Climate Change Capital

Financing retrofit in commercial property: investment funds and CCC's experience

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Climate Change Capital is a leading investment manager and adviser

Climate Change Capital ("CCC") is an investment manager and adviser specialising in the opportunities created by the transition towards the low carbon economy. Our activities aim to make the world's environment cleaner while delivering attractive financial returns.

CCC's business model comprises the following elements:

- An asset management platform, with c.US$1.5 billion under management. This includes the world's largest private managed carbon finance fund with €750 million of total commitments, as well as a €200 million clean tech private equity fund;
- An Advisory team, which provides specialist corporate finance, M&A, capital raising as well as strategic and policy advice.
- A research and policy think tank, which conducts policy research and serves as a source of independent policy analysis and advice within CCC, which helps the company make better decisions and provide better advice.

Advisory

- Corporate Finance
- Mergers & Acquisitions
- Project Finance Advisory
- Strategy and Policy Advice

Investment Management

Develops, structures and supports a range of funds investing in assets, companies and instruments for the low carbon economy

Carbon Finance | Private Equity | Real Estate | Energy Infrastructure

Research and CCC **Think**Tank

CCPF (Climate Change Property Fund)

- £150m Property Fund
- Invests in: urban non car dependent assets – offices/retail. UK only City Centres. London + other big cities.
- 100% UK focused – powerful legislative, occupier and valuation drivers.
- Investors: global Institutions who are investing in the low carbon economy – UK / Australian / European
- Specific focus: energy and resource efficiency around existing let buildings.

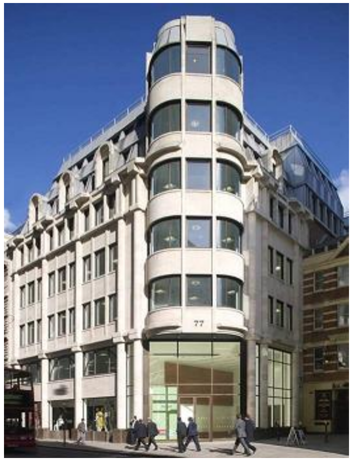
Climate Change Property Fund

UK urban non car dependant city centres – No flood risk

1st Investment: Birmingham

2nd Investment: Edinburgh

3rd Investment: London



4th Investment: Manchester

Location, Economics, Sustainability

Why "Green" buildings will outperform

	Investment Implications	Underlying Effects on 'Green' Assets
Tenants prefer to occupy 'green' buildings	Green assets let more quickly	Rental growth higher and lower depreciation Shorter cash flow risk
Green buildings = lower operating costs	More tenant money is available for rent	Rental growth higher and lower depreciation
Government regulation and legislation	'Greener' assets de-risked as more attractive to and retain tenants better	Lower risk premium than 'brown' buildings
Investors have fiduciary duty to invest in **'green' buildings**	'Green' properties = more liquid	'Green' properties are more liquid + should attract a lower risk premium = higher value = **"Green Alpha"**

Original Source: IIGCC

5 St Philip's Place, Birmingham, UK

Prime offices let to UK Government for 10 years

£750,000 (< 5 year payback) spent on Energy Efficiency Improvements by Landlord + Tenant

- Significant Electricity costs reduction
- Significant Carbon emissions reduction
- Green Lease – Landlord and tenant share data (Energy/Water/Waste/Carbon)

5 St Philip's Place, Birmingham Total Capex £750,000 inc fees

	2008	2009	2010	% Change 2008-2010
Electricity kWh/year (as invoiced by the electricity supplier)	**2,306,732**	**1,124,000**	**899,000**	**- 61%**
Energy Cost p.a. (for electricity and gas as invoiced and excluding the rebate reimbursed by the electricity supplier in May 2009)	**£300,000**	**£165,000**	**£130,000**	**- 56%**
Carbon tCO_2 p.a. (for electricity and gas)	**1,297**	**716**	**615**	**- 53%**
DEC	**G**	**F**	**E**	

Low carbon commercial property investment

- "Prime investment" now encompasses sustainability
- Downside risk protection + value upside
- Cash flow fundamentals – energy savings, resource efficiency, rental increase (6-7%) and capital appreciation (16%)
- Value of low carbon property yet to be properly priced – externality still mispriced
- No need to trade return for "Green"

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