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BBGI CLEAN ENERGY 100 INDEX AND STRATEGY

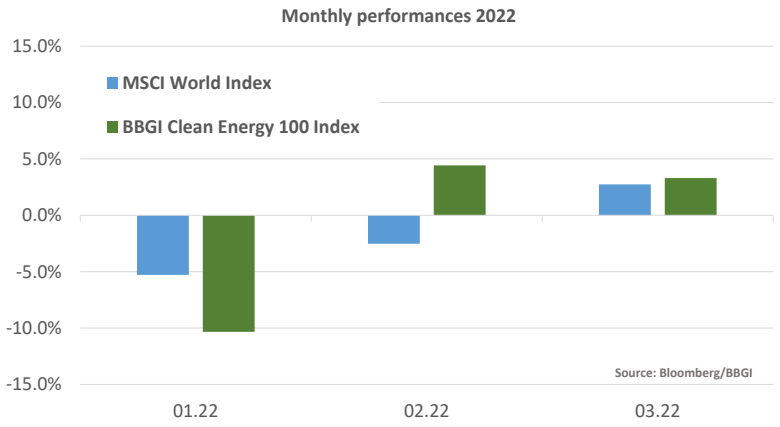
A BBGI exclusivity since 1999

March 2022

+12.06% annualized returns since 1999

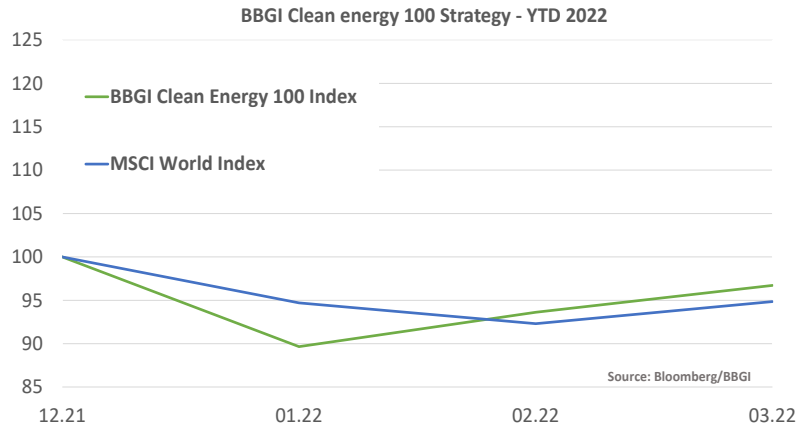
Renewable energies pursue their recovery in the month of March

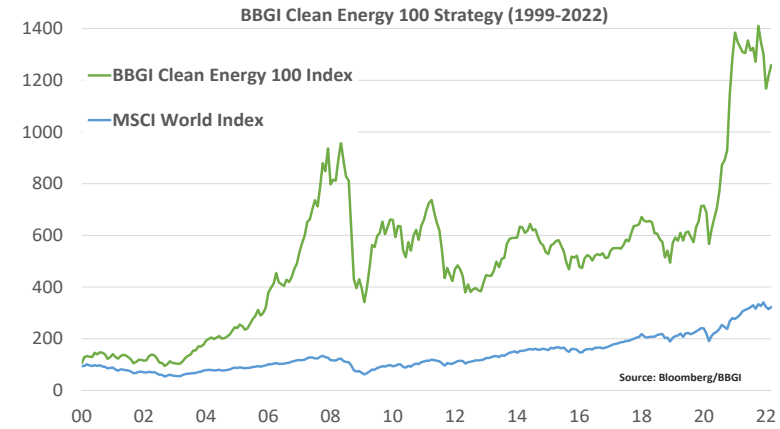
	March	YTD
BBGI Clean Energy 100 Index:	**+3.30%**	**-3.28%**
BBGI Solar Sector:	**+5.81%**	**-3.44%**
BBGI Wind Sector:	**-0.80%**	**-1.08%**
BBGI Biofuel Sector:	**+5.39%**	**+9.02%**
BBGI Energy Efficiency Sector:	**+2.39%**	**-6.37%**



Investment climate:

Renewable energies have again delivered a positive performance this month and have recovered the majority of the losses made during January. The war in Ukraine and the ensuing sanctions have supported the development of stock prices for many companies active in the field of renewable energy. Faced with the pressures of its energy dependence on Russian oil & gas, Europe is accelerating its climate agenda, and has proposed a plan called "**RePower EU**" which aims to get rid of the dependence completely before 2030. This initiative is in addition to the "**fit for 55**" plan already in place, which aims to reduce gas consumption by **30%** before **2030**. The Ukrainian crisis is revitalizing government support for renewable energies and several sectors are taking advantage of this. A considerate growth in demand for solar installations is expected to be between **+25%** and **+30%** this year partially supported by UK and European efforts. Offshore wind platforms will also be in the spotlight in the coming years, as the UK government has increased its target to **50 gigawatts** of wind power capacity by **2040**. The BBGI Clean Energy 100 index also went up in March, gaining **+3.30%.**





At the same time, the European energy crisis could have a negative impact on the environment. Indeed, to compensate for the cessation of Russian gas imports, some European countries such as Germany & Poland could be forced to increase their use of energy from hydrocarbons such as coal. We could see a significant substitution of **+40%** to **+60%** of the electricity generated with Russian gas by coal, which **could increase drastically** the European **CO2 emissions** by **+4%** up to at least **+10%** over the year 2022. Indeed, despite the efforts to deliver to Europe *liquefied natural gas* "**LNG**" by exporting countries such as the United States, the quantities needed cannot totally replace the lost of supply from Russia. The physical limits of the transportation infrastructure and storage facilities are restricting the import capacity of these countries. The phenomenon is not limited to Europe since it is also apparent that India is increasing its coal consumption and reducing its CO2 emission restrictions.

Comments by sector :

Solar: +5.81%

Global solar generation capacity recently exceeded the **one-terawatt** mark and we believe the industry is on track to expand by **an additional terawatt** before the year **2030**. The sector's growth is supported by a strong policy environment which includes the European carbon neutrality commitments and the actual geo-political risks that have appeared and resulted in the re-examination of the need for a concept of a long term and a sustainable energy independence policy. Nevertheless, the economic environment surrounding the industry will also play a major role. As a matter of fact, the energy production costs of a recent solar installation are below the $40 per megawatt/hour compared to the wholesale price of electricity in Europe, which is around $200 per megawatt/hour on average. The price difference will therefore encourage the future expansion of the photovoltaic industry on the European continent. The growing tendency of solar power installations is not something new, over the last decade we have seen an increase in the number of these installations by a compound annual rate of **+20%,** compared to an increase in the demand for **oil** of only **+1%,** which indicates once again that this renewable energy is accelerating its share in the global energy mix. The consensus for photovoltaic module manufacturers is that sales are expected to grow by an average of **+40%** globally by **2022** and even more than **55%** for the European market by **2025**.

Biofuel : +5.39%

The U.S. biofuel industry has been suffering from oversupply for quite a number of years, with the maximum supply **utilization rate** in **2021** being at approximately **85%**. The situation has been greatly exacerbated by the Covid-19 pandemic, which has resulted in a drastic drop in global fuel demand. Although the recent rise in crude oil prices has supported the biofuel alternative, the production surplus remains. To address this issue, producers may want to explore the possibility to use it or adapt it for aviation fuel. Indeed, the SAF **(Sustainable Aviation Fuel**) could represent an opportunity to revitalize demand in the United States. The U.S. government has launched the **SAF Grand Challenge Goal**, which has the objective of achieving **3 billion gallons** of SAF production in the U.S. by **2030** and then a total of **35 billion gallons by 2050**. The principle of dependence on the raw material supply chain and its carbon footprint remains the same as for the automobile biofuel, the difference lies in the 2 to 4 times higher production costs for the jet fuel. This is why the market will remain relatively closed to small players and will certainly favor large corporations capable of achieving economies of scale, such as Green Plains or Valero, despite state subsidies and carbon credits. Other corporations may join the team as any small companies are growing very fast.

Energy Efficiency: +2.39%

The best performing company in the energy efficiency category of our index is the American company **Ameresco Inc**. (**AMRC**) whose stock price jumped by +23.25% during the month of March. Ameresco Inc. is a leading provider of energy efficiency and renewable energy solutions for homes and industries in the U.S. The company received numerous awards from green energy associations and environmental groups. This company, which is very active in the design, implementation and maintenance of projects to transform existing energy facilities, held its first investor meeting last month. The major news that reassured investors was EBTIDA's figure of reaching its 2021 target of US$150 million. One of the main reasons for this growth is its **market share** in the energy service company (ES-CO) sector, which has increased from **8.9%** in **2020** to **11.4%** in **2021**. Ameresco's attractiveness also lies in its capacity to generate renewable natural gas, an energy production that is derived, among other things, from a system of waste recovery and from biomass. Indeed, the American company already has four facilities in operation and plans to set up **17 other similar projects** to reach a total of **170MW** of production by **2024**.

Wind: -0.81%

The extreme rise in European natural gas prices could serve as a catalyst for the wind energy industry, which has suffered from the increase in the price of its main raw material, steel, during 2021. Indeed, the EBITDA of the some of the main pure players of the Wind sector such as **Vestas Wind Systems A/S** (**VWS**), for example, could double to 3 million euros by 2024 due to strong demand for turbines in the European Union. The actual war in Ukraine and the resulting energy crisis is likely to completely change the consensus of expectations for deliveries growth. The expected growth rate for Vestas by 2025 is **+1% CACGR**, a very significant deceleration in comparison to the **+25%** between **2017** and **2020**. European countries are already taking initiatives to move away from their energy dependence with Russia. **Germany**, in particular, has set a target date of **2035** for the total **decarbonization** of its economy, which will not happen without the help of Vestas, Siemens Gamesa and their other competitors.