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Recognising the power of cleantech

By Nigel le Quesne

The cleantech investment sector started with much fanfare and goodwill, yet in recent years the initial excitement did not realise its potential in the institutional investment markets. Now, cleantech is back in earnest and the indications are it will remain a key sector. To paraphrase US Secretary of State John Kerry and Secretary General of the United Nations Ban Ki-Moon - there is no planet B - the time for action is now.

Recent figures reflect the winds of change in cleantech with a surge of investment in the industry. According to PwC's 'Cleantech MoneyTree Report: Q4 2014' which covers agriculture and bio products, energy efficiency, smart grid and energy storage, solar energy, transportation, water and waste management, wind and geothermal, and other renewables, 'investment in cleantech in the fourth quarter of last year totalled \$521 million and the sector received \$2.0 billion in 2014, 39% more than 2013. This quarter's funding represents a 25% increase in funding year over year and a 29% increase in funding compared to the third quarter of 2014.'

Growth drivers

The reasons why this sector is growing are various but include greater global harmonisation both politically and culturally on the socio-economic benefits of cleantech energy – such as the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, towards reducing emissions by 2050 – with governments, institutional investors and corporates all now focusing on what cleantech can offer. Another factor is the importance of technology in supporting and growing cleantech. Technological change is accelerating progress, leading to greater commercial viability for solutions within the clean energy arena.

The sector's future potential looks bright too. Analysts at Bloomberg New Energy Finance forecast that \$5 trillion of an estimated \$7.7 trillion of global energy investment could be spent on renewables by 2030. Moreover, it is estimated that this will encompass both large scale projects and life-changing access to residential-scale power for the world's poorest communities.

A global climate change

A key driver in accelerating the pace of change within cleantech is the action of governments worldwide in the face of a rapidly shortening timeframe in which to achieve the Kyoto objectives.

The E&Y 'Renewable Energy Country Attractiveness Index' (RECAI) ranks the attractiveness of 40 nations for investment in renewable energy generation infrastructure. The UK is ranked seventh, behind China in first, then the US, Germany, Japan, Canada and India.

China's ranking as the leading nation for investment attractiveness in cleantech is not only important for the influence this nation holds domestically but also its influence with key global economic partners for export markets, plus its investment in other markets (especially emerging markets like Africa and Latin America). Governments are changing their attitudes and becoming socially responsible, with developing countries and small governments increasingly grasping the agenda.

Africa is a key example as recognised in the report, *Jersey's Value to Africa*, with improvement in infrastructure an area which will create potential for growth across Africa. Of the 25 countries in the world with the worst infrastructure, 16 are in Africa. Africa's largest infrastructure problems are in the power sector. According to the US Agency for International Development, 70% of the population of sub-Saharan Africa is without access to electricity. Therefore improvements through investment are vital for any sustainable growth to occur in Africa. Some African countries are addressing this and in the RECAI report South Africa is ranked

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16th and Kenya is ranked 36th as attractive countries to invest in renewable energy generation. Countries willing to embrace a new approach to energy provision can also benefit economically and socially by attracting global investment.

An example of a government embracing cleantech opportunities and the added socio-economic benefits it can bring, is the wholly-owned subsidiary of the Abu Dhabi government-owned Mubadala Development Company. In 2008, Masdar City broke ground and embarked on developing the world's most sustainable eco-city. Through smart investments, Masdar City is successfully pioneering a 'greenprint' for how cities can accommodate rapid urbanisation and dramatically reduce energy, water and waste, in conjunction with the city's research university seeking solutions in energy and sustainability.

Investment in cleantech

There is a movement amongst institutional investors to become more active in this area too, lobbying governments to take action on climate change and influencing corporate behaviour. Whilst just a few years ago, performance was the key driver for investment in cleantech, now institutional investors are aligning their investments with energy technologies for the future. They are more aware and active around embedded carbon related risks in their portfolios, even disinvesting non-renewable energy assets classes.

This trend is reflected in PwC's Cleantech MoneyTree Report with venture investment showing strong growth in 2014, increasing 39% compared to 2013 and cleantech investment for late stage opportunities having increased year over year by 28% to \$496 million. The solar industry had an outstanding year, with funding surpassing 2013 and 2012.

All of this is influencing corporate behaviour, with many cleantech-aware companies active in driving investment, especially in the technology sector. All of Apple's data centres are powered by 100% renewable energy sources. Google has committed more than \$1.8 billion to renewable energy projects, including wind and solar farms on three continents and contributing to a SolarCity fund valued at \$750 million, the largest ever created for residential solar.

Solar, wind and tidal energies are now more viable and have greater certainty attached to them, gaining more 'grid parity' alongside other forms of energy.

Meanwhile, traditional barriers deterring institutional investors from cleantech investment in the past, such as huge initial capital spend, uncertainty of returns and length of investment cycle, are being eroded by technology developments.

Importance of technology

In the last few years the digital sector has also recognised the importance of cleantech and the combined power of these industries are complementing each other and driving change, growth, innovation and investment opportunities.

Initiatives such as Cleanweb, address resource and sustainability challenges with connected ICT such as energy monitoring systems, helping people network around local food, green technology or online tools for sustainability. Distributed Generation is also moving to the forefront of corporate consciousness and the needs of today's economically and environmentally minded companies. Distributed Generation (DG) refers to power generation at point of consumption. Generating power on-site, rather than centrally, eliminates the cost, complexity, interdependencies and inefficiencies associated with transmission and distribution. Like distributed computing (i.e. the PC) and distributed telephony (i.e. the mobile phone), DG shifts control to

the consumer. Solar is a popular DG option and other DG initiatives such as Bloom Energy Servers can produce all year around. This can give access to clean energy to bespoke communities through projects that are much smaller in scale, allowing the end user to participate in technology that would not have been available to them. Increasingly, opportunities like this are fitting institutional investors' investment criteria far more readily than traditional investments.

Jersey: a cleantech centre of excellence

Jersey is a key location globally in the private equity and infrastructure sectors and is equipped to support cleantech investors and help sustainable investment funds manage for growth, with professional service providers who have specialist knowledge in all aspects of cleantech investments. Jersey also has the entrepreneurial dynamic and sophisticated technical expertise required to drive technological developments in cleantech.

Major players have been in Jersey for some time, including Renewable Energy Generation Ltd (listed on AIM) who develop, construct, finance and operate onshore renewables projects in the UK split across three main sectors; onshore wind, bio-mass and solar. The Foresight Group, a leading independent infrastructure and private equity investment manager, has over £1.3 billion of assets under management with one of the UK's leading solar infrastructure investment teams and is listed on the main market of the London Stock Exchange.

Driven by governmental action, in tandem with the shifting attitudes of institutional investors and corporates – and made possible by technology developments – cleantech will gain importance as an asset class over the next 20 years. Jersey has all the attributes to position itself as a centre of excellence for cleantech, being a leading IFC with world class alternative funds expertise, committed to a digital economy, engaging with those set to lead cleantech growth (e.g. China, Europe, India, GCC, UK and Africa) and supported by Jersey Finance initiatives.



Nigel le Quesne



Nigel le Quesne is the Group CEO & Chairman of JTC.

Nigel has been instrumental in significantly growing JTC over the last 23 years. Drawing on extensive experience gained from roles as diverse as personal trustee through to directorships of quoted companies, he provides strategic leadership and management for all areas of JTC's operations, as well as developing the people he works with.

Nigel has been named as one of the top 20 trustees internationally in the Citywealth Leaders List 2013 and has been recognised as a leading 'Trustee of the Year' in the 2014 Citywealth Magic Circle Awards.

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