Workshop C3 – Private Equity. Can PE decarbonize portfolios and create value?

This was a popular workshop moderated by **Klaus-Michael Christensen**, president and co-founder of the **Swiss Impact Investment Association** (http://siia.ch/), an association with a core entrepreneur mind-set that learns II on the run by doing.

Klaus-Michael started by putting forward the clear question that was to be debated: Are there sufficient alternatives of investment that are clean and sustainable? How do we re-work the value chain to have better access to them?

Interestingly, the debate moved away from carbon in portfolios and into a much wider problematic of how to tackle climate change from the point of view of investors. Water problems have supposedly an even bigger impact on sustainability, and recognizably deeper cut in emissions can be achieved from live style changes. Participants confirmed that talking about "mission" for a better world, "philanthropy" or "giving to a good cause" received praises of "fascinating" from donors but little action. Speaking clearly of how financially efficient can be "to do the right things" works much better in raising funds (i.e. turn the focus on returns, and showcase state-of-the-art sustainable projects and how profitable they have been).

Most participants also agreed that the most compelling driver for change was something like a "fear factor". Examples given were the photo of a farmer holding her daughter in her arms while spraying pesticides and the map of flooded countries in case of a rise in sea level, with, for example, Denmark much gone. **Andrew Klein**, co-founder and managing director of **Ultra Capital** (http://www.ultracapital.com/) mentioned something that could also be heard in other debates, and that is the unserved/underfinanced gap between small local project and large project finance. This gap hinders the full scale of impact invest. Also, many companies still focus on the "low hanging fruit", or projects that are easier to run but have a lower impact (e.g. it is easier to make an US university campus save water that to tackle poverty in Africa).

Kai Buntrock CEO of **Stichting Renew** (http://renew.investments) confessed the main reason to create this foundation was the frustration he felt by the inefficiency of the markets for impact investing. Kai repeatedly pointed out the advantages of going longer term and into infrastructure projects so as to have an impact portfolio that outperforms traditionally managed ones.

Finally **Andreas Stubelius** presented the portfolio of cleantech which he manages for the Swedish Energy Agency (http://www.energimyndigheten.se/en/) (some of the startups pitched on the B1 workshop the day before). Of the 84 seed investments they have made in startups, after 10 years, 71 are still alive and of good wealth, impressive if we think that only about 1 in each 10 startups survive after a couple of years. He regretted the lack of capital for early startups operating in this space and that have an important impact in the environment. He calculates that this fund has led to a decrease of CO_2 of about 10 times the direct emissions of Sweden of 55 Mt.

Blog Entries – *Guest Blog Post by* Manuel Valadas Preto *about the workshop* **Private Equity. Can PE decarbonize portfolios and create value?**

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