

BBGI CLEAN ENERGY 100 STRATEGY

A BBGI exclusivity since 1999

April 2022

Annualised performance of
+11.44% since 1999

The general downward trend does not spare renewable energies

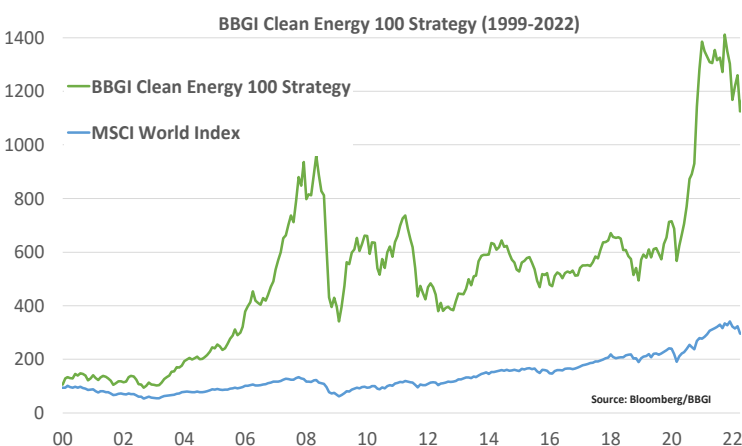
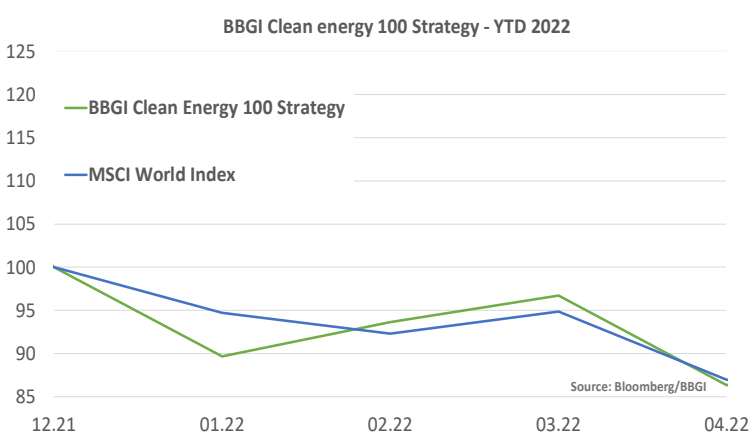
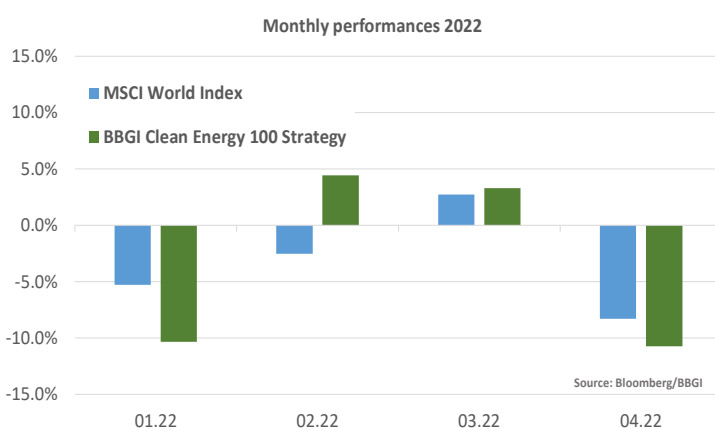
	April	YTD
BBGI Clean Energy 100 Strategy:	-10.74%	-13.67%
BBGI Solar Sector:	-10.10%	-13.20%
BBGI Wind Sector:	-9.55%	-10.53%
BBGI Biofuel Sector:	-9.91%	-1.79%
BBGI Energy Efficiency Sector:	-11.62%	-17.25%

Investment climate:

Geopolitical tensions in Europe are increasing and inflation is rising in many countries, often reaching historic levels. Rising raw material costs are putting pressure on the prices of companies active in green energies and reducing the estimated profitability of projects at constant selling prices. Indeed, photovoltaic panels and wind turbines are very sensitive to the increase in the price of steel and semiconductors. Bottlenecks in supply chains have not spared the solar and wind industries, like all other sectors, and are supporting an increase in the production costs of installations and therefore of the energy produced. The general correction that affected the financial markets as a whole also affected the sector, with the strategy falling by 10.47% in April.

Nevertheless, the decade-long reduction in the costs of these energies leaves a reasonable margin within which they remain competitive with hydrocarbons, particularly in the current market, which is seeing a strong upward trend. Indeed, the cost of producing electricity with fossil fuels reached **200 dollars per kilowatt hour** in March 2022 and is around **40 dollars for photovoltaic**. In addition, Europe is continuing its efforts to move away from its dependence on Russian gas and thanks to its joint efforts with Britain, demand for renewable energy is still growing. An increase in photovoltaic installations from +25% to +32% is expected in 2022. Government support is more present than ever and market fundamentals remain very good in the long term.

At the same time the "REPower EU" plan is being implemented, the financing of the project could be achieved through the sale of almost 20 million euros of carbon credits which could create an oversupply in this market, paradoxically supporting the production of electricity through CO2 emitting techniques. This phenomenon represents the complexity of the current situation in the energy market and the interconnection of different competing interests.



The systematic diversified strategy of the BBGI Clean Energy 100 Strategy has generated annualized returns of **+11.44%** since 1999 compared to **+4.98%** for the MSCI World Index.

Comments by sector :

Solar: -10.10%

In March, the US government opened an investigation into the import of photovoltaic equipment. The investigation focused on the \$7 billion in annual imports of solar equipment and could well lead to a renewal of import taxes by the third quarter of 2022. The three largest producers and exporters of solar technology from China - Jinko Solar, Trina Solar, JA Solar and Canadian Solar - could be hit with new taxes this year. These companies, which have been in the crosshairs of US lawmakers since 2012, account for a third of China's exports alone, or over US\$19 billion in 2019. To avoid these import taxes from China, these companies have established assembly centers in other Asian countries such as Malaysia, Cambodia or Vietnam and then export the finished products from these tariffs-free locations.

In response, a new round of taxes against these new exporting countries could be introduced and represent a price increase of up to +250% for Crystal silicon modules and photovoltaic cells. The trade war between the US and China has been going on for years but is now in conflict with the recent carbon neutrality targets set by the Biden administration for 2035. The new taxes would encourage domestic production in the medium term, but would initially slow down the rate of installation of PV systems in the US.

Biofuel: -9.91%

The concept of biofuels is known to be essential for industries that are very difficult to decarbonise and dependent on traditional fuels. This is the case for aviation, which has difficulty meeting the criteria of using batteries for propulsion, unlike the automotive sector, for example. In response, the bio-energy industry is developing "Sustainable Aviation Fuels" which will be used in a similar way to automotive biofuels, by being blended with traditional fuel to reduce the carbon intensity of this mode of transport.

Although the demand for this fuel is expected to grow strongly in the long term, the market faces some short-term obstacles. Indeed, the cost of production remains higher than that of conventional jet fuel despite the recent sharp rise in energy costs, which again reinforces the importance of carbon credits and an accommodating legal structure. Nevertheless, the long-term benefit of this type of fuel for producers is the diversification of income sources and increased production. This could eventually lead to economies of scale and lower production costs, which in turn would benefit airlines, whose fuel costs account for 20-30% of expenses.

Energy efficiency : -11.62%

The best performing company of the month in our energy efficiency segment is the Spanish firm **Acciona**, which is active in the development of renewable energy production and seawater desalination plants. **Acciona's** share price performed positively, unlike the vast majority of renewable energy stocks this month (+2.87%). During the first quarter, **Acciona** managed to secure large contracts despite the particularly complicated general market conditions regarding supply chains. Total generation capacity at the end of March was 11.3 gigawatts, with 18 megawatts of wind power added in the first quarter of 2022. The generation capacity under construction is also increasing significantly from **691MW** in **December 2021** to **1'596MW** in **March 2022**. This increase is due in particular to the launch of the **Macintyre**, a wind power project in Australia that will eventually represent **923MW** of generation capacity. In April 2022 the Spanish company also finally entered the **S&P Global Clean Energy Index**, an addition that will certainly be beneficial for the future development of the stock, which will now have to be included in the stock lists of ETFs replicating the composition of the benchmark index.

Wind: -9.55%

Despite timid growth forecasts for the wind industry, the geopolitical situation in Europe and the energy crisis could be beneficial in the medium term for players like Siemens Gamesa. Indeed, sales for 2022 are expected to fall, but the European Union's recent plan to reaffirm its energy independence "REPower EU" should strongly support the development of the wind energy sector in the long term. Based on this massive investment plan, renewable energy could account for 45% of the energy mix by 2030 and we believe that the speed of installation of wind systems (particularly offshore) should benefit from this acceleration. To facilitate the deployment of renewables, the "REPower EU" plan foresees streamlining the permitting process, which will further benefit wind projects with a very short development time compared to the nuclear alternative for example.

