QGRD™: Strong demand for renewables, favorable economics boost investor sentiment amid policy headwinds

The Nasdaq OMX Clean Edge Smart Grid Infrastructure™ Index (QGRD™) generated a return of 15.6% in the first half of the year, outpacing broad-based benchmarks such as the Nasdaq-100® (NDX®) and the S&P 500 (SPX) which returned 7.9% and 5.5% respectively. The index has been up this year despite a degree of policy uncertainty as investors continue to be encouraged by the long-term growth potential in renewables. Increased demand from corporations and data centers and favorable economics have lent credence to initial hopes of a boom in demand for renewables. Additionally, this year, clean energy stocks have appeared relatively more attractive than their oil counterparts, which came under pressure from lower oil prices and oversupply concerns.

Clean energy stocks have been on an upswing, thanks to increased demand from data centers, AI and electrification. This period of upswing comes after a particularly challenging time for the industry due to high interest rates and fears of a removal of tax credits. 2025 saw significant shifts in the policy environment, with the Trump administration expressing a preference for fossil fuels over wind and solar energy, and scaling back of incentives for wind and solar projects. Despite the shifts in the policy environment, demand and usage of alternative energy have increased, with renewables accounting for nearly 98% of new capacity additions in the first quarter of 2025, according to the Federal Energy Regulatory Commission (FERC)[1]. This statistic speaks to the powerful shift away from fossil fuels that is currently underway. Corporations like Amazon, Meta, Google are signing large contracts to buy large amounts of renewable energy, further boosting demand.

Statistics further illustrate quite powerfully the changes in the clean energy landscape. As per a study by McKinsey, global data center demand will more than triple to at least 170 GW by 2030 at a 19% CAGR[2]. About 25% of the demand is likely to be met by renewable energy additions. Additionally, clean energy sources continue to be cheap when compared to fossil fuels, and therefore more competitive. Despite the changes in the policy environment, solar and battery systems continue to be the cheapest/fastest way to meet electricty demand, particularly given the long lead times for new natural gas turbines. In recent months, companies are leveraging AI to help deploy and integrate renewables. This use of AI is expected to dramatically increase the scale and capabilities of renewable adoption[3].

[1] https://www.solarpowerworldonline.com/2025/04/solar-and-wind-contribute-98-of-new-u-s-electrical-generating-capacity-in-january-and-february-this-year/
[2] https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/ai-power-expanding-data-center-capacity-to-meet-growing-demand
[3] https://www.deloitte.com/us/en/insights/industry/renewable-energy/renewable-energy-industry-outlook.html

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