NextEnergy Solar Fund
(NESF LN)

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20 April 2026

Price (p)	**45.80**
Shares in issue (m)	575
Mkt Cap (£m)	263
Net debt (£m)	0
EV (£m)	263
NAV (p)	84.9

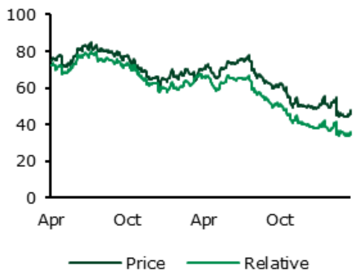
Share price performance	
1m	2.3%
3m	-7.3%
12m	-34.9%
12 m high/low	78.6/43.3
Ave daily vol (30D)	2,847,391

Shareholders (Bloomberg)	
Hargreaves Lansdown	14.8%
Interactive Investor	10.3%
Valu-Trac Investment	6.5%
Gravis Advisory Ltd	5.9%
Artemis Investment	5.8%
AJ Bell Securities	5.8%
Investec Plc	5.1%
Prudential Plc	4.6%
Legal & General Grou	4.1%
Privium Fund Mgt.	3.9%
Total for top 10	66.8%
Free float	98.8%

Next news Finals Q1

Business description

Solar and battery investment trust



Research

Adam Forsyth
adam.forsyth@longspur.com
+44 (0) 131 357 6770

Max Campbell
max.campbell@longspur.com
+44 (0) 7900 206039

Distribution

Adam Robertson
adam.robertson@longspur.com
+44 (0) 203 940 6602

CPS Removal Impact Minimal

We think the removal of the Carbon Price Support (CPS) tax from April 2028 will have minimal impact on NESF. While the fund has estimated a hit to NAV of 0.8p to 1.9p per share we think there are some mitigating factors. With a tightening power market and potentially higher UKA prices if linkage with the EU goes ahead, the impact could easily be partly or fully offset.

CPS to be Removed from April 2028

The government has announced that it will remove Carbon Price Support (CPS) from April 2028. CPS has been in place since 2013 and is a tax on fossil fuels used in electricity generation. For gas generation the CPS is set at £3.31/MWh against a winter 2028 seasonal forward electricity price of £70.0/MWh. The current UK Emissions Trading Scheme (ETS) UKA price is £40.5/tCO2e which we estimate at £13.7/MWh for a CCGT. Its removal changes the price difference between fossil fuel electricity and renewable or other low carbon electricity. With gas fired generation setting power prices it could have a deflationary impact on prices although this is currently offset by the higher price of gas following the war on Iran. While gas prices have fallen back following the cease fire and at one point were below the January high price, the forward curve still suggests they will not completely return to pre-war levels.

Potential Mitigation in EU ETS Linkage

The ETS remains in place and removal of the CPS has been justified on the basis that the ETS is now a mature scheme. Importantly the linkage of the UK ETS with the EU ETS, currently under formal negotiation, could largely mitigate the removal of the CPS with implementation of the linkage expected on a potentially similar timeframe and EUAs currently trading at €74/tCO2e.

Electricity Market in 2028 Likely to be Tighter

The removal of the CPS also only impacts merchant price exposure. For NESF, the feed in tariff and ROC supported revenues will be immune from this change. While there is some remaining merchant exposure, against a more tightly supplied market in the latter quarter of the decade and potentially higher electricity demand from heat pumps, EV charging and data centres we think the overall impact could be minimal.

INVESTMENT SUMMARY

NextEnergy Solar Fund (NESF) stands out from the UK renewable yieldco pack in three distinct ways, each one of which adds value in terms of dividend payability and reduced risk.

- Innovative financing through a simple preference share structure which has the effect of non-amortising debt with non-cash repayment.
- Efficient asset management through an outsourced relationship leading to lower operating costs and a track record of output outperformance.
- An ability to offer efficient reinvestment-based growth through repowering and storage opportunities.

NESF is the highest yielding UK renewable yieldco, yet the above characteristics suggest low risk and higher returns in the long run. The new dividend stratetgy allows cash returns to fund future growth while retaining an attractive yield.

BULL POINTS

- Low operating costs and strong output delivered by the WiseEnergy relationship
- Low cash finance costs as a result of the preference share financing
- Continued growth opportunities in site repowering and in energy storage

BEAR POINTS

- Power price uncertainty
- Size and liquidity

VALUATION

The fund is at a discount of 44% to its NAV against a sector range of 21% to 44%. Yield is at 17.7% against a range of 9.3% to 17.7%.

RISKS

Wholesale electricity price risk is a key factor across the sector although our analysis shows that NESF can continue to pay its current level of dividend despite a substantial fall in power prices. Additionally an energy sales desk manages pricing risk on a day to day basis. Regulatory change related to the impact of pricing on investment is also a risk factor as are general output risks from equipment failure or other factors.

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Longspur Research	Longspur Capital	Longspur Capital
10 Castle Street,	20 North Audley Street,	Strawinskylann 6,
Edinburgh. EH2 3AT	London. W1K 6WE	Amsterdam. 1077 XZ
UK	UK	The Netherlands