

# BBGI CLEAN ENERGY 100 Index

USD

A BBGI exclusivity since 1999

May 2021

## The Biofuels sector continues to perform extremely well throughout May

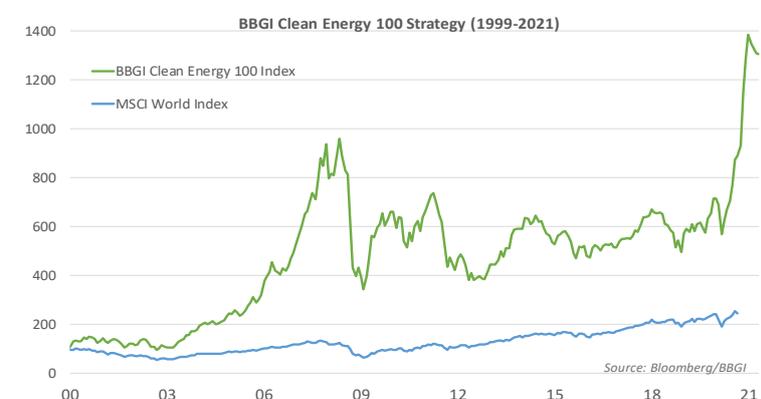
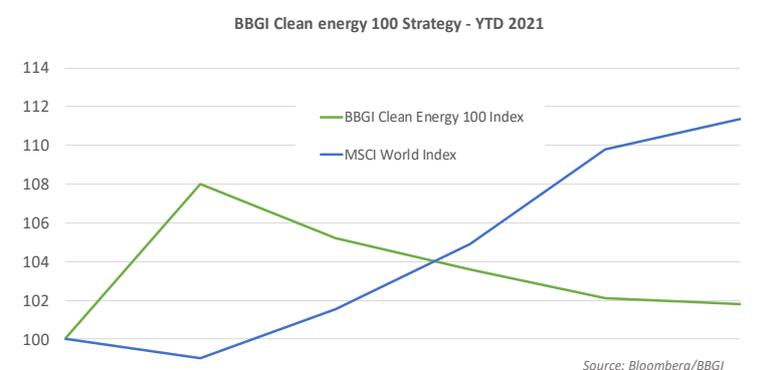
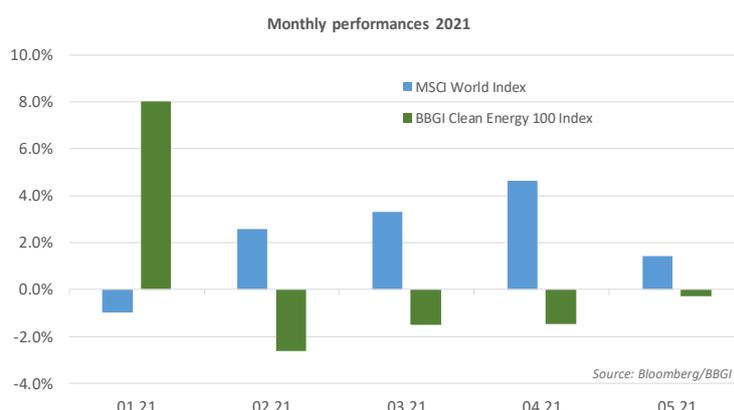
	May	YTD
BBGI Clean Energy 100 Index :	-0.29%	+1.83%
BBGI Solar Sector:	-1.86%	-2.89%
BBGI Wind Sector:	-1.99%	-7.64%
BBGI Biofuel Sector:	+9.03%	+25.96%
BBGI Energy Efficiency Sector:	-0.81%	+2.74%

### Evolution of the indices :

The **BBGI Clean Energy 100 index** was virtually **flat** in May (-0.29%) and continues to consolidate after its extraordinary rise in 2020 (+79.46%). It is the **biofuels** sector that is doing well this month, soaring by **+9.03%**, its best performance since January. The **energy efficiency** sub-index falls back below the zero-performance mark (-0.81%). The **solar** energy industry is still down (-1.86%), but not as dramatically as in April (-4.70%). The same is the case for the sub-index covering **wind** energy, which lost -1.99% in May compared to -3.25% last month. Generally speaking, the negative pressure on all sectors is decreasing, and the **fundamentals** of the renewable energy sector are still **very positive**; we could soon see a significant reversal of the trend in this sector.

Among the events of May were the **shareholders' meetings** of several **oil** industry **giants** that featured battles led by some of the world's largest investment groups, in which Wall Street's sensitivity to the climate change concern was being put to the test. Indeed, activist investor groups led by **Engine No. 1** and backed by **Black Rock** and **Vanguard Capital** have been putting pressure on these major oil companies from inside their ranks. These large investors have often been criticized by their detractors for not keeping their commitments. This has now been accomplished as the Board of Directors of **Exxon** will welcome two new members proposed by the small Hedge Fund **Engine No. 1**.

In a post-pandemic world where the oil industry is still healing, investors are making their demand for more accountability and transparency known. They approved new regulations calling on **Exxon** to provide more detailed information about its lobbying activities. To a lesser extent, the phenomenon was also repeated by other large energy companies such as **Shell** and **BP**, which were also pressured by the same institutional investors to disclose their carbon emissions, but **without success**, although they did show a considerable gain in interest, with **30.5% of investors** voting in favor of the measure, compared to 14% the previous year on the same subject.



The BBGI Clean Energy 100 systematic diversified strategy Index delivered +12.74% annualized returns from 1999 to date.

# Commentary by sectors:

## Solar : -1.86%

Recently the solar energy industry has been hit by an event that has caused turbulence in both the **United States** and **China**. Indeed, Joe Biden's administration is considering the option of **banning polysilicon imports from China** and more precisely from **Xinjiang**, a province where about **45%** of the global **polysilicon production** comes from. An import ban that could harm the entire Asian solar energy value chain, including **Jinko Solar** and **Daqo Energy Group**. Indeed, this production site is at the center of accusations of human rights abuse and of forced labor. If the ban were to take shape, the pressure on the solar panel production chain would be even greater, in an environment where raw material costs are already at their very highest. At the same time, this could favour certain companies such as the American **REC silicon** or the German **Wacker Chemie**, which saw their stock prices rise by +2.5% and +4.1% respectively following the publication of these rumours. In our index, the best performer in May was the Swiss company **Meyer Burger**, which gained +18.48% following the announcement of the opening of a module production plant in Germany.

## Biofuel : +9.03%

The biofuel sector is considered to be at the heart of the strategy for **reducing CO2 emissions** in the short term. Biofuels with the lowest carbon intensity will be in the spotlight in the coming years. Producers of ethanol, biodiesel and renewable diesel have already helped **reduce CO2 production by 161 million tons in 2019** before the pandemic. But some negative aspects of biofuel production such as the use of large areas for agricultural crops could direct interest towards fuels from organic waste or towards the development of carbon capture solutions. The competition between the different fuels promises to be tough, the main factor of choice being the carbon intensity generated compared to traditional fuel. European fuel from wheat will be abandoned for its American substitutes from corn or sugar cane from Brazil. But even these traditional raw materials are threatened by the need for arable land, so some players are already starting to incorporate a portion of **"non-food feed stock"** into their fuel to overcome this constraint. The IEA estimates that if the market share of biofuels continues to grow, it will be necessary to **capture about another 150 million tons of CO2** from their production in order to reach the **"2050 net zero emissions"** goal. Companies that are already investing in these technologies, such as **Alto Ingredients (+19.96%)**, the best performer of the month, are well positioned to capitalize on the future developments in the sector.

## Energy efficiency : -0.81%

The best performer in our Energy Efficiency sub-index this month is the automobile giant **Hyundai Motor Co.**, which saw its share price rise by **+11.63%** following the announcement of a significant **increase** in its global vehicle sales of **+42.7%**. The Korean company is included in our energy efficiency segment as one of the pioneers in hydrogen vehicles. Indeed, the test phase of its **fuel cell powered trucks**, the **"Xcient"**, has already started in Switzerland in 2020, **46 vehicles** have already been delivered in January 2021. These trucks, developed for transport between logistics centers and supermarkets, have two fuel cells of 95Kw each and a range of 400km. The Korean company even plans to import 1,600 units into Europe by 2025. The Asian company did not stop there and has just concluded the purchase of **"Boston Dynamics"** in order to use their experience in **robotics** to develop their skills in **autonomous driving**.

## Wind : -1.99%

Government proposals to achieve **"net zero emissions"** by the 2050 deadline could strongly support demand for wind power and therefore infrastructure. The number of megawatts installed could increase from **114GW** today to **400GW** by **2030** in our opinion. We believe this could prove to be a major advantage for wind energy manufacturers and installers. Governments must now enshrine these proposals in legislation that, once implemented, will act as a catalyst for growth for the various pure-play actors in the wind energy industry in our index. In our wind sub-index, the best performer of the month was the Chinese company **China Datang Corp (+19.39%)**, which generates electricity mainly by operating wind farms. The company's stock price rose on the back of a **+153%** increase in **revenue** over the previous year, well above consensus.

