

Investing in Clean Energy (1): The institutional perspective

The Australian institutional investor perspective

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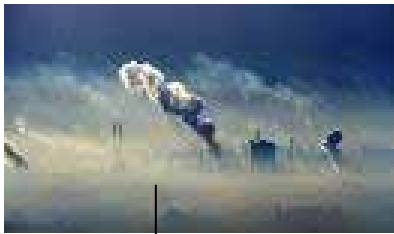
Topics we'll cover

- About VicSuper
- Why clean energy?
- VicSuper's energy investments
- Challenges with clean energy investing
- Carbon reporting (EBITDA per tonne of CO₂-e?)

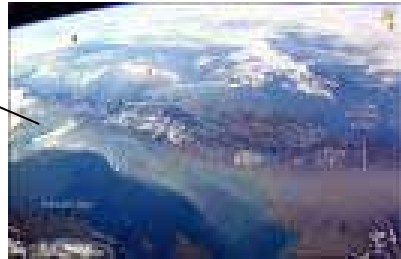
A bit about VicSuper

- not-for-profit organisation with a sole focus on superannuation
- low fee, no commissions
- anyone can join
- fund assets of over \$6.5 billion and over 239,000 members (as at 30 September 2009)
- commitment to education
- sustainability is our central operating principle

Why clean energy (1)?



Impact on ecosystem services (flow)



Loss of amenity value

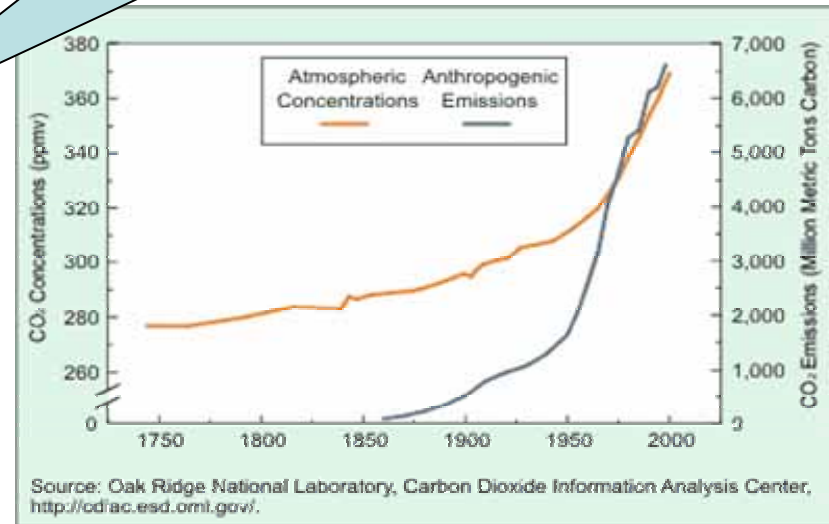
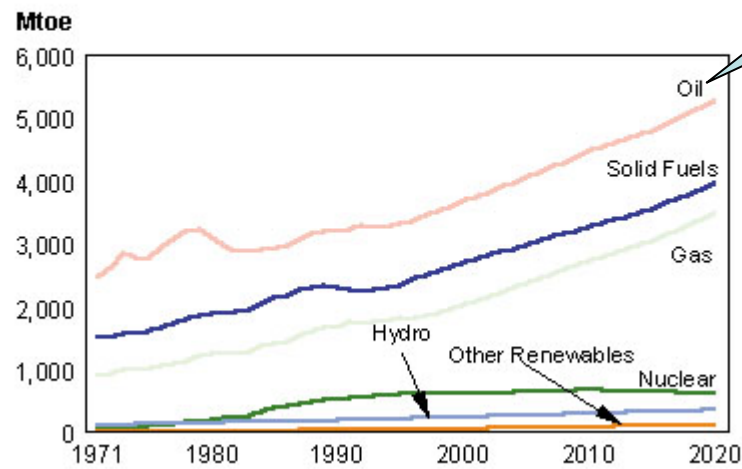


Social cost of carbon

Why clean energy (2)?

Contribution by oil sands?

World Primary Energy Demand



The economy is presently inextricably linked to fossil fuels...

Why clean energy (3)?



- VicSuper is a universal investor
- VicSuper is also a regulated superannuation fund
- VicSuper cannot *easily* diversify away climate risk (through asset allocation)
- The Trustee is required to comply with the *Sole Purpose Test* (Superannuation Industry (Supervision) Act 1993 Section 62)
- The Trustee must give effect to an investment policy... which can integrate environmental, social and governance

‘...integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.’

Freshfields Bruckhaus Deringer, A legal framework for the integration of environmental, social and governance issues into institutional investment, 2005



VicSuper's clean energy investments

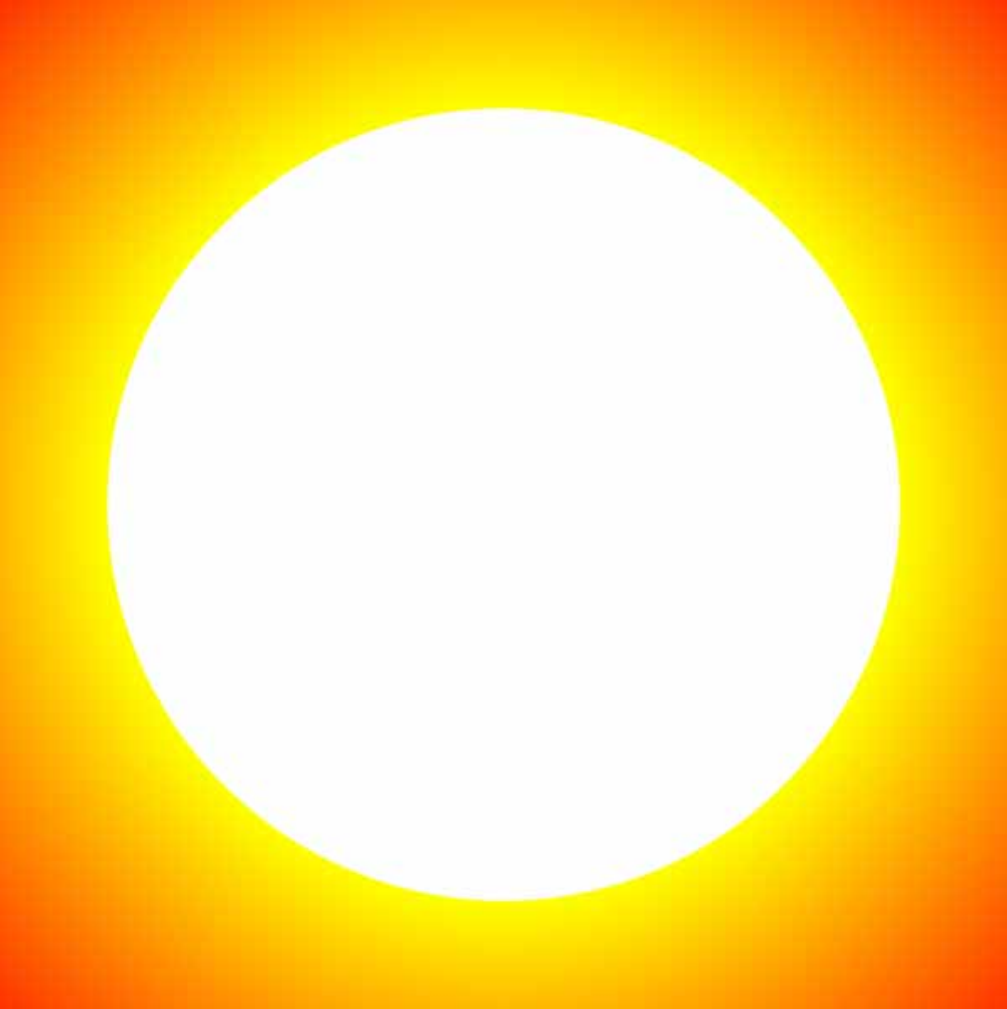
- Venture capital (early stage private equity)
 - Solar thermal, Solar PV, Wind, Hydro
 - Usually pieces of the supply chain...
- Infrastructure
 - mature, income producing, gas-fired electricity (not carbon neutral)
 - Wind & hydro
- Listed equities
 - Companies like GE
 - *Carbon Aware International Shares Fund*

Clean energy investing

- Energy markets are complex
- Regulation is not stable
- Solution paths (to climate change) are understood
 - *An estimated **\$10 trillion required in the coming decade***
- Clean technology is a **growth** industry
 - Estimates range from 28% to 87% depending on the segment
- Early stage investing is risky and illiquid
 - In the wake (?) of the GFC, do institutional investors have capacity?
- Likewise, little “pure-play” large, listed & liquid in clean energy
 - Nasdaq listed: First Solar, Inc, P/E = 21.44, c.US\$13b market cap

Carbon footprint reporting

Fund	Carbon footprint (tCO ₂ -e-e/\$m)		Year-on-year change (improvement in carbon efficiency)
	2008	2009	
Generation Investment Management Global Equity Fund	150.50	136.39	+9.4%
Vanguard Sustainability Leaders International Shares Fund	286.29	236.64	+17.3%
Vanguard international passive equities	348.45	293.39	+15.8%
VicSuper Australian listed equities	405.02	347.98	+14.1%
Vanguard Sustainability Leaders Australia Shares Fund	411.60	366.67	+10.9%
Total VicSuper Fund – listed equities	355.11	312.62	+12.0%



Disclaimer

- The information presented in this seminar is intended to provide general advice on VicSuper Fund and general superannuation matters and does not take into account your particular investment objectives, financial situation and specific needs. As this general advice will not take into account your circumstances, you will need to consider if the general advice provided is suitable for your superannuation requirements before taking any action
- You should assess your own financial situation and obtain the relevant Combined Financial Services Guide (FSG) and Product Disclosure Statement (PDS) before making a decision. The relevant VicSuper Combined FSG and PDS can be obtained by calling our Member Centre on **1300 366 216** or by visiting www.vicsuper.com.au. You may also wish to seek the help of a qualified VicSuper representative
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- This seminar is based on information current as at September 2009 unless otherwise stated