

Allianz Global Investors

U.S. renewable revolution portends employment gains

The economics of power generation have tipped in favor of U.S. renewable energy, positioning the industry to become one of the country's most significant sources of new, highly skilled jobs.

Today, it is typically cheaper to build and operate new solar and onshore wind installations than to operate an existing coal plant, according to International Renewable Energy Agency data. That's why almost \$57 billion in private sector capital was invested in renewables and related grid projects last year alone. As new investments are put to work, hundreds of thousands of skilled workers will be needed to undertake specialized jobs. These include installing mechanical systems and working on high-voltage substations.

The sheer number of jobs that the industry is forecast to create might surprise many people. An analysis by Iowa State University's David Swenson reveals that between 2024 and 2038, building new U.S. wind, solar and gas-fired generation facilities could create between 389,000 to 562,000 construction jobs annually. If so, as many as one in four new U.S. jobs could be generated largely by renewable energy projects (assuming that U.S. employment growth stays in line with its recent average of 2.23 million new jobs a year). And, even after 2040, about 71,000 workers will be needed to operate these installed wind and solar facilities.

Investors now have a strong incentive to partner with unions, not least because one of the driving forces behind the investment in renewables is the rising demand for sustainable investments that meet environmental, social and governance (ESG) mandates. Hiring union labor meets several of the United Nations' Principles for Responsible Investing, including investing

in projects that sustain "decent work and economic growth" and helping to create "sustainable cities and communities." For unions, partnering with investors informs them about upcoming deals, facilitating competitive bids.

A growing number of asset managers, including Allianz Global Investors, are making their best efforts to work with trade unions by adopting a responsible contractor policy (RCP). For example, when AllianzGI invests in renewable projects in North America, the firm coordinates with the North America's Building Trades Unions (NABTU) to notify "responsible contractors" so they can submit competitive bids. RCPs also hold subcontractors to the same high standards when it comes to workplace standards and safety. One AllianzGI investment in a solar project in California, for example, will employ 300 workers from five building-trades unions. Of course, not all projects will favor unions, especially in right-to-work states.

NABTU's Capital Strategies Director Dan Pedrotty says that "unions are not just bringing labor to the renewables effort but capital, too. Union-backed, multi-employer pension funds are increasingly investing in renewable energy projects that can provide good paying jobs that benefit local economies."

Partnering with unions allows investors to both make an impact by investing in green energy and by supporting local union jobs. That benefits both asset managers and unions alike. Asset managers fulfill contracts via competitive bidding, where possible engaging with highly trained unionized workers who build high-quality facilities under stringent safety standards. That, in turn, extends the life of projects and boosts potential profits — a great outcome for investors and workers alike.



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Armin Sandhoevel, Ph.D., leads investments in renewable energy-related infrastructure projects. He has managed investments that have resulted in a cumulative power-generating capacity of more than 830 MW. As of June 2019, his team managed more than \$1.6 billion of assets.

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CORPORATE OVERVIEW

Allianz Global Investors, or AllianzGI, is one of the world's leading active investment managers. Employing more than 2,700 people across 25 locations, AllianzGI manages more than \$601 billion in assets for individuals, families and institutions around the world. AllianzGI offers its clients a wide range of actively managed strategies and solutions across the risk-return spectrum. With more than 770 investment professionals, the firm has established expertise in equities, fixed-income, multi-asset and alternative investments.

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