RENEWABLE ENERGY FINANCE

Unshackled from oil

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There is a long-standing perception that the fortunes of renewable energy companies are inexorably tied to oil prices, with lower oil prices making renewables less competitive and the renewable energy enterprises less economically viable. However, Syed Jawad Hussain Shahzad and colleagues from France and Spain show that this coupling between crude oil prices and renewable energy stocks may have become much weaker in the United States since the start of the economic recovery.

The researchers looked at US data from 2003 to 2017 for eight different economic variables, including stock indices for the renewable energy industry, the conventional energy industry and the tech industry, crude oil prices, volatility in overall stocks and bonds and the stock index of 500 of the largest US firms, S&P 500. They studied change and volatility in each variable and how it affected change in other variables. The change over two frequency ranges was studied: how each variable responded to every other variable over 5 days, and from 6 to 200 days. The researchers found that, overall, the connectedness between the variables over the 5-day period appeared to be much stronger compared to longer lag times and that this connectedness had grown stronger since the 2007–2008 financial crisis. Crude oil prices, however, no longer seem to be influencing renewable energy stocks but there appears to be high connectedness between tech stocks and renewable energy stocks, indicating the tendency of the market to put them in the same bucket.

Fouad Khan

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