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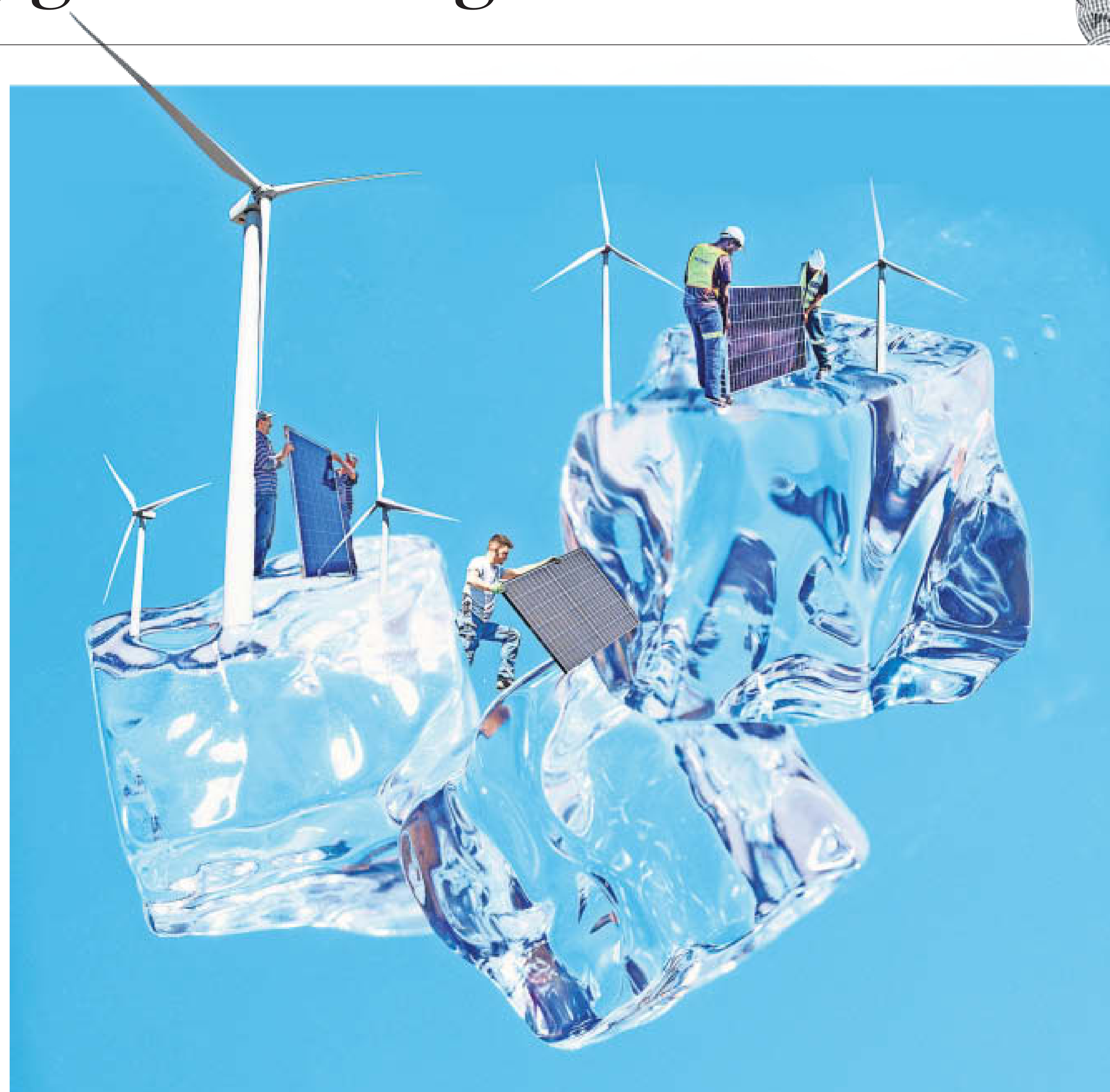
MONEY

Ian Cowie Personal Account

I have made a big bet on green energy — but I'm jolly glad I've bought more oil too



Will World War Three begin tomorrow? I only ask because Monday, July 11, is when Russia plans to close its Nord Stream 1 liquefied natural gas (LNG) pipeline, which is essential to Europe's energy needs, for "annual maintenance".

That remains the official position, but fears are growing that Vladimir Putin will "weaponise" energy exports. Russia supplied 40 per cent of European Union demand before it invaded Ukraine, prompting the EU to put sanctions on Russian oil and Germany to block the opening of another LNG pipeline, Nord Stream 2.

Russia retaliated by slashing gas supplies to Germany by 60 per cent, forcing factory shutdowns in Europe's largest economy, which reported its first monthly trade deficit in 31 years last week. Wholesale gas prices on the Continent have quadrupled since last year.

Lest talk of the Third World War sound frivolous, beware that the billionaire George Soros — who helped to bust Bank of England plans to join a forerunner of the Euro 30 years ago — reckons it could already be underway. He said: "The invasion may have been the beginning of the Third World War and our civilisation may not survive it."

There is not much individual investors can do about geopolitics other than shield our life savings from the consequences of conflict. That might sound impossible but, look on the bright side, we can hardly do worse than the politicians have so far.

For example, the former German leader Angela Merkel won praise for closing her country's nuclear power stations in a move that now seems premature, to put it politely. Similarly, before he became the US president, Joe Biden promised to make the world's second biggest source of oil, Saudi Arabia, "the pariah that they are" after the murder of the journalist Jamal Khashoggi. Biden is expected to take a more nuanced line when he begins a tour of the Middle East, including Saudi Arabia, next week.

This small DIY investor is jolly glad I recently increased my holdings of oil and LNG shares, in addition to long-term exposure to renewable energy. That began in 2010, when I first bought shares in ITM Power (stock market ticker: ITM) a Sheffield-based maker of electrolysers that use solar and wind-generated electricity to split hydrogen out of water.

Sad to say, Boris Johnson's talk of turning Britain into the "Saudi Arabia of wind" remains largely hot air. So I am glad I took profits from ITM shares, in which I invested 2 per cent of my "forever fund" at £1.24 in January, 2020, by selling nearly half my holding at £5.39 and £4.46 in January and March last year, as reported here at those times.

Those sales raised two thirds more cash than I put in. While the retained shares trade at £1.86 on Friday, I remain hopeful that hydrogen can replace some of the gas we won't be getting from elsewhere in the future.

11.4%

The dividend yield on shares in the commodities giant BHP

The investment trusts Ecofin Global Utilities & Infrastructure (EGL), Gore Street Energy Storage Fund (GSF) and US Solar Fund (USFP) provide more diversified exposure to renewable energy while yielding 3.6 per cent; 6.7 per cent and 6.6 per cent respectively.

Last February, as reported here, I invested in the Gulf Investment Fund (GIF), which is focused on Qatar, a small state in the Arabian Gulf and the world's biggest LNG exporter. Last March I sold a longstanding holding in Shell (SHEL) to invest in the American oil giant Exxon Mobil (XOM).

I recently received some "free" shares in the Australian oil and LNG business, Woodside Energy Group (WDS) when it was spun out of the commodities giant BHP Group (BHP), after the latter left London for Melbourne, forcing tracker funds to sell up. GIF, XOM, WDS and BHP yield dividend income of 2.5 per cent, 4.1 per cent, 6.2 per cent and 11.4 per cent respectively.

None of the above has delivered the explosive capital growth achieved by the British green hydrogen-maker ITM. But I believe they are all better placed than most non-dividend paying shares to cope with rising inflation and interest rates.

Most importantly all of the above are in business to provide the energy we will need to keep warm and in work, whatever Mad Vlad has in mind for us. Energy self-sufficiency is now an emergency.

It might seem a strange thing to say in the heat of the summer, but winter is coming. Investment often involves attempting to anticipate an unknowable future but some near-term events can be predicted with confidence. For example, months with an "r" in them tend to be colder than those without.

Such philosophical musings aside, investors should think hard about how Western economies will cope with the coming energy crunch. Britain and the EU's current policy of supporting Ukraine militarily, while sending Russia more than €400 billion a year for LNG and oil, is unsustainable.

While our leaders ponder their next move even small investors can allocate assets strategically. We should avoid complacency and delay because no less an expert than the French emperor, Napoleon Bonaparte, attributed his defeat in Moscow to the weather. He said: "The winter was our disaster. We became victims of the climate." Something similar happened to another dictator in the Second World War. Let's hope General Winter does not prove decisive again.