

BBGI CLEAN ENERGY 100 Index USD

A BBGI exclusivity since 1999

June 2021

The photovoltaic sector leads the index in June with an increase of 12.99%.

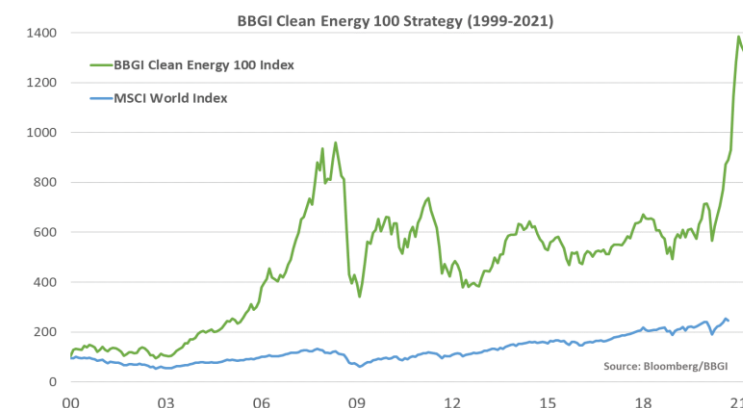
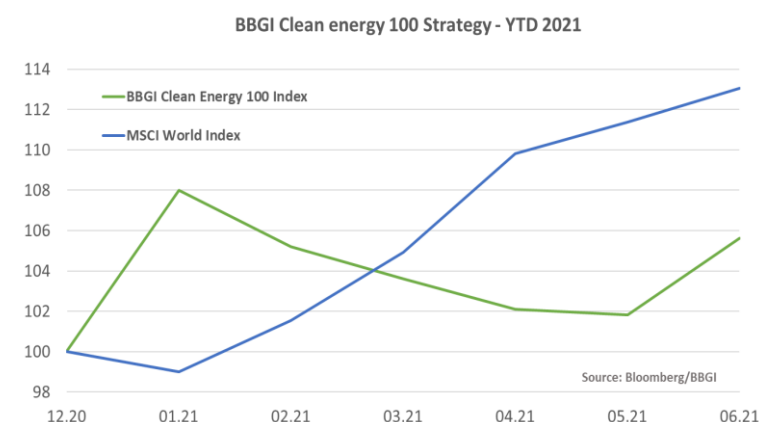
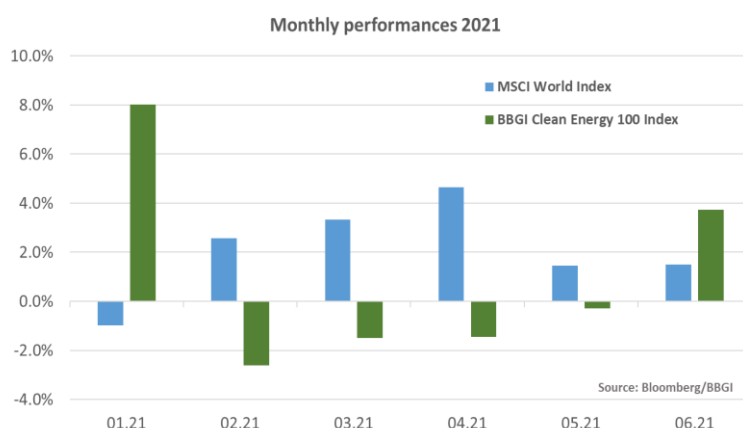
	June	YTD
BBGI Clean Energy 100 Index :	+3.73%	+5.63%
BBGI Solar Sector :	+12.99%	+8.86%
BBGI Wind Sector :	+1.88%	-5.90%
BBGI Biofuel Sector :	-2.02%	+23.42%
BBGI Energy Efficiency Sector :	+0.13%	+2.88%

Evolution of the indices :

First month of growth after the expected 6-month consolidation for the BBGI Clean Energy strategy, which followed an exceptional 2020 year. The solar sector has been under intense pressure during the month of June due to the implementation of a ban on the imports of silicon from China's Xinjiang province into the United States. The ban has dragged down the value of Chinese companies such as **Daqo New Energy Corp**, but it has also had an opposite impact on other silicon producers or manufacturers not supplied by China, leading to a sharp rise in their stock prices in June. These events played an important part in driving the sector's excellent performance in our index which rose by **12.99%**. The biofuel sector **slightly corrected** (-2.02%) partly due to the increase in the price of soybeans which limited the blending ratio of biofuel with traditional fuel in Asia in particular. This decline is however not significant enough to erase the gains accumulated over the last two months. As for the wind energy sector, it is recovering after having been in negative territory for two months, gaining 1.88%. The energy efficiency segment remained **flat** in June, but maintained its performance slightly above zero (+0.13%).

Global energy investments are expected to rebound by 10% in 2021 to reach \$1.9 trillion and recover most of the decline due to Covid-19 in 2020 and the rise in benchmark 10-year U.S Treasury bill rates through May. The characteristics of these investments are changing, with the share allocated to electricity overtaking the proportion allocated to the more traditional energies such as hydrocarbons and this for the sixth consecutive year. Renewable energies are dominating the new energy generation installations and should reach **70% of the total** in 2021. The efficiency of these investments is also multiplied by the technological achievements, **one dollar** invested in solar energy in 2021 is equivalent to **four times more energy** produced than a decade ago. At the same time, investments in coal-fired power plants have dropped by 80% over the last five years. But there are still obstacles to overcome. The 750 billion invested in clean energy technologies and energy efficiency are encouraging but still insufficient to reach the ambitious goal of the "**net zero emissions**" by 2050.

The gap between today's investment trends and the target lies in the implementation of these new energy sources in emerging markets, a major challenge which will be the focus of international cooperation later this year at **COP26**.




The BBGI Clean Energy 100 Index's systematic diversified strategy has delivered annualized returns of +12.88% since 1999.

Comments by sectors:

Solar : +12.99%

This month, the best performing company in the solar sector as well as in all the other sectors is the Chinese company **Jinkosolar**, which saw its share price jump by **+52.43%**. This month two companies active in the field of photo-voltaic energy have announced the upcoming IPO of their subsidiaries. Two of the world's leading solar panel manufacturers, **Canadian Solar** and **JinkoSolar Holdings**, have announced that they have applied to list their subsidiaries on the **STAR Market**, a two-year-old stock exchange in Shanghai that aims to bring together high-growth companies particularly from the technology sector. The two announcements were made at the same time, which may lead one to question the fortuitous nature of these companies' approach. **Jinkosolar** shares enjoyed the largest gain, climbing **23%** in one day in New York. These are not the first companies to begin a listing on the Chinese stock exchange, **Daqo New Energy Corp** announced the same move last month. We have previously observed this type of practice with other Chinese companies, which resulted in the outright delisting of these companies in New York in favor of China. The Chinese state is known to pressure the flagship of its technology industry to register on the domestic market and in some cases explicitly avoid the US stock market. In the coming months, we could see this phenomenon repeated in the context of renewed tensions between Washington and Beijing over working conditions in certain provinces of China.

Biofuel : -2.02%

Is traditional biodiesel becoming obsolete Indeed? Production has historically been supported by local mandates which are specifically related to the countries of production, pushing for the mixing with traditional fuel oils, coupled with advantageous tax incentives in **Europe, the United States** and even in **Indonesia**. The pressure on producers is increasing at the same time after the announcement of the interruption of the current terms in **Brazil** where the blending rate will be temporarily reduced from 13% to 10%, the same phenomenon is observed in **Argentina** where the rate will be reduced from 10% to 5%. The raw material used weighs heavily in the decision process of the terms of the different governments, the decrease in South America is the consequence of the increase in the price of **soybeans** which is the main raw material in this geographical area. On the contrary, **Indonesia** plans to increase the blending rate from 30% to 40% to support local palm producers. **Renewable biodiesel** producers are protected from these fluctuations, as their raw materials are derived from waste, and governments may subsidize most of these low-carbon fuels, which will put even more pressure on traditional biodiesel. The best performance of the month in our index is the one achieved by the Brazilian **Cosan (+7.37%)**

Energy efficiency : +0.13%

The best performing company in our energy efficiency sub-index this month is the American company **Covanta Holding Corporation (+19.45%)** which is active in a number of waste management services as well as in the production of energy from this waste. Following a re-valuation plan, the company is exploring the **option of a sale**, a move that could see Covanta's stock rise to around \$18 to \$22, news that investors are taking as very positive. Revenues have been stable even during the pandemic period and investments in a new power generation plant in the UK are expected to drive further growth from 2022 onwards, possibly doubling its free cash flow by 2024-25. This new British platform could eventually be worth between US\$700 and US\$750 million. In parallel to this project, the American firm is developing four other facilities in the United Kingdom in partnership with third-party companies such as **Macquarie's Green Investment Group**. The establishment of a new plant in China is also under consideration, while prospects in the US may be limited due to the lack of government support. But this could change under the Biden administration thanks to his interest in renewable energy.

Wind : +1.88%

After soaring last year, wind turbine producer stocks corrected by **-14%** since the beginning of 2021. The stock prices of the largest **"Pure Plays"** in our index have all retreated this year, but remain significantly higher than their levels of 12 months ago. One of the reasons behind this withdrawal could be the slightly lower growth expectations this year, as in the case of **Nordex** for example (**+12%** in 2021 vs. **+22%** in 2020) which still remains above the **+10%** mark which is by no means negligible. The **"Net Zero Goals"** and other policies could still support stronger than expected growth in the sector. The best performer this month in our sub-index was **China Datang Corp**, which rose by **+28.82%**.

