



# WEALTH MANAGEMENT

BY BRIAN PRESTI

As the Director of Portfolio Strategy and a Principal of The Colony Group, Brian Presti, CFA, Chartered SRI Counselor, assesses macroeconomic, financial market data, and trends to determine appropriate investment opportunities and asset allocation.

The secular shift towards building a more sustainable economy and adopting more sustainable business practices should continue to impact the financial markets and local businesses in 2023. In our opinion, significant policy tailwinds and a continued commitment to viewing success through the lens of multiple stakeholders will broaden the opportunity set for both investors and business owners.

On the policy front, the Inflation Reduction Act (IRA) of 2022 became law on August 16th, 2022. The bill represents the largest-ever single federal investment in fighting climate change and has been praised by some for its embrace of both foundational and emerging technologies, its scope and flexibility, and, importantly, the long-term visibility it provides. According to the Congressional Budget Office (CBO), the IRA includes \$386 billion of climate and energy spending tax incentives. From an emissions perspective, Moody's Analytics estimates the act will reduce carbon dioxide emissions nearly 30% by 2050.

The Act provides a significant boost for foundational clean energy technologies. The IRA includes a 10-year extension of the Production Tax Credit (PTC) and Investment Tax Credit (ITC) programs that have been the bedrock of wind and solar power growth. For the first time, solar projects will be allowed to access the PTC, potentially increasing their profitability over time. Additionally, the Act includes incentives for investment in energy efficient buildings, nuclear energy, carbon capture, and a new tax credit for biogas generation that should benefit the waste sector. Furthermore, in addition to extensions of existing spending programs, the legislation should provide a meaningful boost to innovative technologies that may have been held back due to lack of policy support. Examples include energy storage, clean hydrogen, and demand response technologies.

Both the scope and long-term visibility of the Act should provide attractive opportunities for long-term investors—opportunities to realize both financial return and positive impact. Investors in the public markets may look to individual

companies that are well-positioned to capitalize on these trends or can invest in more diversified funds that target specific themes. For those investors that qualify and can do the extra diligence required, private funds levered to the energy transition may be a particular area of interest.

For businesses, the act provides \$10 billion in investment tax credits to build clean technology manufacturing in the United States. This should accelerate U.S. manufacturing of solar panels, wind turbines, batteries, and critical minerals processing. Additionally, the IRA includes provisions for up to \$20 billion in loans to build new clean vehicle manufacturing facilities. There are also grant and loan programs to promote a transition to clean electricity for states and electric utilities. These incentives should have the added benefit of increasing manufacturing jobs as companies, both incumbent and new, seek skilled workers to accelerate the energy transition.

Increased awareness of and interest in adopting more sustainable business practices within NH businesses should continue in 2023, particularly in the area of human capital. This shift has been particularly evident post-Covid and recognizes the benefit of integrating multiple stakeholders in a company's success.

NH businesses are placing renewed emphasis on employee health and safety, employee turnover and satisfaction, and diversity and inclusion. They have recognized the need for resilient supply chains and sound labor and environmental practices within those supply chains. Additionally, as it relates to customers, they continue to prioritize product safety, access and affordability and responsible content. Importantly, NH businesses also continue to forge valuable community partnerships to raise awareness of and impact critical issues challenging the state. The Colony Group launched its own Net Positive Pledge in 2022 as an important step towards implementing a vision to be a sustainable, enduring enterprise.

