

BBGI Clean Energy 100 Index

USD

A BBGI exclusivity since 1999

August 2021

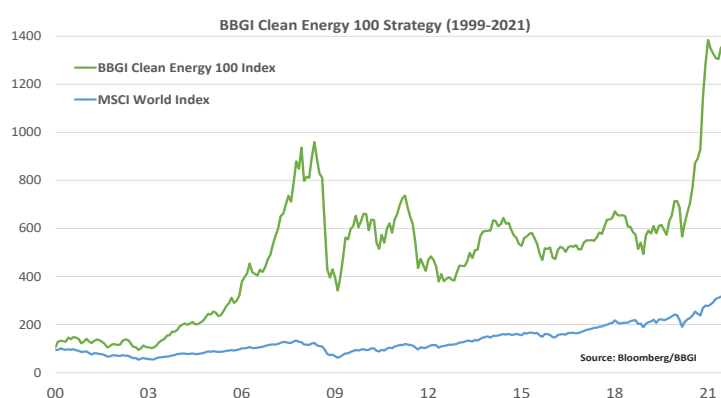
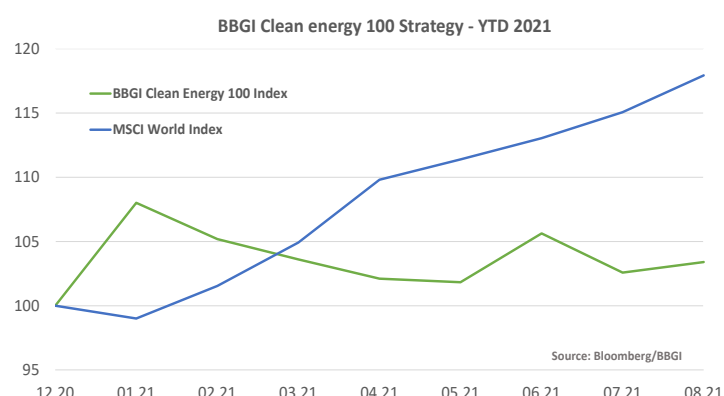
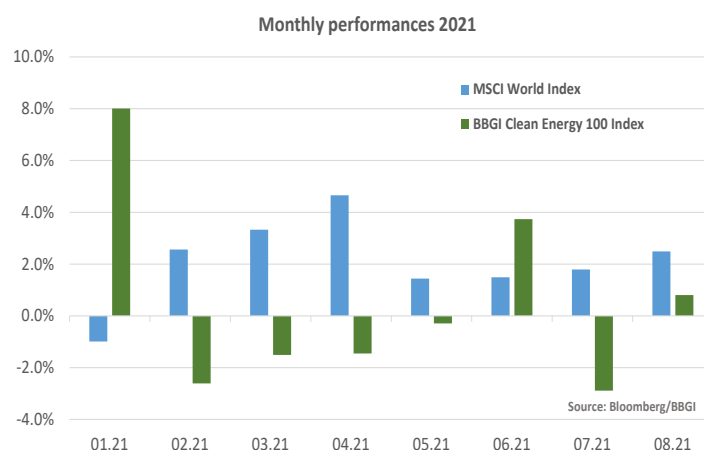
The renewable energy index resumes its upward trend in August

	August	YTD
BBGI Clean Energy 100 Index :	+0.80%	+3.40%
BBGI Solar Sector :	-0.45%	+4.67%
BBGI Wind Sector :	+2.18%	-7.57%
BBGI Biofuel Sector :	-1.93%	+20.90%
BBGI Energy Efficiency Sector :	+1.80%	+1.78%

Evolution of the indices :

After a slight profit-taking period in July, the BBGI Clean Energy index recovered its momentum and climbed back into positive territory (+0.80%). The energy efficiency sector resumed its upward trend in August (+1.80%) after its slump in the preceding month, and has returned to the green on a year-to-date basis (+1.72%). The biofuel sector is under renewed pressure this month, with the extreme weather conditions of this year (2021) being one of the principal causes. Recently, the aftermath of Hurricane Ida had a very strong impact on the price of ethanol, which has surged to reach \$2, which inevitably put a lot of pressure on the Bio-fuel producers' margins. Nevertheless, the sector remains the best contributor to the performance of the index since the beginning of the year, with a total score of +20.90%. The solar energy sector is in a downward trend, but it is losing momentum (-0.45% this month versus -3.42% in July). The wind energy segment of our index turned around this month and posted a very good performance (+2.18%) after having dropped heavily last month (-3.87%) due to large profit taking campaigns.

European carbon prices have sky rocketed by nearly +80% in the year 2021, a key factor in the evolution of energy prices. The price of the tax reached 60 euros for the first time in August as a result of the European Commission's announcement following its decision to slash carbon emissions by 55% by 2030. There is a very strong correlation between carbon prices and energy prices, an increase in these taxes strongly affects the profitability of the actual major players in the sector. Coal-fired power plants are very hard hit, their profitability is affected, which supports the consumption of alternatives like natural gas. Oil refiners are also severely affected, a sustainable price above 60 euros could cost refineries about 45 cents per barrel, which could lower their margins by -25%. To avoid these cost increases, some industries will have to turn quickly to renewable energy sources such as hydrogen in metal industry and which would be profitable starting from a price of 70 euros per kilo of CO2.



The systematic diversified strategy of the BBGI Clean Energy 100 Index generated annualized returns of +12.66% since 1999.

Comments by sector :

Solar : -0.45%

The solar energy industry is still under pressure this month (-0.45%) but the downward trend is easing compared to the previous month (-3.42%). The increase in raw material prices has had various repercussions on the industry's actors on the basis of their positioning throughout the whole value chain. Indeed, the **Polysilicon** producers have significantly taken advantage from the spectacular rise in prices during the year (+160%), whereas the manufacturers of solar modules have suffered from a drop in their margins. The dramatic rise in the price of steel has also had an adverse impact on a number of manufacturers, with the average margin of the industry's largest players falling from +14.4% at the beginning of the year to an estimate +9.7% by the end of 2021. This rapid price increase, which has corresponded with an explosion in demand for photovoltaic energy that has been driving prices higher, is expected to stabilize in during the second half of 2021. Polysilicon prices have also declined gradually since mid-July, but are still relatively high compared to the beginning of the year. Steel prices also declined slightly during the course of the month of August. The best performer in our solar segment is the Chinese stock **Flat Glass Group Co. Ltd.** (6865.Hk) which saw its stock price skyrocket this month and climb +30.94%.

Biofuel : -1.93%

The United Kingdom's ethanol producers' industry is about to get a major boost from the expected increase in demand. The decision of the British government taken a few months ago to allowing to mix up to 10% of green ethanol, made from materials such as low-grade grains, sugars and waste wood, with traditional gasoline under the name of **E10** takes effect this September. This increase in ethanol from 4.3% to 10% could represent an increase in demand from **756 million** to **1.6 billion** liters. This decision by the British government brings the UK back into line on the climate issue after years of legislative stagnation compared to Germany and France. The increase in biofuel production represents a considerable support to the local farmers who produce the raw material, mainly feed-wheat. In addition, there is a positive impact on job creation in the refinery sector with the 2 big plants providing around 200 skilled jobs directly. These new measures could greatly help the United Kingdom in its project to drastically cut road greenhouse gas emissions to meet their ambitious net zero targets. Indeed, by adopting a 10% ethanol blend initially before ensuring a large-scale replacement by electric cars, Britain could **cut** transport **CO2** emissions by **750,000** tons per year, which is the equivalent of taking **350,000** cars off of UK roads. Within our Biofuel segment, the company with the best performance during the month of August is the German firm **VERBIO Vereinigte BioEnergie AG** (VBK), whose stock price increased by +12.53%.

Energetic efficiency : +1.80%

The firm with the largest gains during this month in the energy efficiency segment of our index is the British company **ITM Power** (ITM.L). The company, which is active and specialized in the production of green hydrogen from renewable electricity, saw its share price rise by 17.04% in the course of the month of August. The electrolysis manufacturer, which launched its first large-scale plant in the UK with a production capacity of 1GW per year of equipment in mid-August, signed a very important contract with the gas giant: **Linde plc** (**LIN**). Linde plc is also a long-established partner of the semiconductor manufacturer **Infineon Technologies AG** (**IFX**). In order to reduce drastically their carbon emissions, they have decided to rely mainly on green hydrogen to power their production. This green hydrogen will be transported and stored on site by Linde, an industrial gas professional, and will be produced upstream using **ITM Power's** state-of-the-art **2MW PEM electrolyser technology**. This is a first step for the British company which, if the partnership is sustained, would gain access to very stable customers and a scale of production difficult to achieve by itself due to its status as a young industrial company.

Wind : +2.18%

The best performing company in the wind sector of the BBGI Clean Energy Index is the Spanish company **EDP Renovaveis SA**, (EDPR). This company builds and operates wind farms around the world in **14 different countries** for a total of **10 gigawatts**. The particularity of this company is that it opens the world of "**Pure Play**" to investors by proposing direct financing and a partial acquisition of the projects at term. A process called "**Farm down**" allows the Spanish firm to secure a portion of the project's return on investment from the start of the project without having to wait for the return to be phased in over the life of the infrastructure. The company's share price increased by +13.24% in August.

