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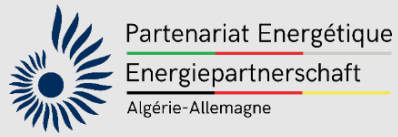
on the basis of a decision
by the German Bundestag

Business Climate Index of German Energy Companies Abroad

Exclusive result presentation for the survey participants

Developed on behalf of the Bilateral Energy Partnerships // 29 October 2020



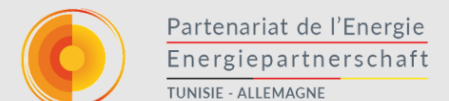
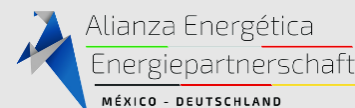


Survey within the framework of the Bilateral Energy Partnerships

When it comes to sustainable concepts for maintaining energy supply, Germany is a trendsetter, both in terms of its policies and the technology that it employs. The **German Federal Ministry for Economic Affairs and Energy (BMWi)** has made it its goal to promote Germany's approach in transitioning to clean energy as a role model on the global stage and to attract new partners. **A key element of the German Government's energy-related foreign policy strategy are bilateral energy partnerships.**

The **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)** GmbH advises and supports BMWi in the **implementation and conceptual development of the energy partnerships** with Algeria, Brazil, Chile, China, Ethiopia, Jordan, India, Morocco, Mexico, South Africa and Tunisia, as well as in the establishment of new dialogue structures with other developing countries and emerging economies.

The bilateral energy partnerships bring together **high-level intergovernmental dialogue** with **practical, goal-oriented project work**. **German private sector involvement is also an integral part of the partnerships.** The promotion of forward-looking energy concepts and private-sector innovation are thus strengthened worldwide and supported by the secretariats of the energy partnerships.



Online survey among German sustainable energy companies

Field time: **24 July – 17 September 2020**

Estimates on business situation and expectations: **124 answers**

Surveyed countries:

Africa

Algeria, Ethiopia, Morocco, South Africa, and Tunisia

Asia

China, Jordan, and India

Latin America

Brazil, Chile, and Mexico

Activation of the survey participants

- country secretariats of the project "Bilateral Energy Partnerships"
- the Chambers of Commerce Abroad (AHK)
- the German Solar Industry Association (BSW)
- personal contacts of the project "Bilateral Energy Partnerships" of GIZ Berlin
- personal contacts of the commissioned consultant
- Identification and contacting of company representatives over LinkedIn



Survey concept: Based on the ifo business climate index

The survey design is based on the **ifo business climate index**. This is based on two basic questions:

1. What is your **business situation**?
(good, satisfactory, bad)
2. What is your **business expectation** for the next 6 months?
(more favorable, constant, less favorable)

The Business Climate survey for the project "Bilateral Energy Partnerships" is based on **124 assessments for eleven countries**. The percentages of positive and negative reports on the two questions are netted. The **value of the current business situation** is the difference between the percentages of the answers "good" and "bad", the **value of the expectations** is the difference between the percentages of the answers "more favorable" and "less favorable". The **business climate is a transformed average of the balances of the business situation and the expectations**. The business climate balance can fluctuate between the extreme values of "-100" (all respondents assess the situation as bad or expect a deterioration in development) and "+100" (all respondents assess the situation as good or expect an improvement in development).

The business climate is calculated using the **values determined according to the following formula:**

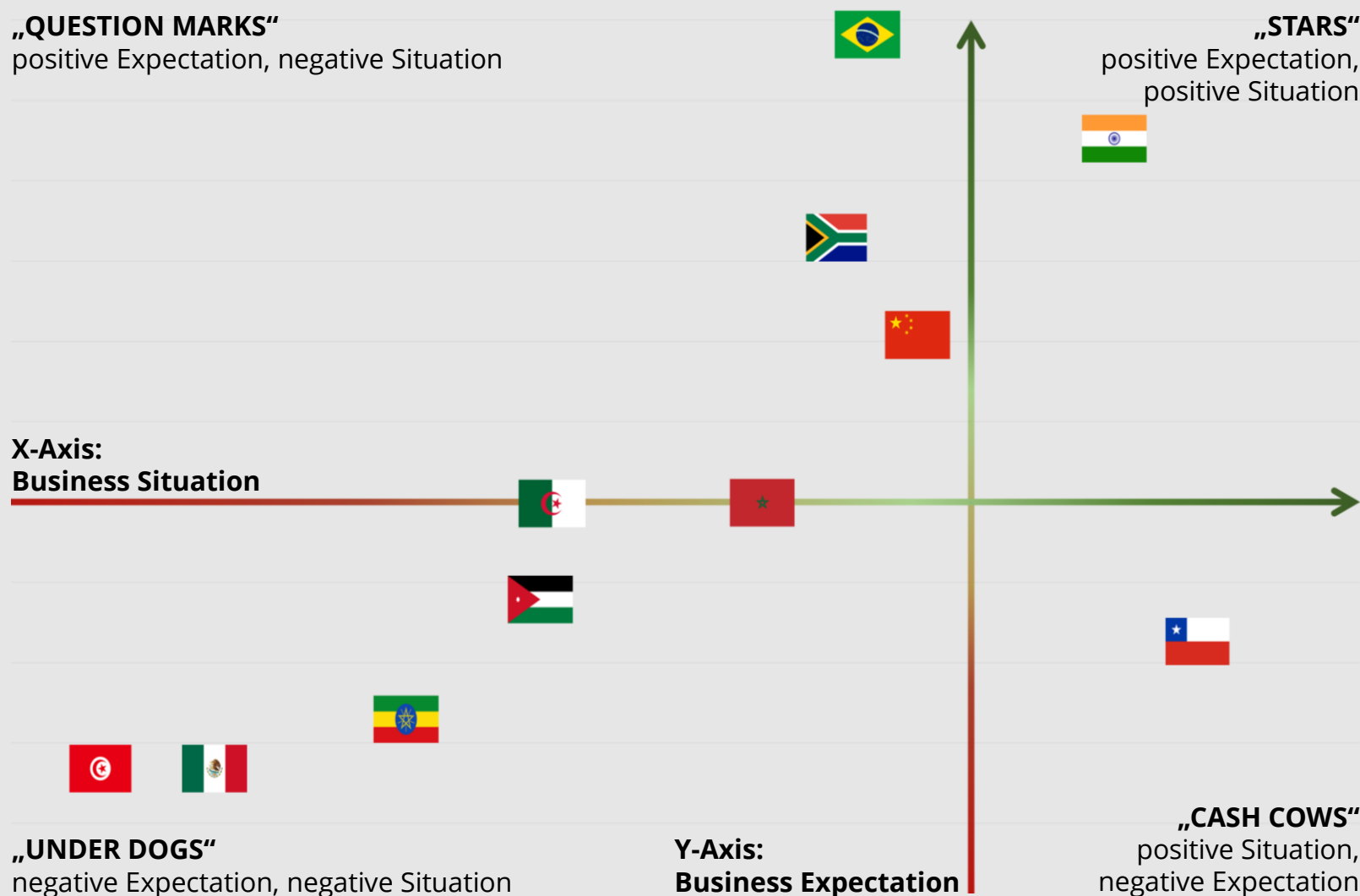
GK=Business Climate; GL=Business situation; GE=Business expectation $GK = \sqrt{(GL + 200) \cdot (GE + 200)} - 200$

Calculation for the business climate index using China as an example: $GK(\text{China}) = \sqrt{(-4,1 + 200) \cdot (20,8 + 200)} - 200 = 7,9$

Business climate for sustainable energy technologies

„QUESTION MARKS“

positive Expectation, negative Situation



The graph illustrates the results of the **survey on the business climate of German companies in the field of sustainable energy technologies in eleven countries.**

The calculated values for the **business situation** are plotted on the X-axis. Here it can be seen that **Chile and India have the most positive assessment** of the business situation.

On the Y-axis the values for **business expectations** were plotted. The outlook for the next six months is **most positive in Brazil and India**, followed by South Africa and China.

From this presentation, four fields result, which were titled here **in accordance with the BCG matrix.**

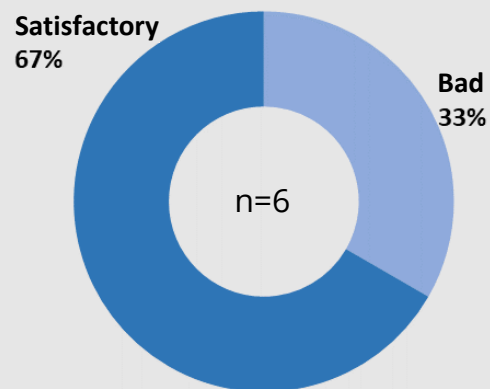
The comments show that it is not so much the pandemic situation as the **general (energy) political framework** that is shaping the business climate. In short: **Covid-19 seems to be already priced in.**

Country Profiles

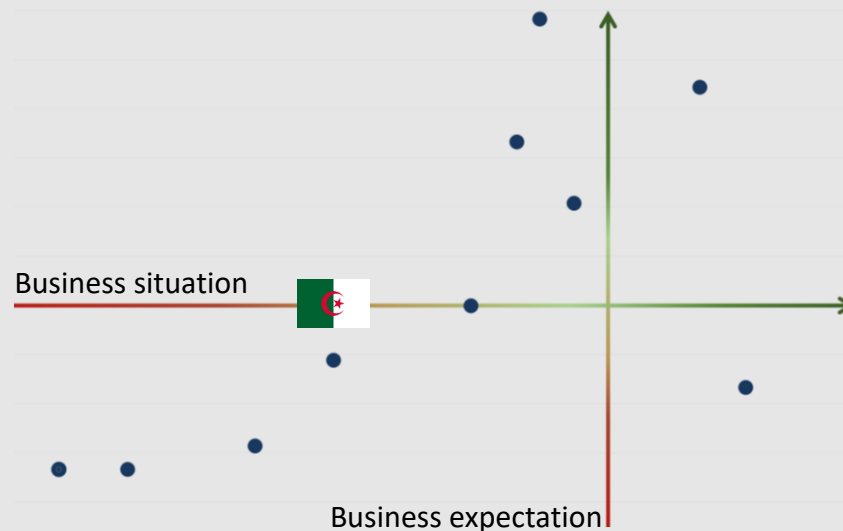
Algeria: Silent hope for market recovery



What is your business situation?



Business climate in comparison

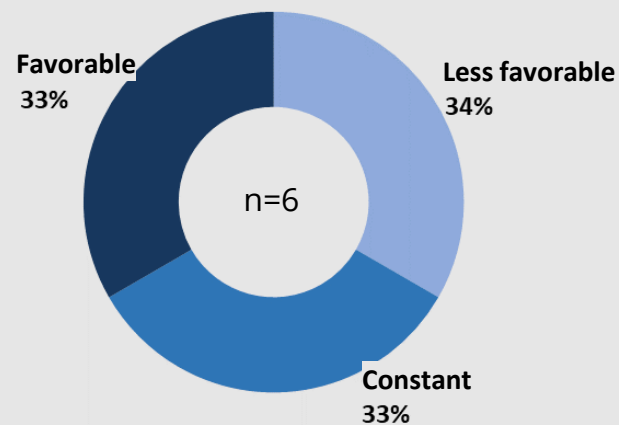


The business situation in Algeria is **mixed** according to the survey participants.

The reasons given are the interplay of **political crisis and pandemic situation**.

However, there is **some hope for a revival of the markets** for sustainable energy technologies.

What is your business expectation?



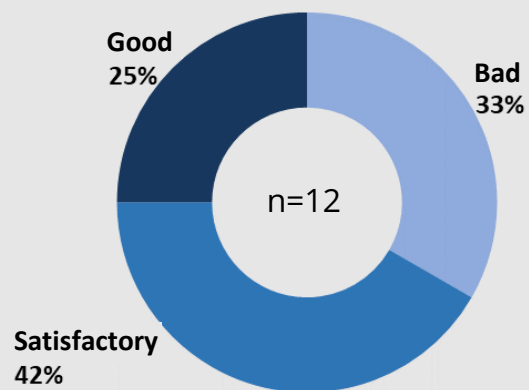
Selected comments

- "There is an **interesting and growing market**"
- "**Business is going quite well** because our company is carrying out an energy project with a public partner".
- "The business situation was worsened by the **Covid 19 crisis** in 2020, as this was added to a **political crisis** in 2019. This has slowed down the economy."
- "Efforts to develop a legal framework for renewable energy are not developing as planned".
- "The only problem is the **criterion of the lowest price**, which does not necessarily favor German technology, which is somewhat expensive on the world market".

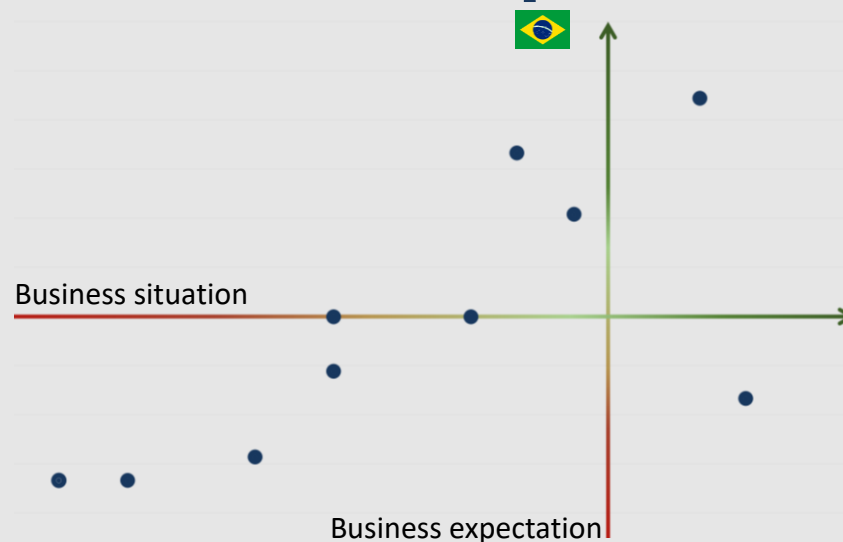
Brazil: Indications of a market upturn



What is your business situation?



Business climate in comparison

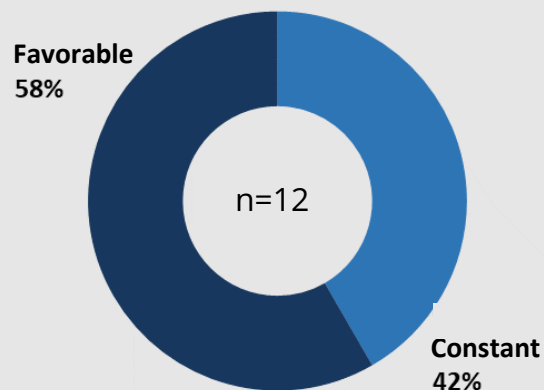


According to the respondents, Brazil has the **most positive business expectations** of the countries surveyed.

After all, 58% have a positive business expectation. Recently, the **demand for sustainable energy technologies seems to be on the rise.**

However, the country is still considered **challenging** due to political and structural aspects.

What is your business expectation?



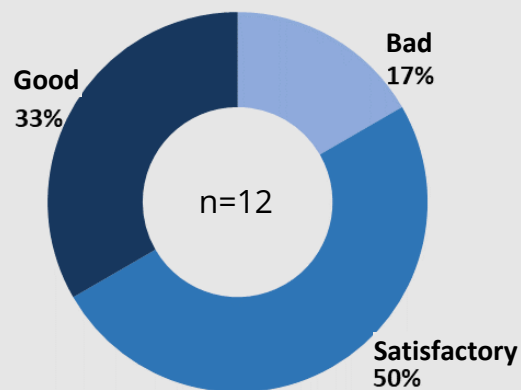
Selected comments

- "We are **currently experiencing an increasing demand.** But at a low level."
- "In the meantime, **business is picking up** and the business outlook is positive."
- Significantly below the level of 2019 but with **a strong upward trend in recent weeks.**"
- "**Sharp decline in sales.** The companies do not receive commercial visits, and the maintenance teams work with fewer staff and sometimes in the home office."
- "In our estimation, there are **currently few investments being made in BR** because of the **economic situation and COVID.**"

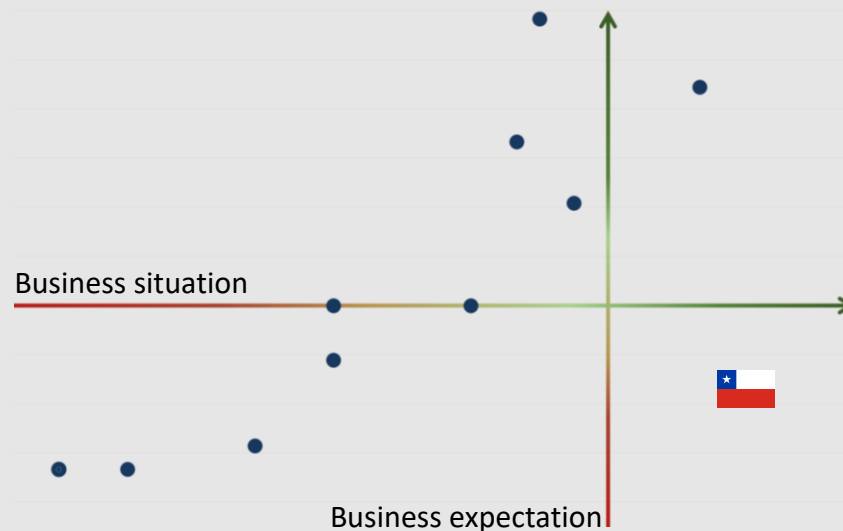
Chile: Good business situation, outlook clouded



What is your business situation?



Business climate in comparison

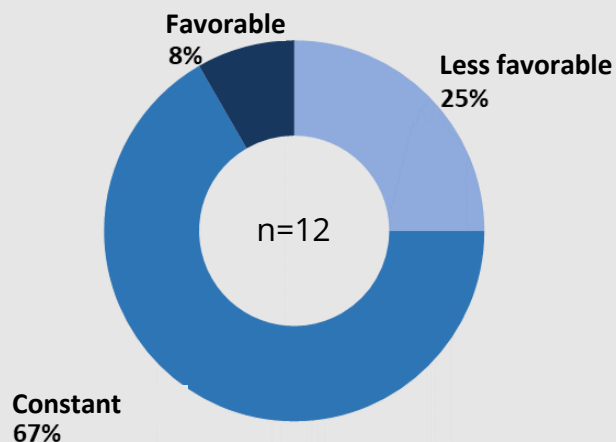


Chile has the **best business situation** among the countries studied.

However, in terms of **business expectations** in the field of sustainable energy technologies, the country is in the **bottom third**.

The effects of **social unrest, COVID measures and also regulatory obstacles** are the most frequently cited reasons.

What is your business expectation?



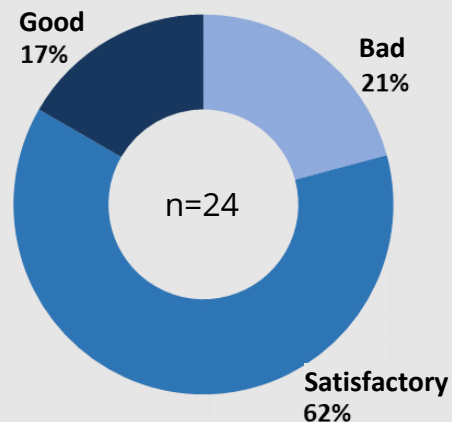
Selected comments

- "Interesting **RE projects are still being developed** and implemented in the country."
- "We are **currently building renewable energy projects** in Chile and assess the **long-term situation as good**. In the medium term we see problems in financing new projects."
- "Today there is **more uncertainty** about the effects of the social uprest and the pandemic. However, it is clear that **renewable energy is still a priority** for Chile."
- "The Chilean government has announced **a change in the regulation of PMGD** (small and medium sized producers)."
- "**Very low energy price**, which prevents further investment in generation projects"

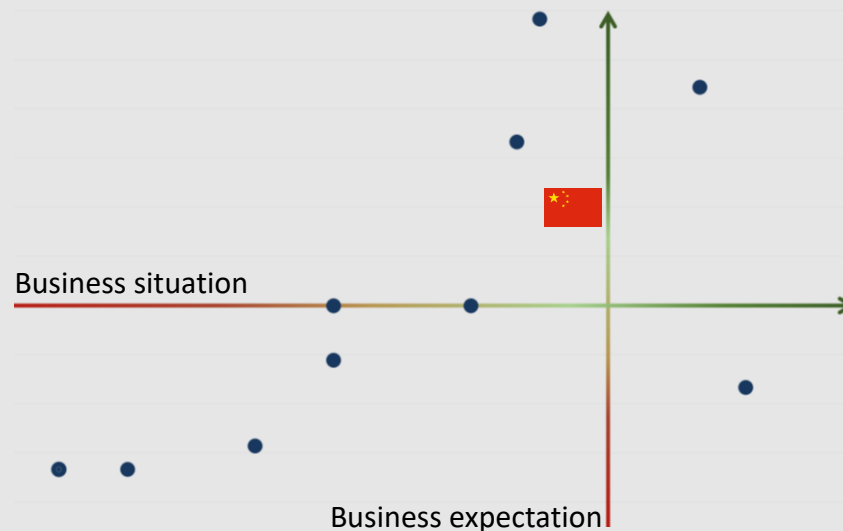
China: New tailwind for clean energies expected



What is your business situation?



Business climate in comparison



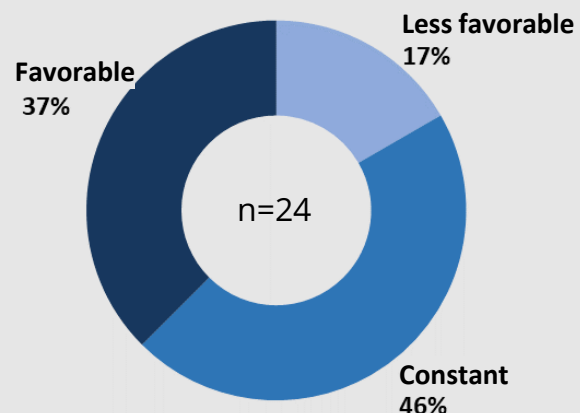
The business situation and expectations in China **are comparatively good**.

International business has slowed down in recent months.

Looking ahead, several participants emphasized the **positive signals from the government** in favor of sustainable energy technologies.

Others express doubts and complain about the **competitive pressure**.

What is your business expectation?



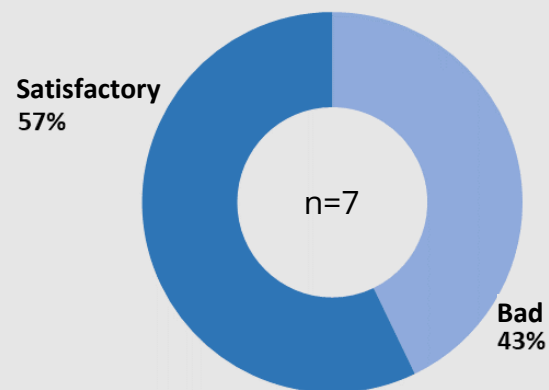
Selected comments

- "The current situation is **better than expected in crisis mode**, yet it cannot reach the status it had before."
- The government will provide **more support and incentives** for sustainable technologies."
- "Optimistic with the **government's roadmap for renewable energy** support, including biomethane."
- "We are concerned about the level of foreign participation in the clean energy market in China, and also about the **momentum of the energy transition**."
- "We are not doing anything more in China. **It is not economical for us**."

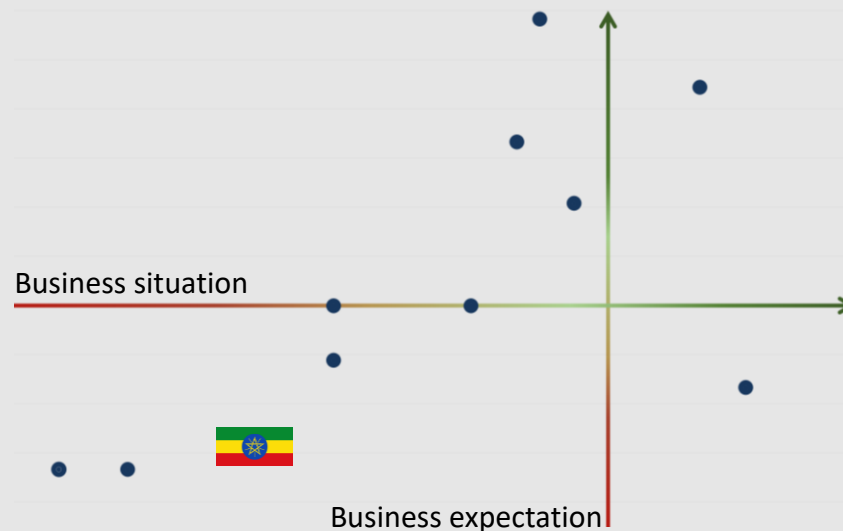
Ethiopia: Difficult situation and uncertainty



What is your business situation?



Business climate in comparison

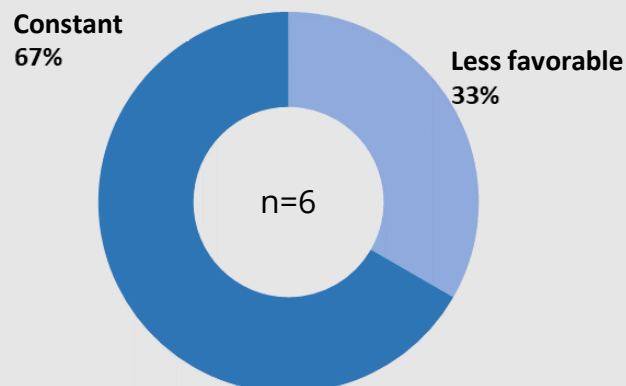


According to the respondents, Ethiopia is **one of the business climate tailights**.

Current reasons cited are the **tense political situation**, the pandemic and, last but not least, foreign exchange restrictions.

In addition, the survey participants* also point to the **low level of market transparency**.

What is your business expectation?



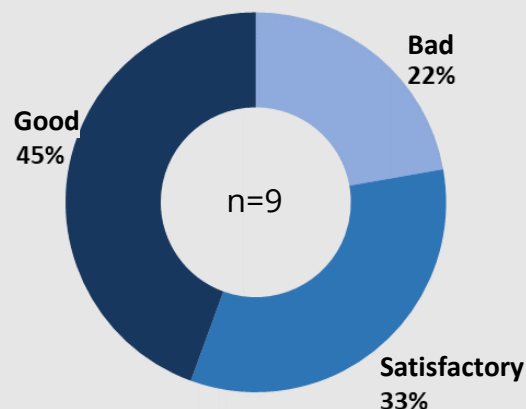
Selected comments

- **"Sales opportunities are very good**, but unfortunately import is extremely difficult due to **currency restrictions**".
- **"No access to foreign currencies** EUR/USD through our branch in Ethiopia."
- "Factual **standstill on the part of customers**, no availability. We do not expect any change from the **generally bad current situation**."
- "Business expectations will strongly depend on the **political progress in the unification of the country** and the Corona situation."
- "Business situation is challenging".

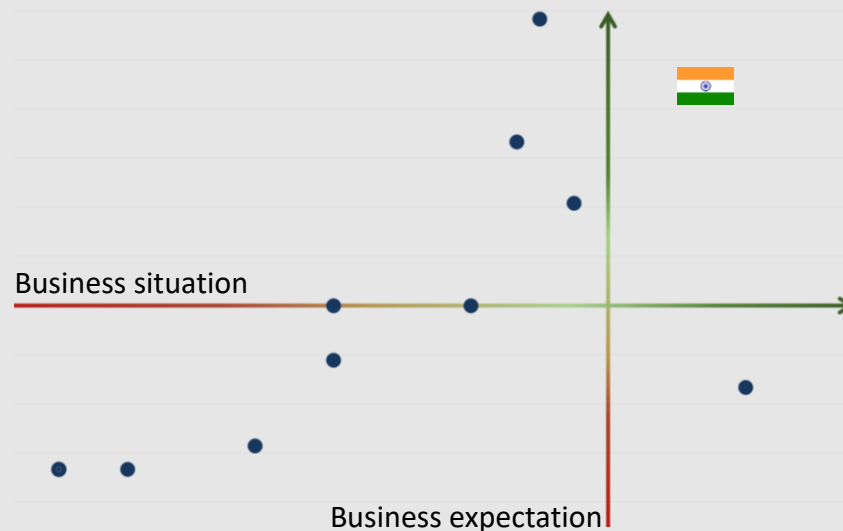
India: The best climate, market access uncertain



What is your business situation?



Business climate in comparison

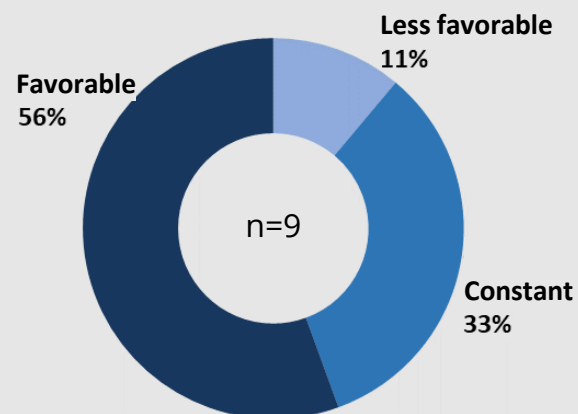


India has the **best business climate** of all the countries studied.

Sustainable energy technologies are on the **upswing**, even **though project implementation has recently been delayed**.

Some respondents are critical of the **price pressure and the protectionist measures** taken by the Indian government to protect the domestic industry.

What is your business expectation?



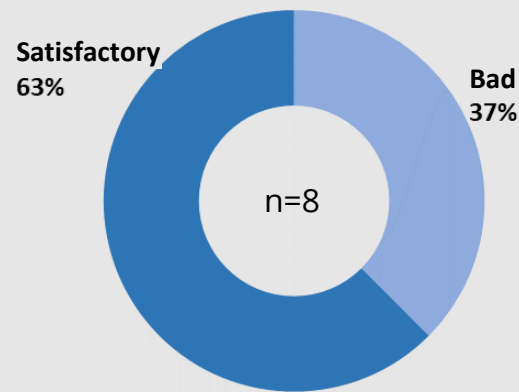
Selected comments

- "Under the current conditions, **we would have expected a worse outcome.**"
- "Despite the current business situation, the Ministry of Renewable Energy has launched **initiatives for a regulatory and support system for the renewable energy** sectors."
- "Since the **cake is growing overall**, there could be a segment that is willing to pay a small price premium."
- "There are almost **no decisions being made at the moment** and without meetings it is difficult to continue the project."
- "Business is challenging due to the presence of several local **low cost suppliers** and the **20% import tax**".

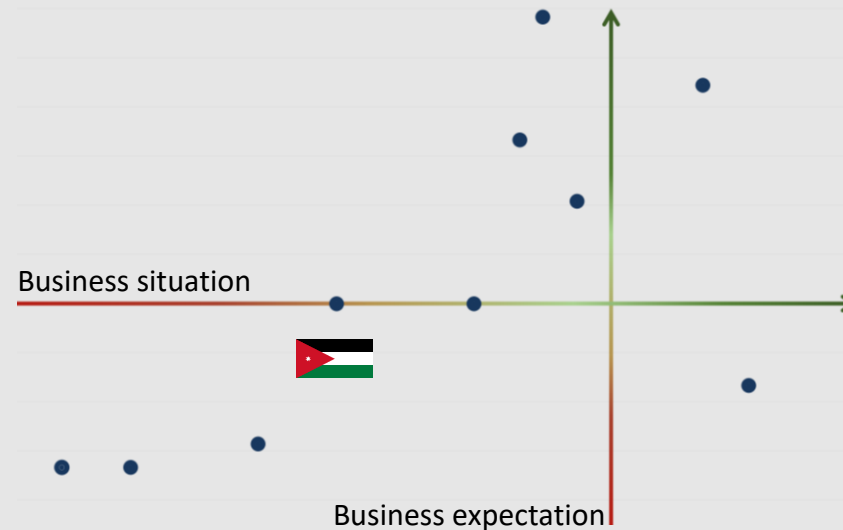
Jordan: Renewables slowed down, hope remains



What is your business situation?



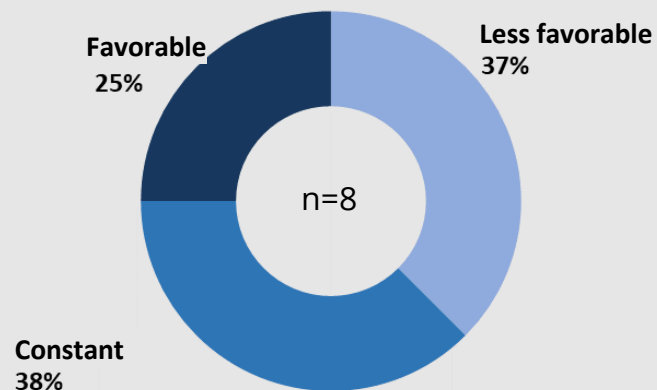
Business climate in comparison



COVID crisis, economic crisis and limitation of the expansion of renewable energies lead to a **rather weak assessment of the business situation** in the energy sector in Jordan.

However, some participants expect an **improvement of the business situation in the coming months**, e.g. for applications in the agricultural sector.

What is your business expectation?



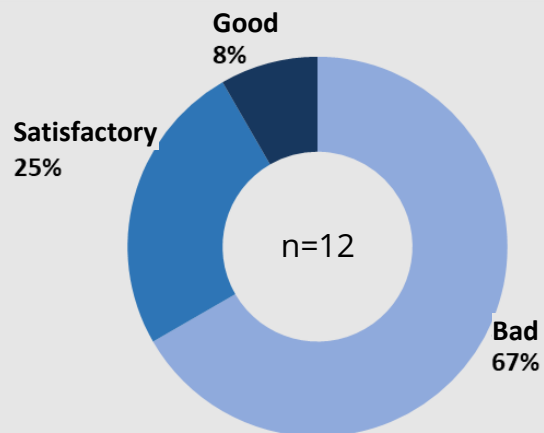
Selected comments

- "Covid crisis and regionally low oil prices - resulting in a **regional slump in economic output** - will cause the business climate in Jordan to deteriorate."
- "Most large **PV projects will no longer be realized.**"
- "According to the outlook published by the Ministry of Energy at the beginning of the year, **photovoltaics will be limited to an average of 80 to 100 MW per year.**"
- "**Industrial projects very difficult due to the economic situation** - even before COVID-19."
- "The pandemic has improved outlook for renewable energies. Even **the government's interest in renewable energies has increased recently** and shifted to sustainable solutions, especially for the **agricultural sector.**"

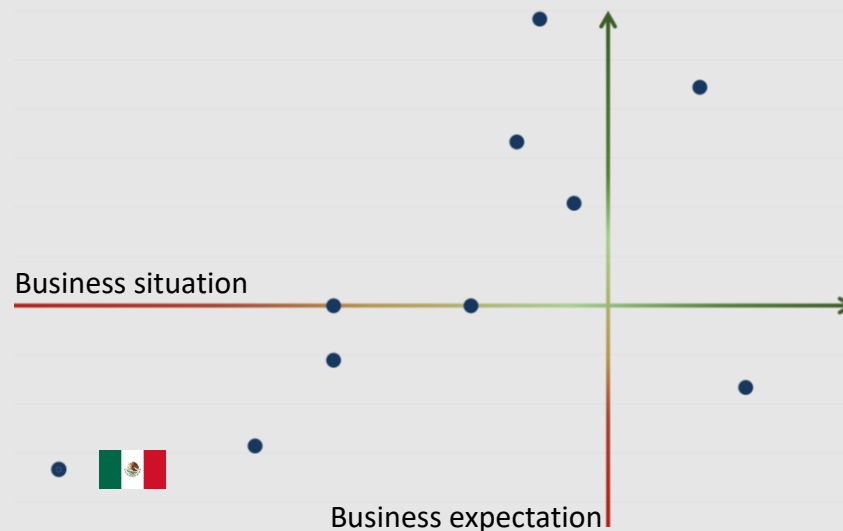
Mexico: Renewables in times of policy changes



What is your business situation?



Business climate in comparison

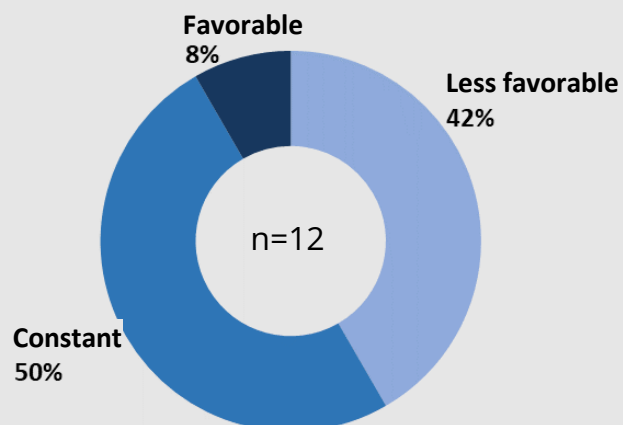


Mexico is **one of the laggards** in terms of business situation and business expectation.

Many of the respondents' comments focus on **the country's energy policy**, shifting from renewable energies and toward fossil energy sources.

On the other hand, **some companies report that business activity is slowly picking up** after the Covid19 measures.

What is your business expectation?



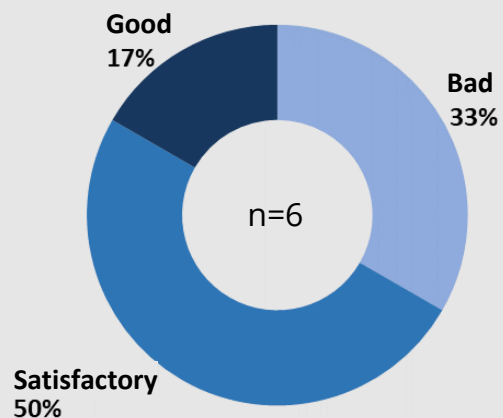
Selected comments

- **"Political uncertainty** over the energy reforms."
- **"The RE market has shrunk considerably and has become uninteresting for us."**
- **"We see a lot of potential, but the general uncertainty** (Covid, government) and lack of competitive financing make it difficult to work. So you have to have staying power. We have been **very cautious** before and will continue to be so."
- **"The first companies are waking up from the "corona freeze"** again - fortunately."
- **"We are currently building a project** and the next project is already in sight."

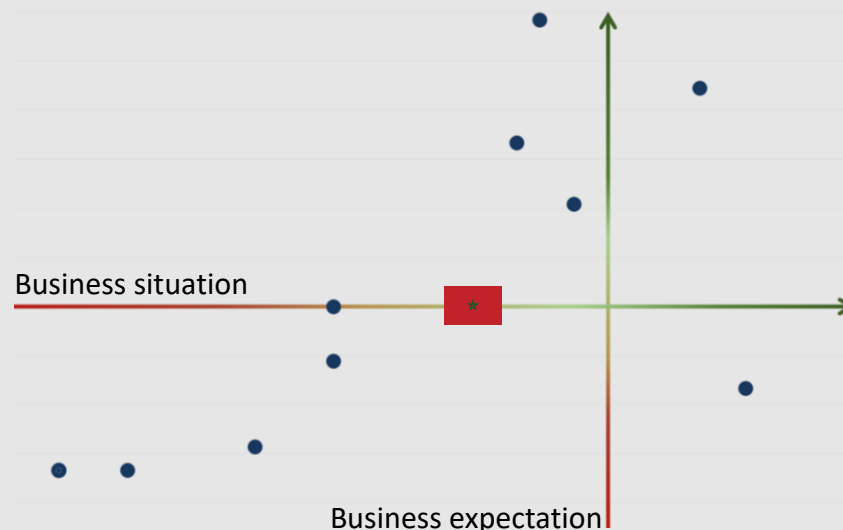
Morocco: Few projects, but opportunities in sight



What is your business situation?



Business climate in comparison

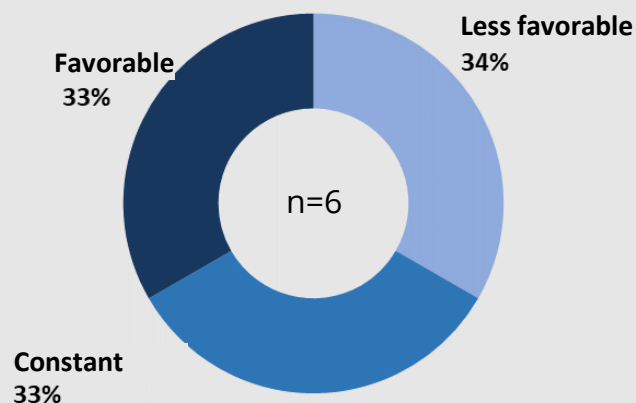


Morocco is in the **center field** of the surveyed countries - there are certainly **companies that assess the business climate positively**.

At present there are **few renewable energy project opportunities**

Furthermore, **structural problems** such as payment issues and cheap **industrial fuels** continue to be important.

What is your business expectation?



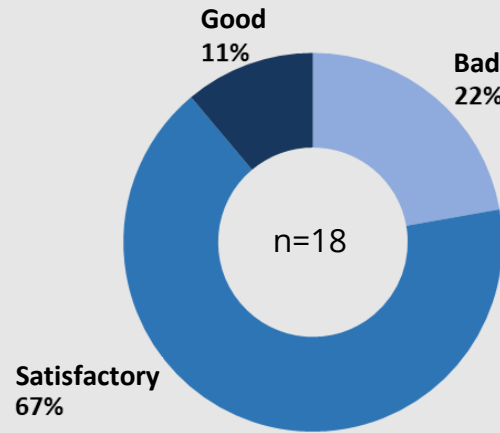
Selected comments

- "Since **no projects are coming up**, our presence in Morocco is of little use to us."
- "**Few new projects** in the field of renewable energies."
- "Very volatile, the problem are not paid invoices."
- "**Industrial fuels are very cheap.**"
- "There are some **opportunities at the level of public institutions** to carry out activities. Furthermore, good expertise in the field of sustainable energy technologies in government bodies."
- "**constant demand / slightly increasing** with good order situation"

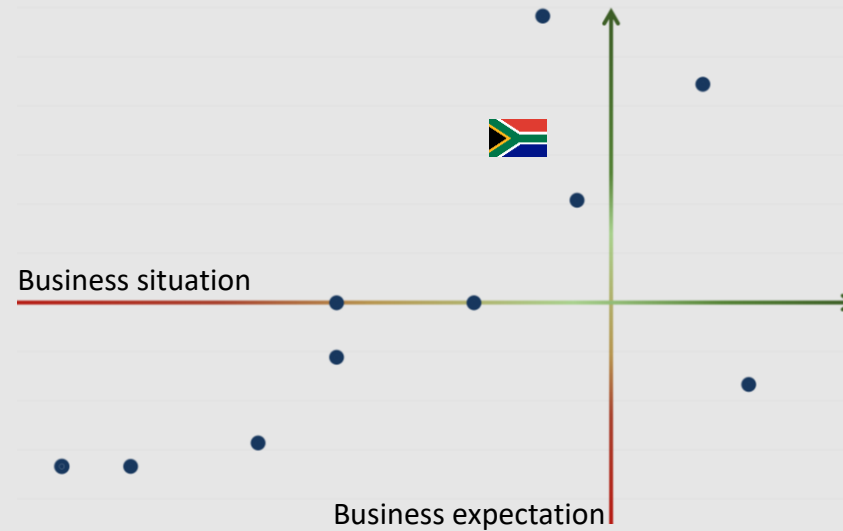
South Africa: Good market potential, difficult framework



What is your business situation?



Business climate in comparison

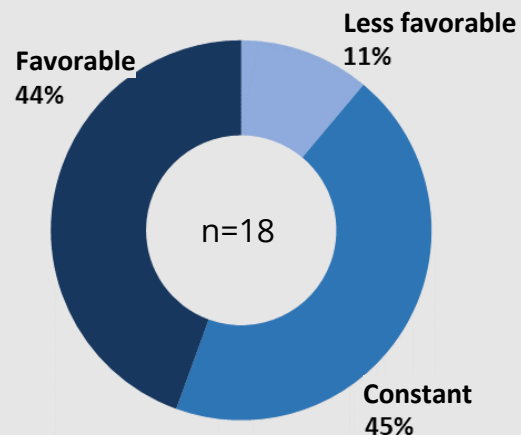


The respondents assess the potential for sustainable energy technologies in South Africa **positively, when compared to other surveyed countries.**

Opportunities for direct supply arise from the **frequent blackouts** in the country. There are numerous **business opportunities** in this area.

Quite some comments focused on the **political framework conditions**, especially with regard to the government's renewable energy policy.

What is your business expectation?



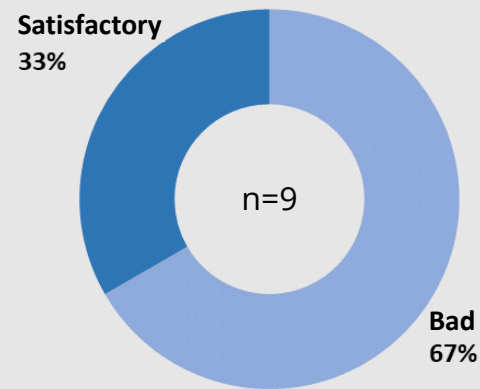
Selected comments

- "In principle, the **business situation and the opportunities in South Africa are satisfactory.** The Corona situation has a negative influence on our activities on site."
- "**Business is better than expected** after lockdown, **volatile currency** reduces profitability."
- "We have **not yet signed enough contracts**, but **many opportunities.**"
- "Renewables are not so extremely linked to the economy - **power outages are the market driver for renewable energies.**"
- "**Long delay in the renewable energy program.**"

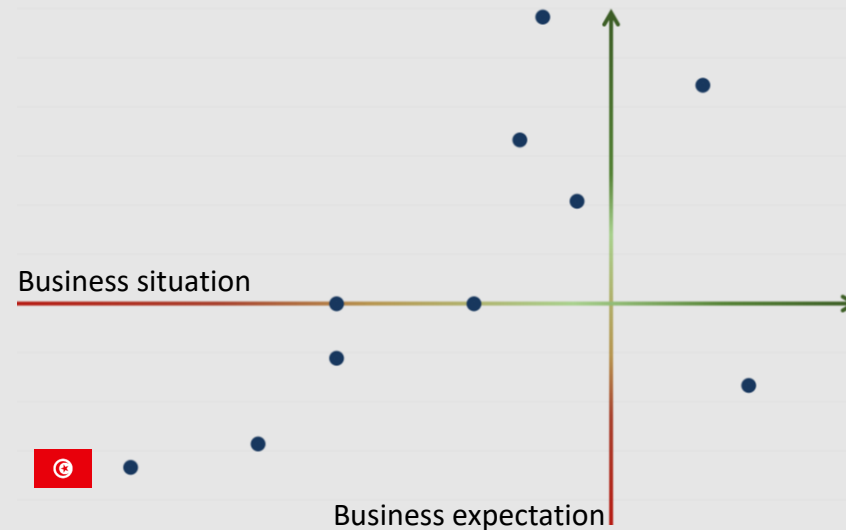
Tunisia: political environment clouds business climate



What is your business situation?



Business climate in comparison

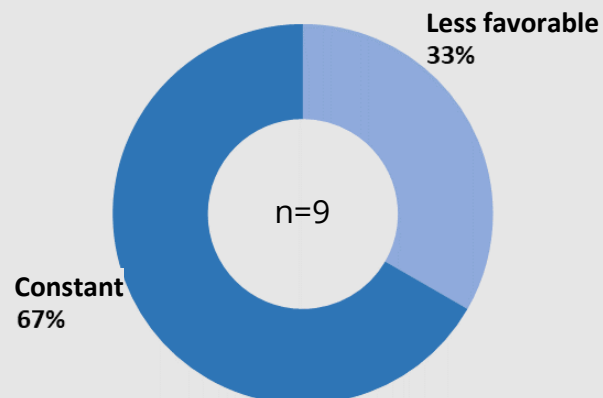


Tunisia is the **business climate taillight**, according to the survey results.

The **business situation is viewed negatively**, due to structural aspects and the Covid19 crisis.

Business opportunities can apparently arise in **commercial and industrial self-consumption**.

What is your business expectation?



Selected comments

- "It **will be very difficult to install a single MW** in the next six months."
- "No possibility for German companies to obtain public contracts in Tunisia."
- "Covid slows activities in Tunisia."
- "We have **several customers** for commercial and industrial photovoltaic systems."
- "**Demand is constant and secure** with reliable partners."
- "Competition is so fierce that the **prices** for a certain product range are too low."

Vielen Dank & Thank You!

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