricity bill. That's because the cost of installing the panels is spread over years. The savings are not enough to convince most people to change.

That helps to highlight what is required to spur investment in solar panels. You need high base rates. Not just high but so high that consumers have no choice but to install solar panels.

You also need some kind of subsidy to defray the cost of purchase and installation. That means the decision to grow the solar business is political. Without these market factors there is no incentive to make the switch.

That means solar panel manufacturers are in a difficult business. Not only do they have to deal with the pressure of the market, but they must also consider what the trend of regulation is going to be in every country they wish to do business in.

Perhaps the greatest challenge is they need to constantly invest in new research and development but the threat of obsolescence is constant.

China dominates the global market for solar panel manufacturing. According to the International Energy Agency (IEA), China produces about 80% of all the world's polysilicon, ingots, wafers, cells and modules. To put that into perspective, they produce twice the number of products they consume. They host the ten largest suppliers of solar panel manufacturing equipment too.

That means China is flooding the global market with solar panels and has tight control over the machinery required to build more.

The only way competing companies can prosper is to come up with even better technology. That's not easy. It leaves most of the sector in a war to dominate by operating on slimmer and slimmer margins.

That margin compression is the primary reason that solar panel costs have compressed over the last decade. According to the IEA, costs of panels have fallen 80% over the last decade because of this oversupply.

That means improving solar panel technology has had very little impact on the cost of solar panels so far. That could easily change in the coming decade. What few people wish to discuss is how long it takes for a successful university experiment to find its way into mass production. The timeline can be years, even decades.

Perovskite solar panels were invented in 2009. They have many potential benefits

like much higher efficiency and much lower commodity intensity. There are plans underway to bring the first commercial manufacturing plant online by 2025. That's only 16 years from invention to production. However, it will take at least another decade to build scale in the manufacturing process.

These types of solar panels will start out being more expensive than the current supply, but scaling production will reduce costs. As they gain market share, the massive capacity for building obsolete solar panels will be worthless.

This is the part of the renewable energy sector that is most likely to experience extraordinary stress. Even if the mania for zero emissions persists, many of these companies will eventually be worthless.

The one I recommend ensuring you do not have a position with is JinkoSolar. It's the largest solar company in the world and has the largest stock of manufacturing capacity that is going to become obsolete over the next decade. The company could go bust over the coming decade, so I strongly recommend not owning it.

The evolving environment for renewable energy will be a stock-picker's market. Some companies will gain market share and thrive, while many more will disappear. Making money will depend on keeping an eye on rationality and reality, while avoiding the hype and misinformation of the conventional media.

I think we can help you make good decisions on that front. In fact, over the last six months, my focus has been predominantly on helping private investors exploit the enormous opportunities in the energy markets. I've selected four stocks in particular that I believe could really benefit from the forces at play right now – coming together all at once...

We have huge waves of investment capital hitting clean and “dirty” energy alike. We have the ongoing war in Ukraine and winter is approaching. These forces are creating short-term tactical trading opportunities and long-term strategic investment opportunities. To my mind, energy is going to be **the** market of the decade for ambitious investors who want to capitalise.

All the best,

Eoin Treacy  
Investment Director, *The Fleet Street Letter*