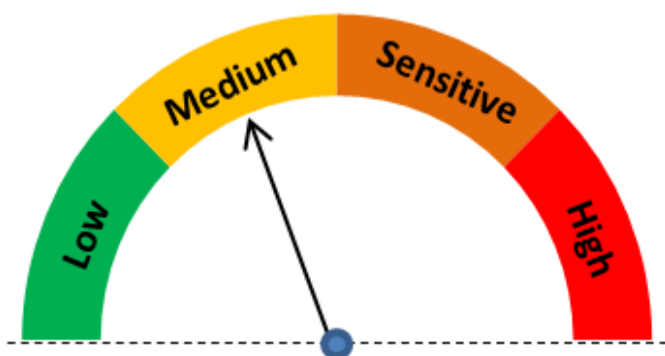


Sector Risk Rating



What to Watch?

- Slowing economic growth in emerging markets, implying a lower demand for energy
- Technological innovations making better energy efficiency possible
- Volatility of fossil fuels and electricity prices
- Impact of new regulatory regimes across the energy sector

Emerging Countries' Power Generation Is Losing Momentum

In 2015, world electricity production will grow by +2.7% (after averaging +2.6% between 2008 and 2013) in line with the expected economic growth with which it is usually highly correlated. However, it remains difficult to get a right view on the global electricity sector as there are as many power markets as there are countries.

Electricity production is an illustration of the current slowdown in emerging markets. While power generation remained flat in OECD countries between 2008 and 2013, it soared in Brazil, India, China and their emerging peers over the period. In 2015, the tide is turning: the BRICS should see electricity production growth slowing down to +4%, in line with their economic growth, decreasing by 0.5pp compared to 2014. This will nevertheless still outstrip the +2% growth expected in advanced economies.

In addition, sluggish demand, coupled with lower fuel prices, is likely to hit the bottom line of energy firms in emerging markets. In that context, small companies will be most severely impacted while key players continue to benefit from strong government support.

Electricity production growth (in volume)



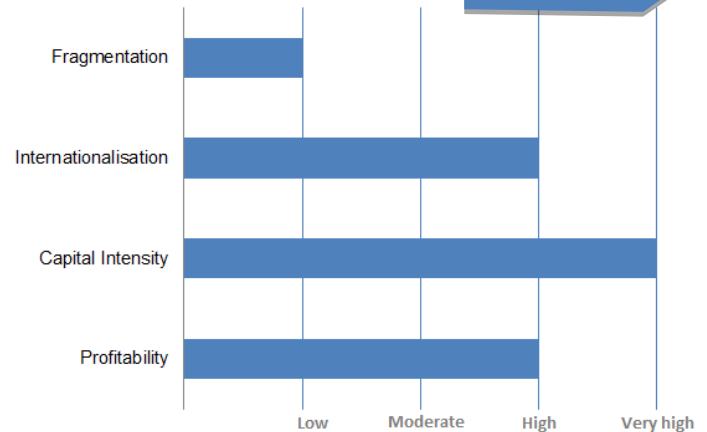
Sources: Enerdata, Euler Hermes

Sector Value:
6,822bn
USD

Key Players

Country	Role	Sector Risk
United States	#1 producer	●
China	#2 producer	●
Japan	#3 producer	●

ID Card



Strengths

- Global energy market enjoying structural growth
- Electricity increasingly indispensable as a source of energy
- Long term growing demand of electricity in emerging markets

Weaknesses

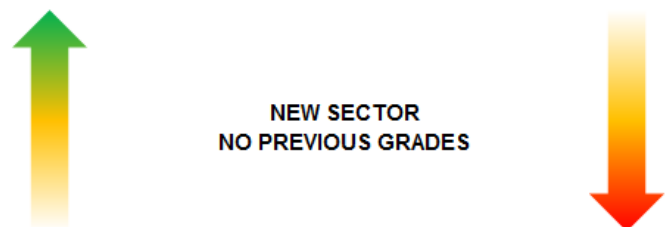
- High cost of electricity transport
- Sensitivity to the evolution of fossil fuel prices
- Rising awareness of coal and nuclear fallout
- Environmental costs to be accounted for

Subsectors Insights

Coal: It is still the inescapable fossil fuel for producing electricity in several countries such as India despite growing concerns over pollution.

Renewable sources: Although they have been largely subsidized for producing electricity in countries especially across Europe, companies have not proved really profitable yet.

Recent Sector Risk Changes



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