

Blackfinch
Q1 Trading Activity

Sedgwick Trading



Sedgwick Trading Limited owns and operates 48 renewable energy installations across the UK.

Historically, new investments in solar and wind energy have benefited from government-backed subsidies. These include the Feed-in Tariff (FiT) and Renewable Obligation Certificate (ROC). The subsidies are inflation linked and guaranteed for 20 years. This helps to deliver secure and predictable revenues while mitigating risk and helping to preserve capital.

The UK renewable energy sector has seen rapid growth in recent years as the Government has made low carbon energy one of its main priorities. The UK's legal obligation to generate 20% of its energy requirements from renewable sources by 2020 has driven activity.

The Government is committed to its target of net-zero carbon emissions by 2050. It has also released proposals to reinvigorate the UK's economic and employment situation through a 'green recovery' following the coronavirus pandemic. This reflects the significant role that it expects the green sector to play for the UK economy in years to come.

Investment Highlights

In Q1 2021, Sedgwick integrated an operational 7 megawatt (MW) onshore wind project in the north of Scotland into its portfolio, following the acquisition in December 2020. The additional capacity is expected to provide power for around 4,300 homes and avoids about 6,500 tonnes of CO2 emissions. We have also moved to the pre-construction phase of an associated project extension to provide a further 4.7MW of capacity. Construction on the extension is expected to begin in Q2 2021.

The 7MW site is ROC accredited, while the extension will be built without a subsidy. The extension project is expected to produce enough power to supply a further 2,800 homes.

Sedgwick also completed the construction of a 6MW subsidy-free solar project in north Wales, and the site started generating and exporting power to the grid in Q1 2021.

Impact of Coronavirus Pandemic

On-site: During much of Q1 the restrictions on movement applied in England, although essential activity could continue without any significant disruption. The rules were also fairly restrictive in Wales, although this did not impact the construction of the solar site. Visits to repair or maintain solar installations on commercial rooftop installations continued almost normally. Remote monitoring also continued.

Fortunately, the impact on our ongoing wind and solar operations and generation on-site has been negligible. Small teams or individuals can carry out much of the work, observing social distancing as necessary.

Asset management: Our investment team continued working effectively from home as required. The situation has had no material impact on our ability to monitor the portfolio and engage with our technical teams and advisers.

Power prices have seen a significant improvement in Q1, enabling us to fix our project power purchase agreements (PPAs) at suitably high levels and in many cases at levels above the forecasted rates. Prices for most of our larger ROC-subsidised wind projects are fixed until summer 2022. The smaller generation projects benefit from the FiT Export floor price, although for most of our sites we have entered into more favourable 12-month PPAs at levels above the FIT export and look to fix the PPAs on the remaining sites at improved rates.

Existing Sedgwick Energy Portfolio

Asset	Technology	Location	Asset	Capacity	Year Acquired
Culworth	Solar	Oxfordshire	FiT	3.636	2014
Cotgrave	Solar	Nottinghamshire	FiT	4.983	2015
Palmersford	Solar	Dorset	FiT	3.042	2015
ASR1L	Solar	Various - 24 commercial rooftops	FiT	2.860	2016
Ferneylea	Wind	Berwickshire	FiT	1.500	2017
Dale Farm	Solar	County Derry	ROC	4.996	2018
Ark Hill	Wind	Angus	ROC	6.400	2018
Weeton	Wind	East Yorkshire - two sites	FiT	1.000	2018
Brotherton	Wind	Aberdeenshire	ROC	4.700	2019
Llwyndyrus*	Solar	North Wales	N/A	6.000	2019
Ventus	Wind	England and Scotland - 12 sites	FiT	3.560	2019
Gevens	Wind	Fife	ROC	6.900	2020
Bradley	Wind	Aberdeenshire	ROC	7.050	2020
Bradley 2*	Wind	Aberdeenshire	N/A	4.700	2020
				61.327	

* Bradley 2 is in the pre-construction phase and Llwyndyrus Solar Farm started operations during Q1.

Portfolio Highlights

We can view the portfolio's performance at a high level by splitting the wind and solar projects. Wind generation typically varies by season, with the summer months being least windy. However, generation can occur around the clock at any time of year. Solar is more predictable across the seasons, and times and limitations between day and night.

We commission technical specialists to create site-specific forecasts for generation prior to acquisition. We then track the actual performance against the expected generation on a rolling 12-month basis. The solar and wind sites within the portfolio are tracking at 8% above and 1.2% below expectations respectively.

Outlook

Sedgwick is currently negotiating the acquisition of an additional operational wind project. It includes a portfolio of five ROC-accredited wind turbines in Northern Ireland. Sedgwick is also actively engaged with a small number of leading developers who will be bringing new sites to market over the short to medium term.

We're currently reviewing further acquisition opportunities that we've been introduced to over the period. This forms part of an initiative to develop a proprietary flow of deals for the company that aren't circulated in the market. We continue to identify opportunities not normally accessible to individual investors.

In line with policy shifts in the sector, we will also be investing in subsidy-free projects and acquiring projects earlier in the development lifecycle.

IMPORTANT INFORMATION

Blackfinch Investments Limited (Blackfinch) is authorised and regulated by the Financial Conduct Authority. Registered address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales company number 02705948.
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