

What does it mean for Munro's climate strategy, now that Trump has withdrawn the US from the Paris Agreement?

Since his inauguration earlier this week, US President Trump has announced (as he did in 2017 when he was last President) that the US will withdraw from the [2015 Paris Agreement](#) on climate change, as well as signing executive orders winding back support for wind-powered energy and electric vehicles.

While these actions are clearly negative signals for the future of policy support in the US on mitigating climate change, our team anticipated this and therefore, we believe the withdrawal will have limited impacts on our holdings within the Climate Change Leaders Long Only Strategy.

As active managers, we planned for over a year on how to position the climate portfolio in the event of a Trump administration. This planning paid off, and the portfolio performed well throughout the election campaign and in the months leading up to the inauguration. We will also remain nimble as we navigate the months and years ahead throughout Trump's presidency.

In fact, we see the impacts of a Trump administration on the portfolio as net positive:

1. We expect to see Trump's proposed corporate tax cuts and further re-shoring from China help companies linked to industrial activity including electrical grid developers and industrial waste companies.
2. Deregulation is a positive for M&A and consolidation, although winding back environmental regulations will be negative.

We think the biggest risk for US companies is not the withdrawal from the Paris Agreement, but the repeal of the Inflation Reduction Act. We continue to believe that wholesale repeal will be difficult and politically unpopular, given the benefits disproportionately accrue to Republican areas.

However, we continue to see solar, wind and electric vehicles as sectors most at risk. We've been largely out of these for over a year and have focused on areas with bipartisan support: nuclear energy, clean hydrogen, carbon capture and building energy efficiency. In particular, we remain exposed to nuclear energy which continues to have bipartisan support in the US.

THE IRA HAS MULTIPLE BIPARTISAN FACETS

MUNRO

Partisan

WIND / SOLAR

ELECTRIC VEHICLES

Bipartisan

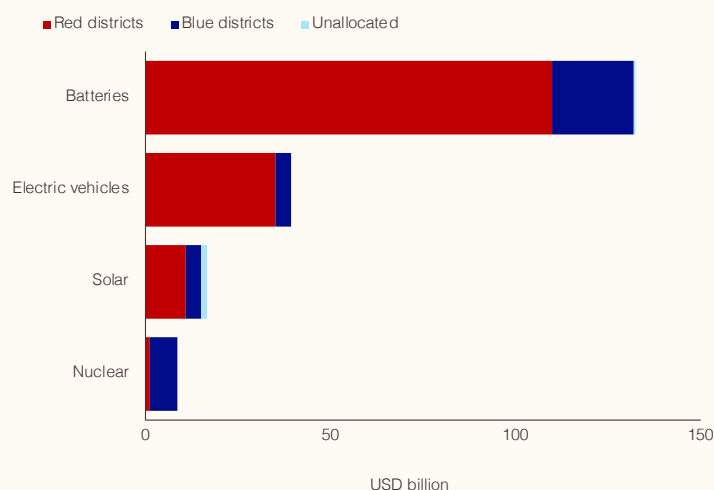
NUCLEAR

CLEAN HYDROGEN

CARBON CAPTURE

BUILDING EFFICIENCY

Top areas of spend on US clean energy projects since 2021



More important to the strategy's positioning is the continued demand for cleaner electricity generation in the US, which is driven by growth in data centres, electrification, and reshoring. We expect these requirements to accelerate under the Trump regime as more US infrastructure announcements are made.

In the first days of the new regime, we have already seen the announcement of "[Stargate](#)", a joint venture between Open AI, Softbank and Oracle, to invest \$500 billion over 4 years in AI data centres in the US. This capex will be split between the semi-conductor companies that provide the compute to the data centres and the infrastructure providers including power generation, electrical equipment and energy efficient cooling.

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