Institutional investor survey results

Pension and insurance fund attitudes toward investment in renewable energy infrastructure

November 2013

EY

Building a better working world

Key findings

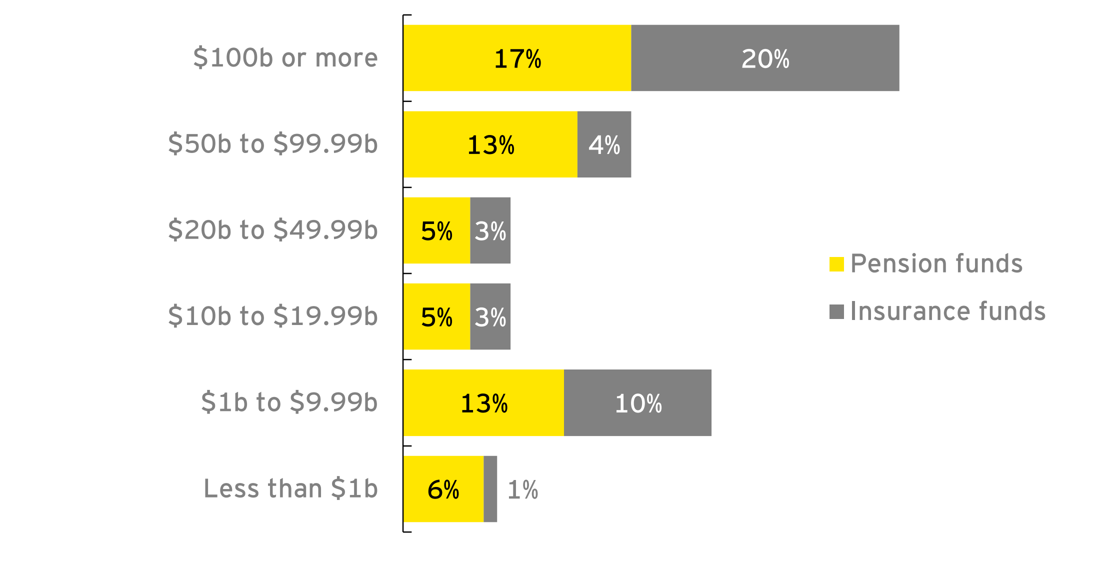
- 61% of pension and insurance funds surveyed have no investment in renewable energy infrastructure.
- Nearly one-third of respondents expect their allocation to renewable energy to increase in the next three years, and 15% expect it to increase by over 10%*.
- Greater certainty of government support and greater in-house expertise in renewable energy are two of the most important factors in encouraging higher allocations to this asset class in the future.
- Insurance funds and pension funds differ in their attitudes toward renewable energy infrastructure, in their preferred vehicle of investment and in their views on investment going forward. Insurance funds appear to be the most active investors.

* This excludes 40% of respondents for whom the question was "not applicable".

Profile of survey respondents

- The survey was carried out by Institutional Investor LLC on behalf of EY.
- 75 responses from European and North American pension (44) and insurance (31) funds were received.
- 41% of European respondents had assets under management of over $50b, compared to 13% of North American respondents.
- Over a third of respondents had assets under management of $100b or more.

Survey respondents by total assets under management and type of institution



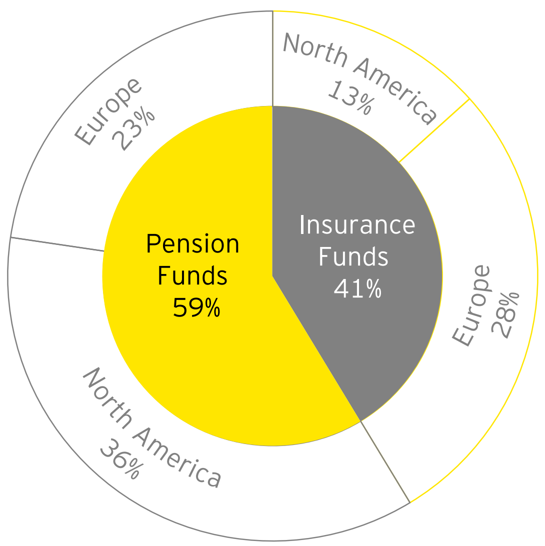
Sample size (n = 75)

Survey respondents by job title

Portfolio manager	39%
Chief executive officer/Managing director	12%
Senior analyst/Analyst	12%
Chief investment officer	9%
Head of research	7%
Pension manager/Head of pensions	5%
Alternative asset or infrastructure manager	5%
Investment analyst/Manager/Officer	5%
Other	5%

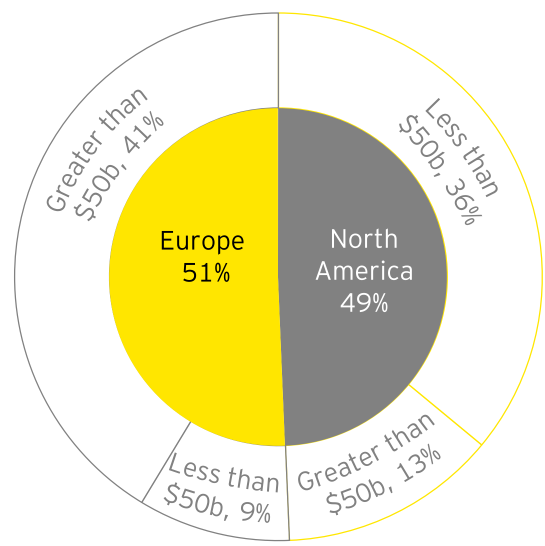
Sample size (n = 75)

Survey respondents by type of institution and geography



Sample size (n = 75)

Survey respondents by geography and size



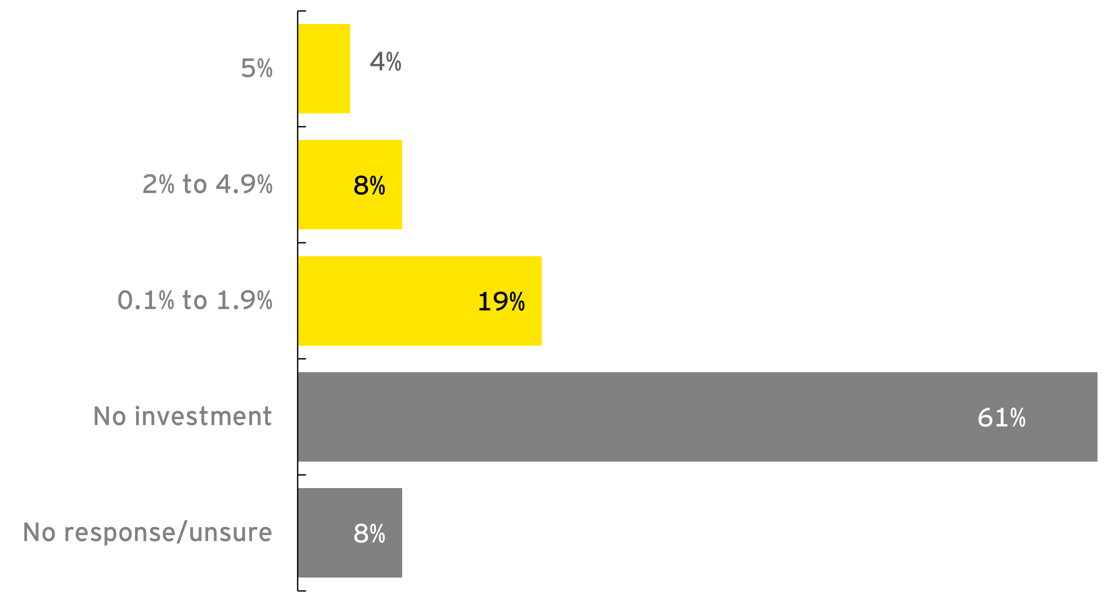
Sample size (n = 75)

Investment in renewable energy infrastructure

31% of respondents have invested in renewable infrastructure

Insurance and pension funds

Percentage of assets invested in renewable energy infrastructure

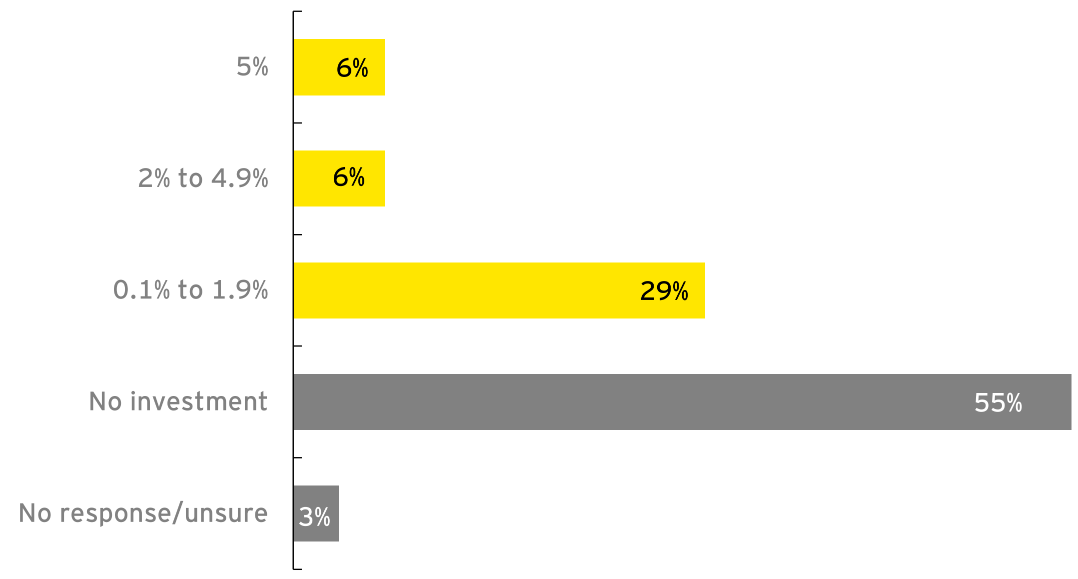


Sample size (n = 75)

- In total, just under a third of respondents have investments in renewable energy infrastructure.
- 41% of insurance funds surveyed have invested in renewable energy infrastructure compared to 22% of pension funds.

Insurance funds

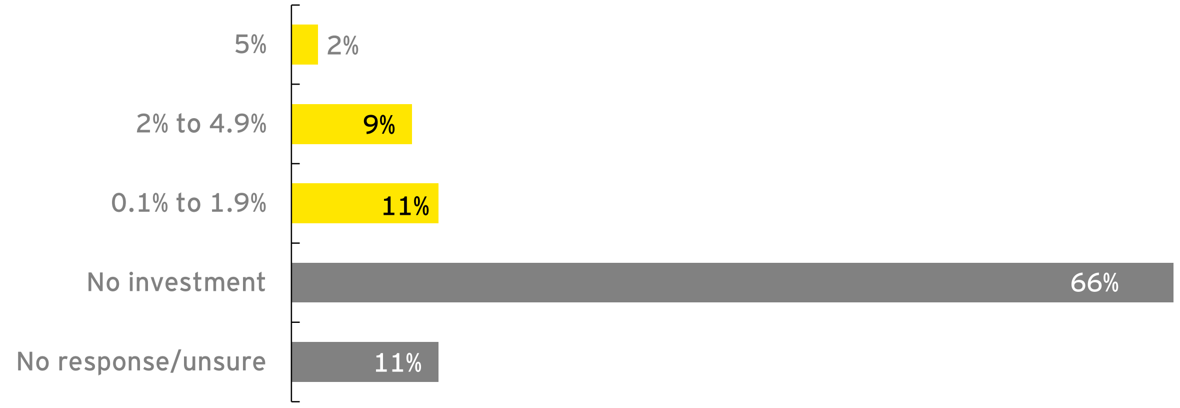
Percentage of assets invested in renewable energy infrastructure



Sample size (n = 31)

Pension funds

Percentage of assets invested in renewable energy infrastructure



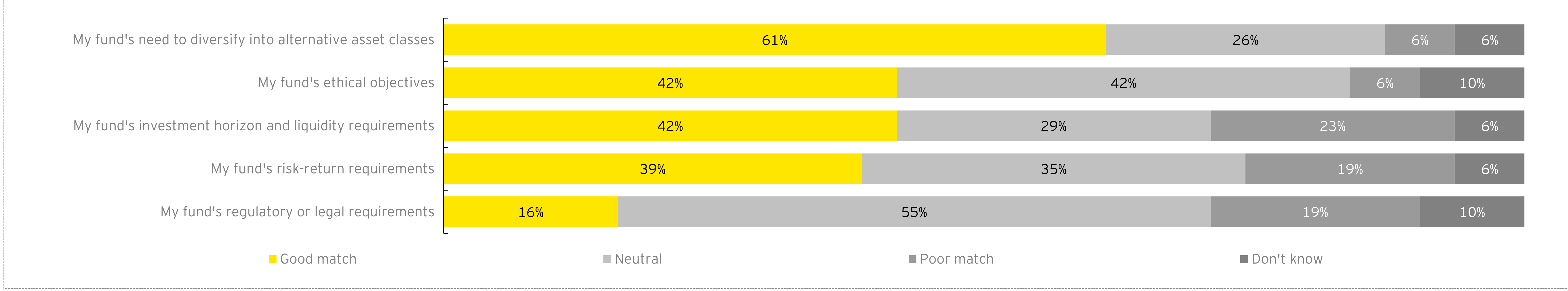
Sample size (n = 44)

Alignment with fund objectives

Renewable energy investments align more closely to insurance fund objectives than those of pension funds

Insurance funds

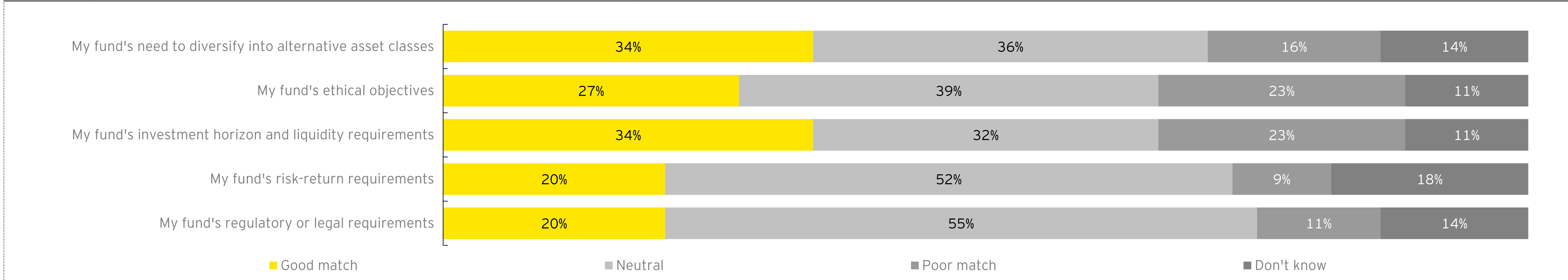
Renewable alignment with fund objectives



Sample size (n = 31)

Pension funds

Renewable alignment with fund objectives



Sample size (n = 44)

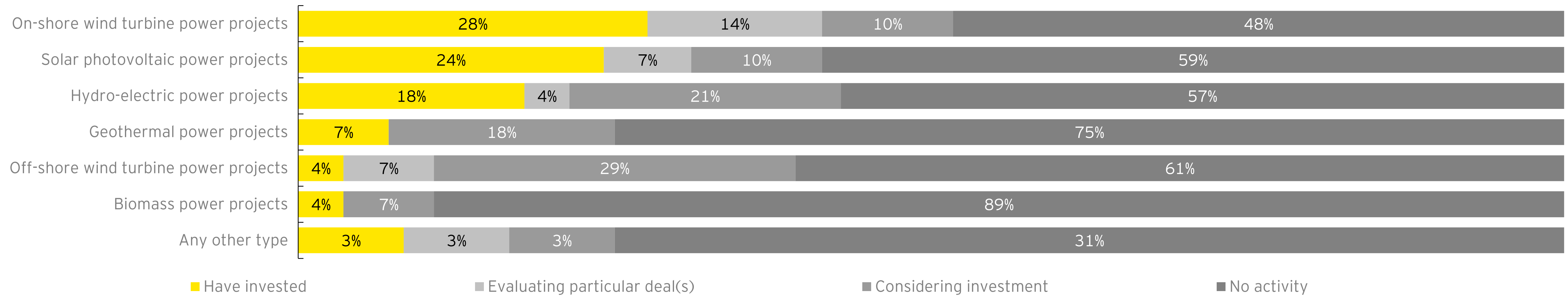
- 61% of insurance fund respondents stated that renewable energy infrastructure aligned well with their need to diversify into alternative asset classes, compared to 34% of pension funds.
- 42% of insurance funds surveyed found renewable energy assets provide a good match with their ethical objectives, versus only 27% of pension funds.

Technology preferences

More than half of insurers surveyed have already invested or are considering investments in on-shore wind; on-shore wind and hydro-electric are the most popular technologies for pension funds

Insurance funds

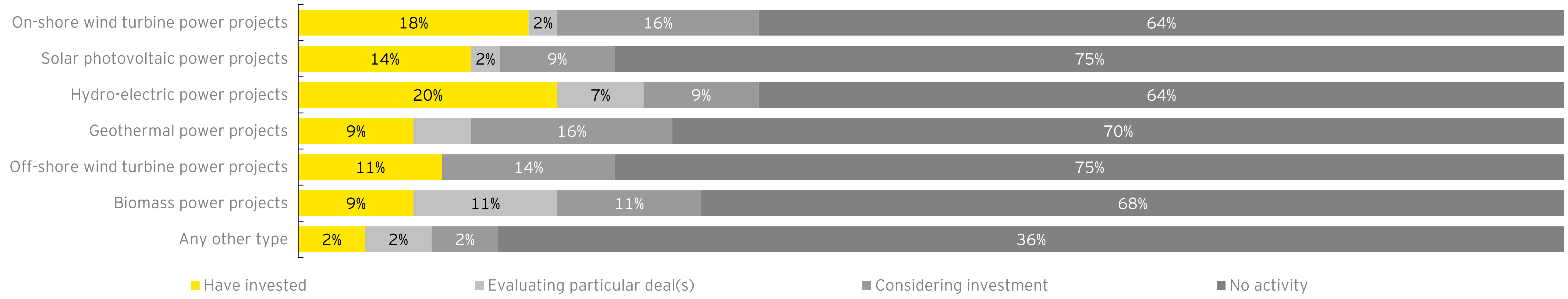
Investment by type of renewable energy infrastructure



Sample size (n = 28)

Pension funds

Investment by type of renewable energy infrastructure



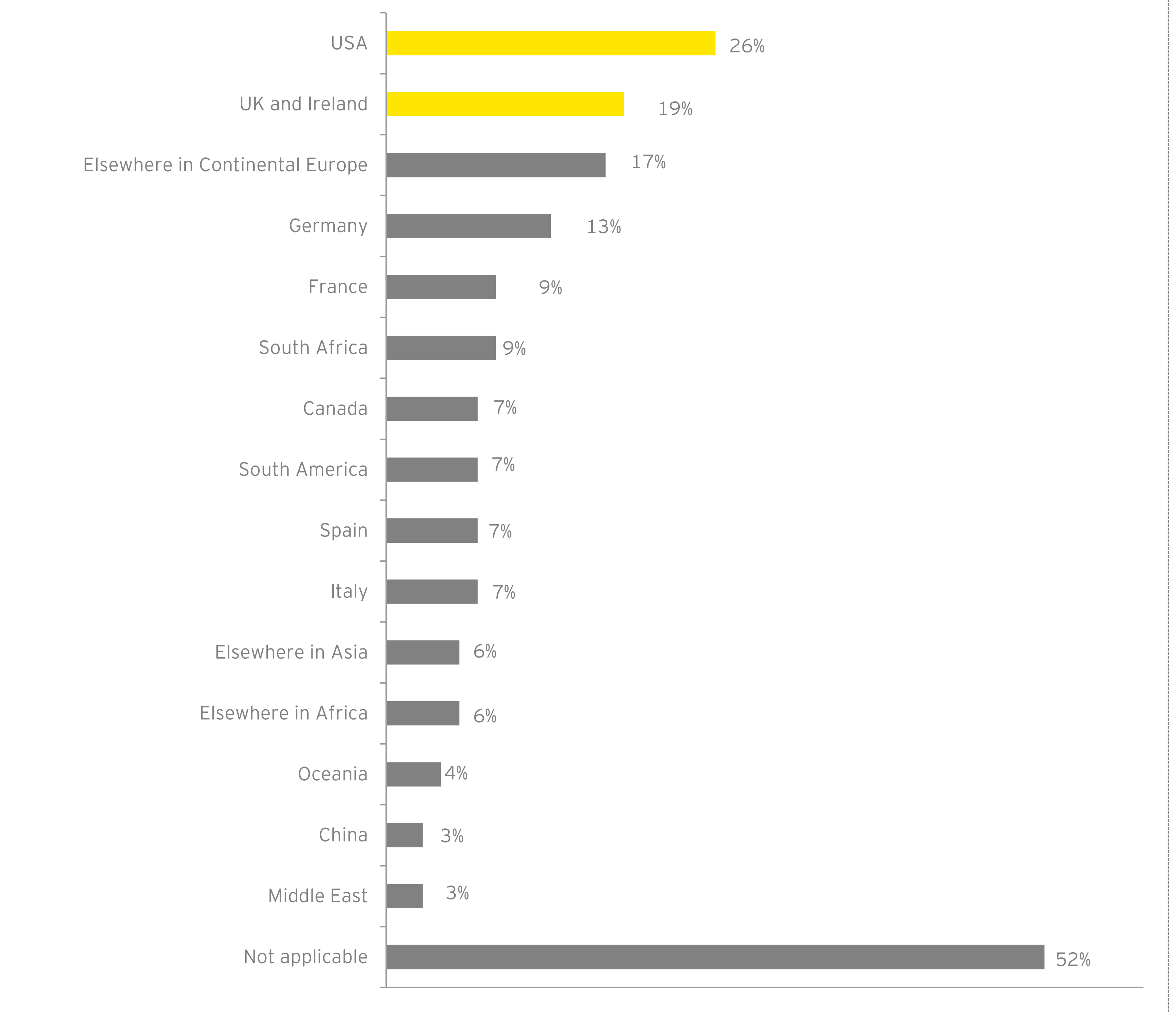
Sample size (n = 44)

Geographic preferences

The US is the top destination for renewable energy infrastructure investments

- More than one in four respondents have already made or are considering renewable energy infrastructure investments in the US.
- The UK and Ireland is the second most popular destination for investment among respondents.

Renewable energy infrastructure investments by location



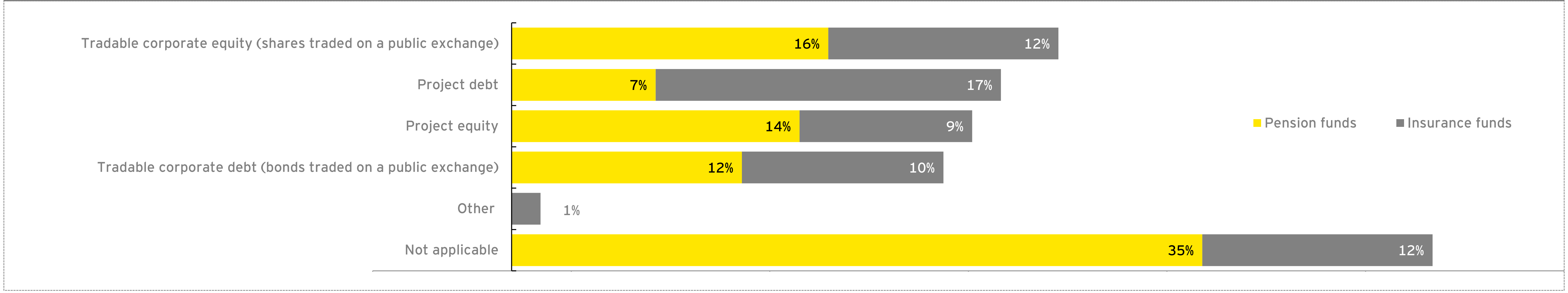
Sample size (n = 69)

Forms of investment

Insurance companies invest mainly in project debt, whereas pension funds prefer tradable corporate equities

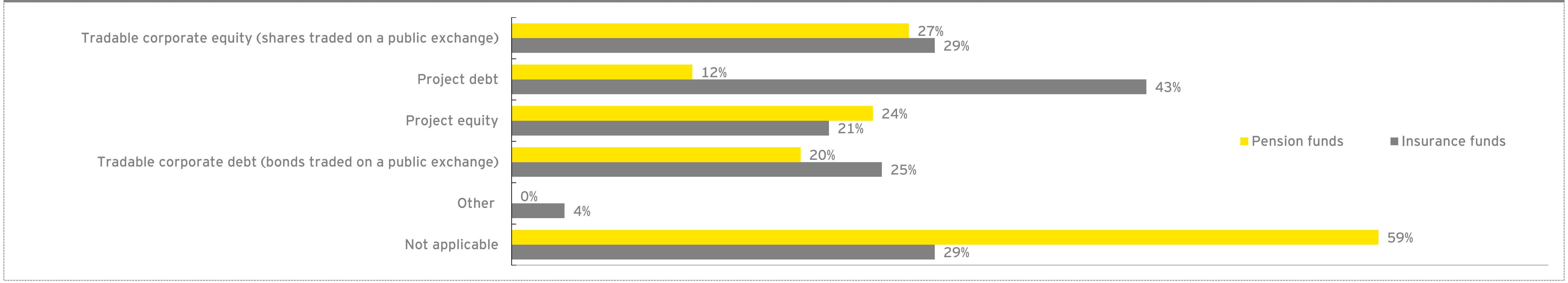
Insurance and pension funds

Forms of investment



Sample size (n = 69)

Forms of investment



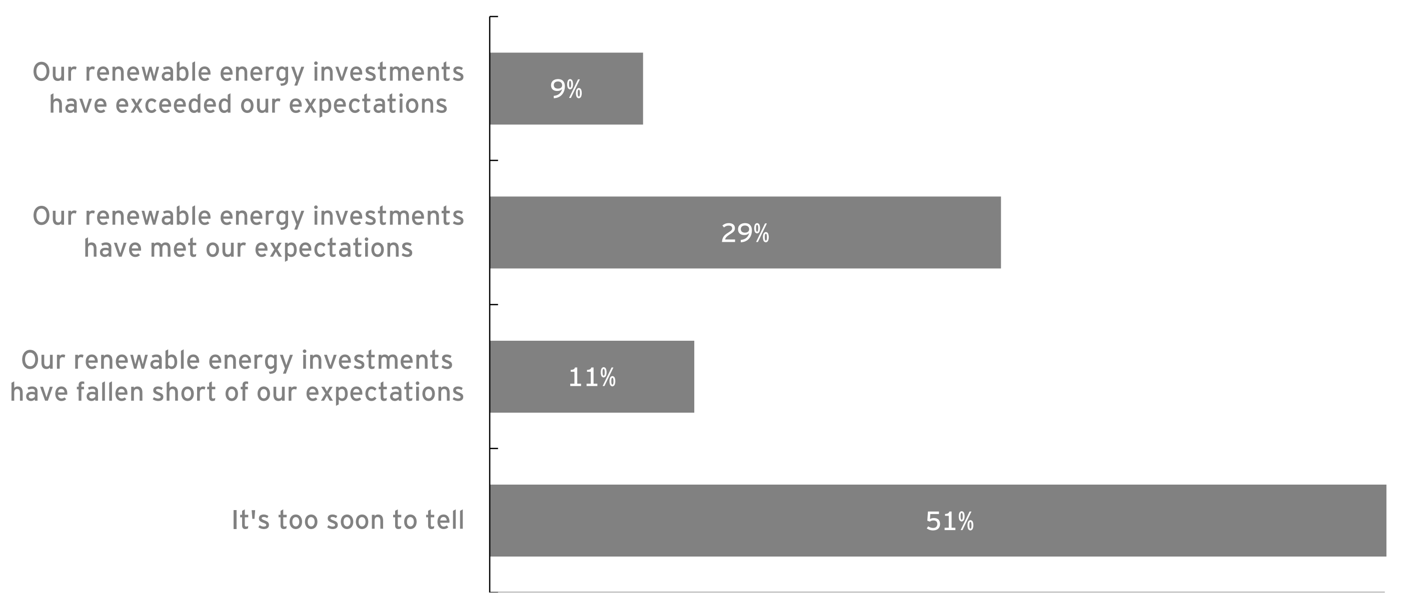
Insurance fund sample size (n = 28)

Pension fund sample size (n = 41)

Performance of investments and future allocations

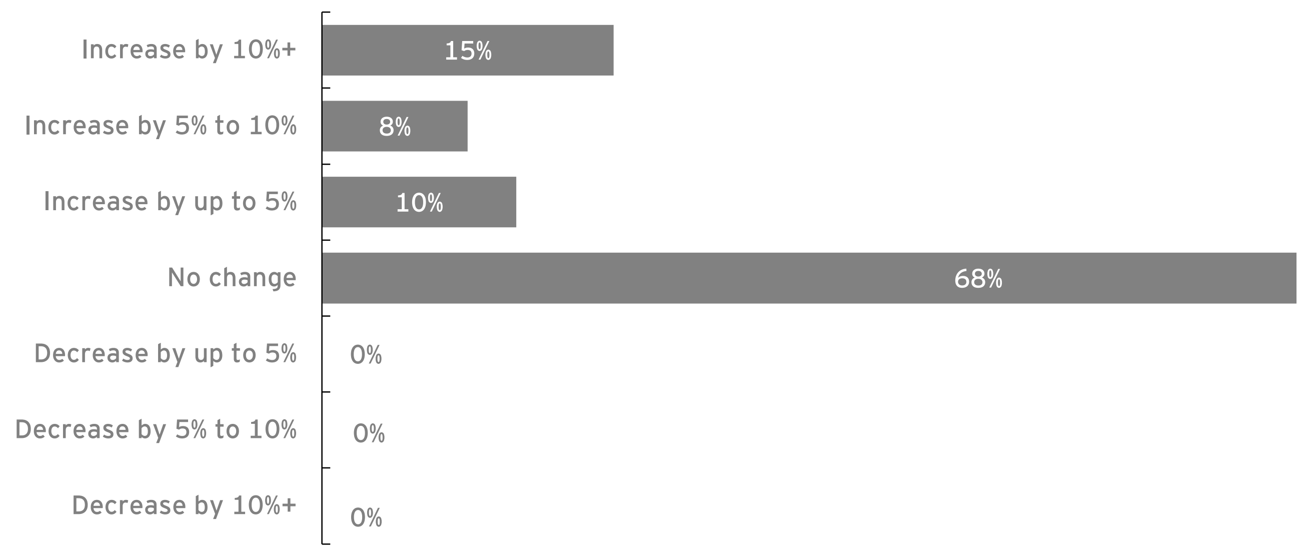
- 38% of respondents said their renewable energy investments had met or exceeded their expectations[1,2] For many, these are still relatively recent investments, and their performance has not yet been evaluated.
- Nearly one in three respondents expect their future renewable allocation to increase in the next three years, and 15% expect it to increase by over 10% [1].
- The vast majority (76%) of those who expect their allocations to increase are insurance funds.

Performance of renewable infrastructure investments



Sample size (n = 35)

Outlook for future allocations to renewable infrastructure



Sample size (n = 40)

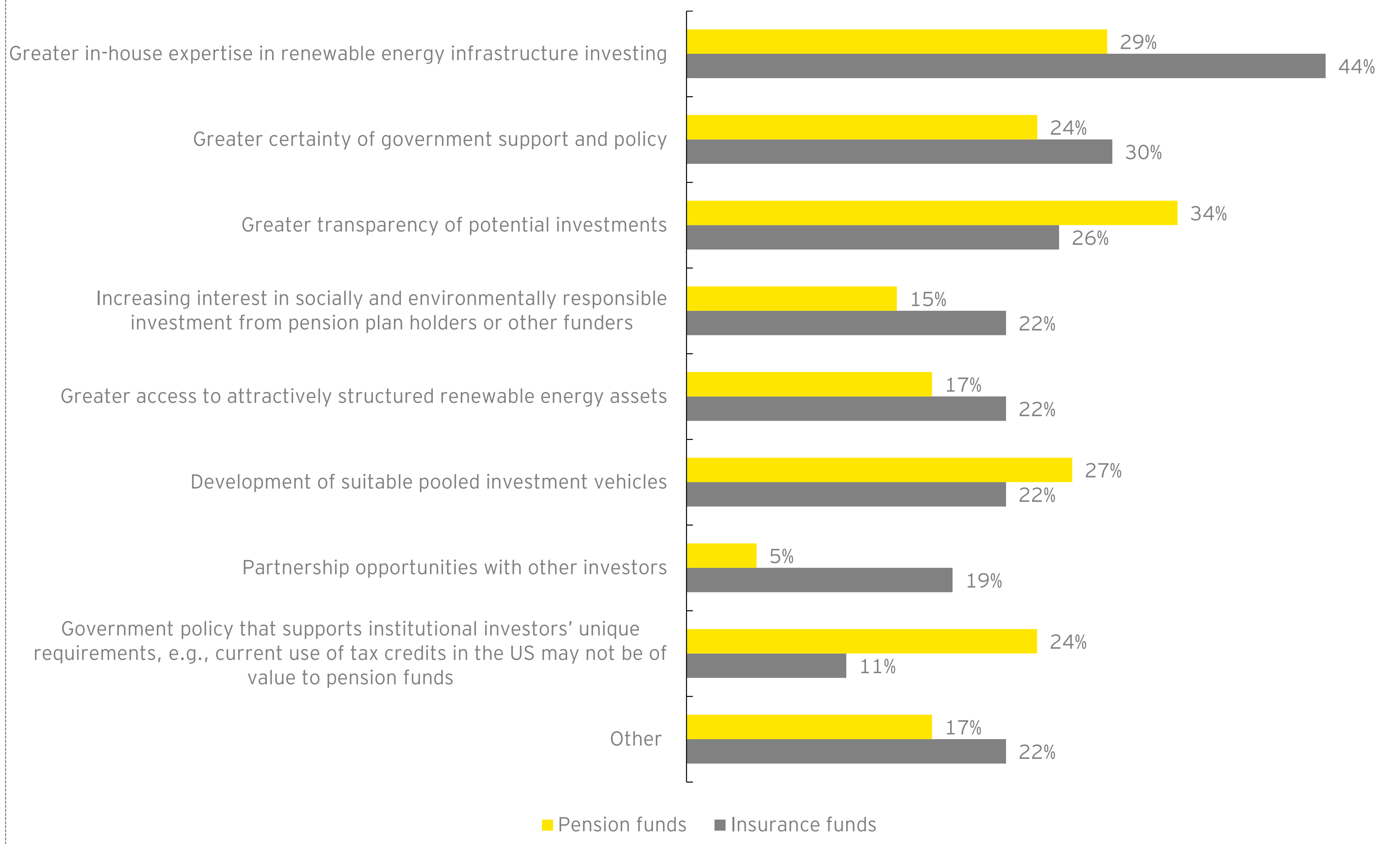
(1) Excludes 31 respondents who answered "don't know/not applicable"
(2) With 51% stating it was "too soon to tell"

Drivers of future investment

Greater certainty of government policy and support, in-house expertise in renewable energy and transparency of potential investments will encourage investments

Insurance and pension funds

Drivers for renewable energy infrastructure investments



Insurance fund sample size (n = 27)

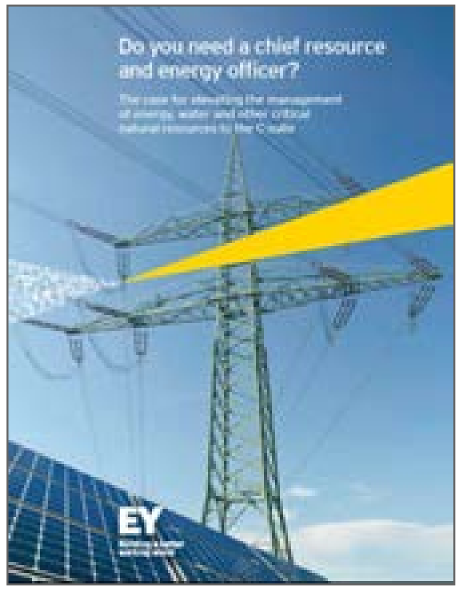
Pension fund sample size (n = 41)

- Respondents specified "Other" drivers to be:
  - *"Appropriate risk/returns and more client requests"*
  - *"Double the size of portfolio"*
  - *"Economics"*
  - *"Economic viability"*
  - *"Less government support. Projects must be viable without subsidies"*
- From the comments respondents made quoted above, it seems that although greater certainty of government support is a key driver of investment, some funds are deterred from investing precisely because renewable energy infrastructure requires subsidy.
- For insurance funds, which tend to be larger in terms of assets under management than pension funds, having more in-house expertise in this area is crucial to increasing investment. Many pension funds simply do not have the resources needed to invest in teams to evaluate projects.
- For pension funds, greater transparency of investments – the ability to look-through to underlying projects and compare to historical performance data – is critical.

Recent EY cleantech thought leadership

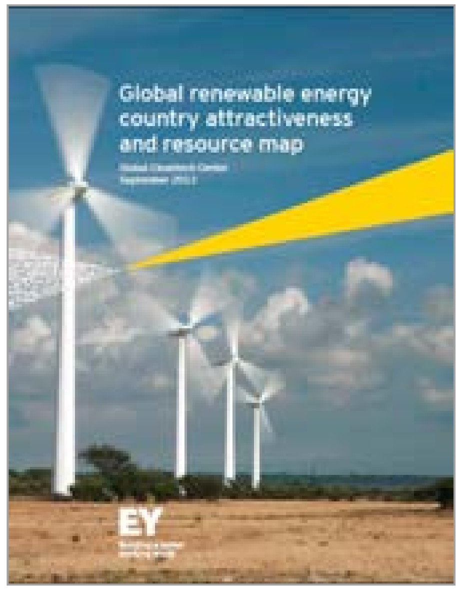
Renewable energy country attractiveness index (RECAI)

Our quarterly RECAI report ranks national energy markets on their attractiveness for renewable asset investments.



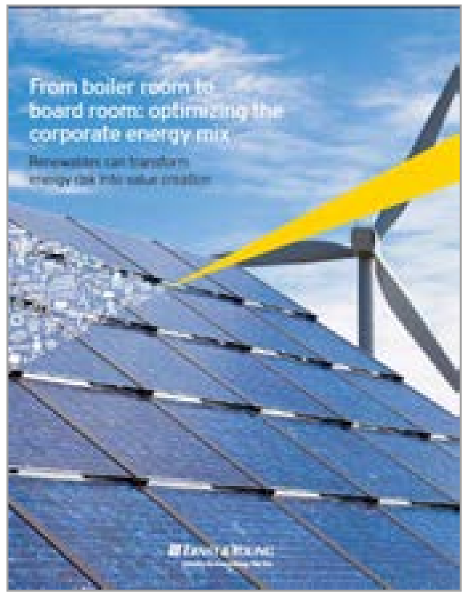
From boiler room to board room: optimizing the corporate energy mix

Designed as a resource for corporate energy managers, this report discusses strategies and considerations for addressing energy-related risks through the integration of renewables into a more diversified energy mix.



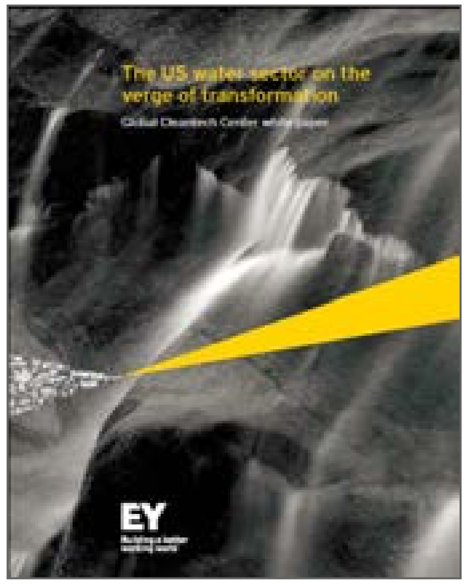
Global renewable energy country attractiveness and resource map

These maps provide a global view of the renewable energy landscape by combining our overall and technology-specific RECAI rankings with data on installed renewable generation capacity, capacity growth rate, new project pipeline and percentage of electricity generated from renewable sources.



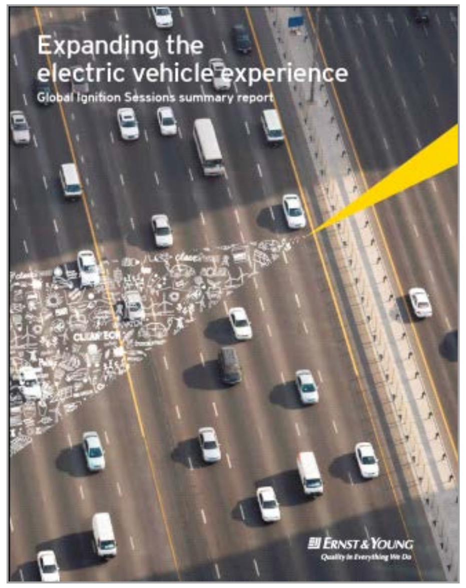
Do you need a chief resource and energy officer?

There is a compelling case for elevating corporate resource management to the highest levels of executive management through a chief resource and energy officer (CREO) position. This white paper explores the value of the CREO role, its key responsibilities and essential qualifications, and potential models for integrating such a role into your organization.



US water sector on the verge of transformation

This report shares EY's point of view on the multiple challenges that are converging to compel change in the US water sector, including an action agenda of ten proactive steps that water industry stakeholders should consider to help establish the long-term sustainability and growth of the sector.



Cleantech matters: expanding the electric vehicle experience

Summarized in this report are the insights and recommendations arising from our annual Cleantech Ignition Sessions, which convene industry players from around the world to discuss trends in electrification of vehicles.

Visit ey.com/cleantech to access these publications and other EY perspectives on cleantech.

How EY's Global Cleantech Center can help your business

From start-ups to large corporations and national governments, organizations worldwide are embracing cleantech as a means of growth, efficiency, sustainability and competitive advantage. As cleantech enables a variety of sectors, old and new, to transform and participate in a more resource-efficient and low-carbon economy, we see innovation in technology, business models, financing mechanisms, cross-sector partnerships and corporate adoption.

EY's Global Cleantech Center offers you a worldwide team of professionals in assurance, tax, transaction and advisory services who understand the business dynamics of cleantech. We have the experience to help you make the most of opportunities in this marketplace, and address any challenges. Whichever sector or market you're in, we can provide the insights you need to realize the benefits of cleantech.

Contacts

Gil Forer
Global Cleantech Leader
+1 212 773 0335
gil.forer@ey.com

Ben Warren
Global Cleantech Transactions Leader
+44 20 7951 6024
bwarren@uk.ey.com

Scott Sarazen
Global Markets Leader
+1 617 585 3524
scott.sarazen@ey.com

Heather Sibley
Global Cleantech Assurance Leader
+1 415 894 8032
heather.sibley@ey.com

Paul Naumoff
Global Cleantech and CCaSS Tax Leader
+1 614 232 7142
paul.naumoff@ey.com

Nicola Marshall
Global Cleantech Transaction Advisory Services Resident Manager
+1 212 773 5156
nicola.marshall@ey.com

John de Yonge
Director, Global Cleantech Account Enablement
+1 201 872 1632
john.de_yonge@ey.com

Scott Anderson
Global Marketing Director
scott.anderson@ey.com
+1 201 872 1292

Lily Donge
Global Knowledge Leader
+1 202 327 6796
lily.donge@ey.com

Alex Desbarres
Global Strategic Analyst
+44 20 7951 7078
adesbarres@uk.ey.com

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