NXG INVESTMENT MANAGEMENT

The Next Generation of Investment Management

Corporations Leading Renewable Adoption

May 2023

Corporations have been big adopters of renewable energy. Contracts signed in 2022 for firms to purchase renewable power increased 33% YoY[1] and NXG estimates the contracts were worth more than $2.8 billion[2]. American companies are leading but globally there are 407 companies that have committed to be 100% renewable[3]. We believe that the billions being spent by organizations adopting renewables validate the economic benefits of solar and wind power.

NXG Investment Management is dedicated to providing Next Generation investment strategies to investors seeking long-term growth in companies focused on a clean and sustainable future, as well as traditional and transformational infrastructure companies.

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Contracts Lower Price and Risk

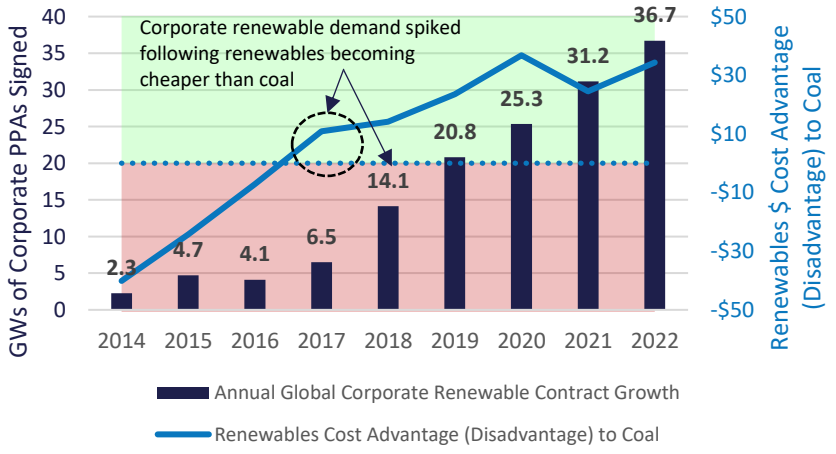
Typically, renewable power contracts are signed for 10 years at competitive rates. For the offtaker, long-term power contracts are an attractive way to lock in fixed costs and to improve their corporate sustainability. For the project's developer, contracts reduce risk and financing costs of building a renewable power plant with a 30-year lifespan. These contracts benefit both the user and the builder and allow for visibility for many years out.

Corporate decision making is usually led by economics, and this appears to be the case with renewable energy as well. **Corporate adoption spiked in 2018, after renewables became cheaper than coal in the US.** Renewable energy is seen as a way of lowering costs. ESG considerations are likely an added benefit of the decision to increase renewable energy usage.

Growing Corporate Demand for Renewable Energy

The United States is the largest market for corporate renewable adoption, as 55% of the long-term contract capacity signed in 2022 were in the US[4]. Adoption in the rest of the world is geographically diverse, with Spain, Australia, Brazil and Sweden as the other top 5 adopters[4].

Corporate Renewable Demand Growth Growing ~60% Annually[1]



Industry adoption is also spreading. Silicon Valley led early adoption, but in 2022, materials companies accounted for 19 of the top 50 corporate renewables offtakers followed by Communication and Consumer Discretionary[4]. Materials companies are generally very energy intensive and have low margins, so their adoption is a sign of the economic benefits of renewable power.

Corporations using 100% renewable power is in reach. The RE100 initiative is a group comprised of 407 companies that have pledged to be 100% renewable. 60 companies joined in 2022, including Hyundai and Samsung. Renewables demand from RE100 to meet their clean energy commitments requires 49% growth capacity growth[1].

We are bullish on renewable power demand as corporate demand will likely prove to be a leading indicator for clean energy.

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[1] BNEF. "1H 2023 Corporate Energy Outlook" 2/9/2023
[2] NXG, BNEF. Assumes 25% utilization and $35/MWh average price on BNEF's 2022 new PPAs signed.
[3] RE100 website. As of 5/15/2023
[4] BNEF Corporate PPA Database, as of 2/21/2023

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