



Northern Ireland
Assembly

Committee for Enterprise, Trade and
Investment

OFFICIAL REPORT (Hansard)

Green Investment Bank

7 November 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Patsy McGlone (Chairperson)
Mr Phil Flanagan (Deputy Chairperson)
Mr Sydney Anderson
Mr Sammy Douglas
Mr Gordon Dunne
Mr Paul Frew
Mr Fearghal McKinney
Mr Mitchel McLaughlin
Ms Maeve McLaughlin
Mrs Sandra Overend

Witnesses:

Mr Oliver Griffiths	Green Investment Bank
Mr Shaun Kingsbury	Green Investment Bank

The Chairperson: Before us today we have representatives from the Green Investment Bank to brief the Committee. You are very welcome.

The Green Investment Bank's submission is in members' papers, as is its annual report. With us are its chief executive officer, Mr Shaun Kingsbury, and Mr Oliver Griffiths, its head of government affairs and policy. Thank you for being with us. You are probably aware from your background briefing to the Committee that we are particularly interested in the opportunities for businesses that may arise from the Green Investment Bank's input and, of course, your fundamental role, which is how you play a significant part in helping with environmental issues through investment in green industries.

You have 10 minutes to present your submission, and then we will have a question-and-answer session. The floor is yours to start with, Mr Kingsbury.

Mr Shaun Kingsbury (Green Investment Bank): Thank you very much, and thank you for inviting us to come and chat. It is good to be, for me, back home. I will talk you through a bit about the Green Investment Bank and what we have been doing, and I will then spend a little time on projects, particularly those that we have in Northern Ireland.

For those who do not know me, I joined the bank when it started. We were a year old last week, so it is good to be back. I will talk you through the presentation to convey that we are up and running, we are investing money and our business model is working. I will also give you an idea of what we have been focused on and got done in Northern Ireland. We have a full complement of folks with Northern Ireland backgrounds. Sitting beside me is Oliver, whose family is also from Northern Ireland. One of

our vice-presidents, who looks after our offshore wind business, is from Bangor, so we are well represented.

When I look at the challenge that we have — I am at "Our starting point" in the presentation — the challenge for the UK as a whole is to meet some of its statutory commitments to reduce carbon emissions. The "20-20-20" goals are to reduce carbon emissions by 20% and get to 20% renewable energy use by 2020. The scale of that challenge across the whole of the UK is huge. To get us there will require up to £330 billion of investment. The next page of the presentation — "Investment so far" — illustrates how, divided over the 10 years, that amounts to about £33 billion a year. However, as a whole, the market size today is about 50% of that, with £15 billion to £16 billion a year being invested in the green economy, renewable energy and energy efficiency.

Our role is to help catalyse private sector investment. It is not to substitute public funds where private funds would work but to help lock in and crowd in private sector capital by investing alongside the private sector and giving it confidence and comfort around such investments.

The next page is titled "Our job", and our job is to look for projects that are green and profitable. They have to be green and be consistent with overall UK government policy on what constitutes "green", and we use our money to look at locking in capital. The projects must also be profitable, so we are looking for projects that are green and profitable, not green or profitable. We are a for-profit bank that will make a return on the capital that we have.

The next page in our presentation is titled "We're up and running". We have been here for just about a year. We now have 70 investment professionals. Across our leadership team, we have over 160 years of renewable energy experience, and we have more than 700 years of renewable energy experience across the team of 70 professionals. The head of Siemens's offshore wind business in Europe joined us. We have the CEO of Australia's first listed renewable energy fund. We have the Standard Chartered Bank's group treasurer. We have a fantastic team, the members of which have previously done a lot of this work across multiple countries, and we are very pleased to have them.

We also have two offices up and running. Our headquarters is in Edinburgh, and we have a major transaction office in London, so we operate out of both those offices today and nowhere else. We are supported by a tremendously experienced board that is led by Lord Smith of Kelvin, who has deep energy sector and banking backgrounds. Our board is independent, which is key. We operate independently from government. We take our own investment decisions and really, truly operate at arm's length.

The next page's heading is "We are investing". The slide shows a number of tombstones, if you like, of some of the transactions that we have been able to conclude in our first year of operation. We have committed over £700 million of capital in that year, and that has been matched by almost £2 billion of private sector capital. We feel very comfortable that people are enjoying the same returns and are taking the same risks in the same parts of projects that we are in. We financed the UK's first large coal-to-biomass conversion: Drax. Almost a third of the operating offshore wind farms in the UK already have a piece of capital in debt or equity from the Green Investment Bank. We have financed — I will talk about this in a second — Northern Ireland's largest single green-power producer at Evermore Renewable Energy, up in the north-west. We have produced, when our projects are up and running, enough renewable energy for the needs of 2.5 million homes. It is the equivalent to the carbon emission offsets of taking about one million cars off the road across the whole of the UK.

The next page is titled "Our business model works". We are really pleased that, when we set this up and thought about how best to catalyse private sector investment, investing with folks in debt and equity in infrastructure projects has been a tremendous success in such a short period. We have 55 co-investors that have joined us in those 21 projects: everyone from British Gas to Goldman Sachs. We really have found people willing to take the same risks and sit alongside us in those transactions. We are really pleased by the number of different participants that we found and the quality of those people. We have a mobilisation ratio — what we mean by that is the ratio of public sector capital from the bank to private sector capital — of about 1:3. We are seeing about 25% of the money in any project from us and about 75% from the private sector. International sovereign wealth funds have asked to invest money alongside us. Masdar Clean Energy, which is a green fund owned by the United Arab Emirates (UAE), has signed a memorandum of understanding (MOU) with us to invest alongside us. It could put up to £1 billion into projects throughout the UK alongside us. We have listed the UK's first renewable energy fund so that people can now invest in that. It is listed on the main London exchange. If consumers have an interest in being able to participate in that market, they can now buy shares in that entity. All our projects so far are performing financially. They all look as

though they are going to be profitable. We have had no failures so far, and we are very pleased with that. Of course, we are creating jobs and stimulating the economy while we are doing that.

I now turn to my initial presentation's last page, which is titled "First transaction signed in Northern Ireland". We signed a very important transaction three or four months ago in Northern Ireland, which we were very pleased to get through to completion. It is an £80 million investment in a waste-wood-to-energy plant up in the north-west: Evermore. We are really thrilled with that. It will consume about two million tons of waste wood that otherwise would have gone to landfill and created carbon emissions. It will generate over 200 jobs during its construction period and about 20 jobs when it is up and running for the next 20 years. We put up £20 million for that, and the market, in combination of debt and equity, put up another £61 million. Again, that is about 25% of the capital from us and the rest from the market. We are looking at a number of other transactions in Northern Ireland. We hope that, over the next year, we will be able to announce more capital invested and more deals here in Northern Ireland.

That is my initial commentary. I am very happy to take any questions.

The Chairperson: Thanks very much indeed for that. In a nutshell, what do you bring that the current banking structure does not?

All of us here are out and about dealing with businesses and constituents all the time. If people says to me that they have a project, where do they go to? Is there a local contact point here? What is the process that they go through?

By way of background, people have come to the Committee. It is good to hear that you have 700 years' experience among 70 members of staff, so it is 10 years' experience on average apiece.

Mr Kingsbury: On average, exactly.

The Chairperson: Perhaps you have a few more.

Mr Kingsbury: Yes, and a few grey hairs as well.

The Chairperson: To go back to my original point, people who have been with us have said that the banks, or people in the banks, do not understand the renewables sector and, as such, they find it difficult to access finance and present a business case that someone at the other side of the table actually understands. On that, what do you bring to the table, and, on accessibility, what is the process for someone who wishes to contact you?

Mr Kingsbury: The first question was this: what do we bring? The key thing that we bring is an entire focus on the sector. We do not do anything else. We are not distracted by investing in retail projects, and we are not distracted by investing in other areas — real estate or whatever. This is all we do, so, when we get up in the morning, we are very boring, and this is as exciting as we get. We focus entirely on green energy and energy efficiency from morning to noon to night, and that is all that we can do. It does mean that we are sector experts and that we have built a reputation, with, frankly, one of the biggest teams in Europe and certainly the biggest team in the UK, around knowing each of the sectors in which we can invest. Therefore, what we bring is a focus and a specialisation.

That builds on the second part of your question around people not understanding parts of the renewable energy or energy efficiency business. We thoroughly understand it. We understand the technologies, we understand the capital structures, we understand supply chains and we understand how it all works. With a focus on being able to do only that, we do not get distracted, and so we take on the difficult projects. I do not necessarily mean the more risky projects, because we are very conscious of the need, especially in our early years of work, not to lose taxpayers' money.

Evermore in Northern Ireland is a great example. That project was under development for almost four years. There are complicated structures around whether we have the fuel supply in place and who will back that, and there are complicated structures around how you guarantee that it is built on time and on budget and who will operate it. Without a specialist who understands who those folks are and how they work together on the contractual structures, that project would have got stuck. We refused to let it die. We kept going at it and going at it until, with the help of Invest Northern Ireland and the Minister, whom I wanted to pass on my thanks to here at the Committee, we were able to get comfortable with

all the regulatory issues and the technology issues, and we got it across the line. That is what we bring that the others do not: a focus on it and, obviously, the capital to invest.

On the question of how people in Northern Ireland would bring a project, the first stop is to bring it to Invest Northern Ireland. That is a great place to start. We work with Alastair Hamilton and the team. We talk to them all of the time, and they bring projects to us that they think are ready for financing. We are not an advisory consultant group. We do not sit down and help people to understand how they would build a project and things like that. We are an investor, so we back things that are ready to go.

The Chairperson: Perhaps I should clarify: I meant that you are a bank. I meant people being able to get to speak to you, who have worked through their business case and the project and are looking bang for their buck. How competitive are you in comparison with other banks, because clearly any business will say, "Grand, I will go to those green investment bank guys and gals. It will be great to talk to them". However, you may be offering 1% below what the other banks in the street are offering. What would be the financial advantage as well, please?

Mr Kingsbury: There is, on purpose, no financial advantage. We invest at market rate. We have invested in projects alongside all the lists of other folks, the 55 investors. We have taken the same terms, signed the same documents and sit in the same place in the capital structure. That is because we are not able to pass on state aid. There is state aid being provided by the Westminster Government to the bank to establish it, and we do not pass that on. We have to show Brussels that we are investing along this market economy investor principle; that is, at market rate. We are not passing on state aid. We are not crowding out capital by being cheaper than other folks. We are coming along and saying that a project has some of the debt that it needs or some of the equity that it needs. By inserting that last piece, we get it across the finishing line, very much like we did with Evermore. By doing so, we crowd in the other capital. That is how we get it to invest, because it is a bit short.

Mr Douglas: Thank you, Shaun and Oliver, for your presentation. It was very impressive. Can you tell us a bit about what people call "corporate social responsibility" for your company?

Mr Oliver Griffiths (Green Investment Bank): Yes, absolutely. I think that the first thing to say, and it expands on what Shaun was saying about the fact that we are always looking for projects that are green and profitable, is that we have been looking very hard at how we even monitor and report on green. You may have had a chance to look through our annual financial report, which contains our profit and loss account and balance sheet. We are trying to do the same thing on green — developing a process for having a profit and loss account and balance sheet on green. The former is something that has been done for a very long time, but the latter, not so much. That is something that we are really looking to put throughout the organisation. When a project comes in, we are looking at both of those dimensions. I would say that that is our major contribution on corporate social responsibility. We have had discussions on whether it makes sense for us to support a particular charitable foundation, or anything. We are very conscious that we have taxpayers' money. Therefore, although we have a couple of chosen charities at a personal level — in fact, one of our team will be off running the New York marathon very soon — we do not have any corporate link to any charities.

Mr Douglas: I think that Shaun mentioned the sort of projects that you would support. Can or will you support social enterprises, such as the Bryson Houses of this world? It is a fabulous project that is very much into green energy.

Mr Kingsbury: We have certain restrictions on us. When the Government went to Brussels to establish the bank, Brussels had to sign off on the concept. What they said was that they were supportive of a green bank and of investing in the green economy, but they were worried that you would somehow mess up the market by investing in the wrong places. Although we accept that more capital needs to go into the green economy, we do not accept that it needs to go in everywhere. We think, for example, that there is plenty of capital to put solar panels on people's roofs and to finance onshore wind. Brussels agreed that we could start a bank and invest government capital into the market. They wanted us to focus on four key areas in which they wanted us to put 80% of our money: non-domestic energy efficiency; offshore wind; waste to energy; and waste recycling. They allowed us to put up to 20% into non-priority sectors, such as biofuels, which really means biomass to power for us; wave and tidal energy; and carbon capture and storage. They would not allow us to invest anywhere else. If that project was something that might work under an energy-efficiency kind of headline, it is possible that we could invest in it. We would need to see a return on that money,

however. Therefore, we do not do soft loans, grants or that type of stuff, but we will look at commercial risk alongside other folks.

Mr Douglas: Shaun, are you saying that you would be willing to look at a social enterprise if it came to you with a business case that stacks up and is within your remit?

Mr Kingsbury: Yes.

Mr Douglas: I have one final question. You mentioned jobs. There must be tremendous potential for job creation. There is a problem with unemployment among young people. Again, do you have any responsibility to encourage, say, the likes of companies, not only in Northern Ireland and the United Kingdom but right across Europe and, indeed, the world, that are creating jobs to target young people?

Mr Kingsbury: It is clearly one of the things that we look at. We have the concept of a double bottom line, which is to focus on financial returns and the green economy. We do not have a triple bottom line, to be honest, that takes in driving jobs and economic benefit. Clearly, however, we keep an eye on it. It is important. While the UK economy has been growing at less than 1%, growth in the green economy as a whole has been closer to 3.5% and 4.5%. It is certainly one of the bright spots across the economy. Almost one million people in the UK today are employed in renewable energy, energy efficiency and the wider green economy. We constantly look at how many jobs are created, both in the construction of new assets and in their ongoing operations. However, we do not have a key performance indicator on job creation. It is around CO2 reduction, green power production and, of course, a return on the capital that we invest.

Mr Griffiths: One of the really exciting things about the green economy is the fact that it is potentially a very dispersed sector. There has been a lot of focus on the fact that London and the south-east of England are areas that have taken a lot of investment. The great thing about renewables is that it is potentially a much more disparate picture. We have seen that in our investments to date.

Mr Douglas: Thanks very much.

Mr Dunne: Thank you very much for coming, gentlemen. Is the green sector a high-risk area in which to invest money? How do you assess the risk with green energy?

Mr Kingsbury: I will start and then Oliver can jump in. The answer is that it depends where you invest. If you were investing in new technology start-ups, I would say that that was very high risk. That feels to me like a venture-capital kind of investment. Investing in project development and in trying to find land or sites where you could build assets is less risky than technology but still quite risky. To me, that feels like a private equity kind of investment.

We invest in projects that are either fully ready for construction or that are operating and allow people to recycle the capital into new projects. That is much less risky and is an infrastructure-like investment. When we sat down with Brussels, we were precluded from making those earlier-stage risky investments, but it is one of the things that we think is right. It is very important for an institution such as ours, which really only has taxpayers' money in it, to make sure that we get a return and do not lose money. Investing in the lower-end risk of the list of things that I have just talked about makes sense to me.

Mr Dunne: Is it accurate to say that you are avoiding high-risk areas?

Mr Kingsbury: Yes, at least when we start. We need to demonstrate and build a track record. That will be much easier in the infrastructure stuff, and we can crowd in much more capital.

Really interestingly, the capital markets from where the money comes change all the time. Right now, there is a real drive for projects that produce yields. People are not looking for the higher-risk projects. They are looking for things that are quite stable and sensible and that generate cash every year. Renewable energy projects are one of those areas. Most of the capital in something such as an offshore wind farm goes in up front. Once they are built and up and running and the construction risk has been retired they are quite profitable. The technology is pretty well proven, and those projects have pretty good cash flow throughout their life. Moreover, the tariffs are tied to inflation, and those are exactly the types of cash flows that long-dated investors such as pension funds or insurance funds

look for. By launching new listed companies on the market or by bringing in those people to invest alongside us — we have pension funds that are investing alongside us — we are trying to make this an investment category that people are very conformable with. We will then allow them to get experience in it and bring in more and more money. As an asset class, renewables is kind of new.

Mr Dunne: You mentioned Invest NI. What about the loan funds that it has put in place? Will you work alongside providers of such loan funds or opportunities?

Mr Kingsbury: We certainly could. I am not 100% sure, but I know that Invest NI has a variety of different tools that it can use. Some of those tools can be used in project development. For example, Invest Northern Ireland could help to get a project that is a good idea but not quite ready for full financing up and running through one of its loan funds. We might then come along with a commercial bank and provide debt for the construction and operations.

We have a very good relationship with Invest Northern Ireland. We talk frequently and very much work together on projects. It was very helpful in getting Evermore across the line, and it and the Minister were very helpful in providing us with support. Invest NI has identified a couple of issues in areas in which we would like to invest, and we have told it about the challenges that we see. We have a great and open relationship. Alastair Hamilton and I speak frequently.

Mr Dunne: Do you think that Invest NI is switched on to green energy and is committed to it?

Mr Kingsbury: I think so.

Mr Dunne: We will certainly pass on your thanks to the Minister. That will be easy enough to do. Do you have other projects in mind in Northern Ireland?

Mr Kingsbury: I cannot share too much of the detail. A lot of the information is provided to us under non-disclosure agreements, so we cannot share specifics. However, we are looking at a couple of large waste-to-energy projects that are in the public domain. One of those is in Belfast and one is in the north-west. They need debt and equity, and we will look at those. There are also some private waste-to-energy projects that are being considered. Again, we are in contact with all the developers and potential owners of those to see whether they need debt or equity.

Mr Dunne: Good.

Mr Kingsbury: I think that the area in which we see a little bit more opportunity is in anaerobic digestion. You have a programme in Northern Ireland for four renewables obligation certificates (ROCs). We established a fund with a business called Foresight, and representatives of that business are here talking to the anaerobic digestion developers to see whether we can aggregate those projects. Typically, they are pretty small projects, and we are trying to aggregate them into groups that make them big enough to finance. When they are built and up and running and can show us that they can work, we could refinance them and provide debt that allows them to recycle their capital into the next round of construction. Therefore, anaerobic digestion is the area that I think offers the next best opportunity.

I have one question for the Committee. An area that we would really like to invest capital in is energy efficiency. One of the key technologies is energy-efficient lighting through the use of LEDs. Those lights use 15% to 20% of the power of the regular lamps that we see here at night. The technology is entirely proven and the payback period is seven or eight years. We have the capital, so we would love to sit down with the local authorities and talk about how they can upgrade their existing lamps all around the streets to provide better quality lighting, save a lot of energy and get a very good payback. We continue to struggle to get people to move those projects forward. We have a lot of capital, we would like to invest it and the technology is proven. Anything that you can do to help bring us those projects in an investable form would be great.

Mr Dunne: OK. My last question is on the Evermore plant. It will burn waste wood.

Mr Kingsbury: Yes.

Mr Dunne: Will that waste wood be treated before it is burned?

Mr Kingsbury: Generally not. Sometimes it has to be dried, depending on where you get it from. There is a maximum allowable moisture content. Typically, the wood will come from the construction business or the demolition business, where things are knocked things down and floorboards, rafters and such things are retrieved. Some of the wood will be sourced in Northern Ireland and some will be sourced in the UK and brought to the plant. We need to ensure that, over the 20-year lifetime of the project, there is adequate supply.

It does not have to be treated. It is a waste-compliant project, so it is able to take waste and deal with it. However, we will certainly want to strip out the heavy metals and the like. The wood is sorted, and we are very clear on what we can and cannot burn. Obviously, the plant will also have to adhere to a lot of environmental limits once it is up and running. It is a waste-compliant plant and can burn waste.

Mr Dunne: Is gas an alternative?

Mr Kingsbury: No. It has to run on waste wood. That is why we have a combination of supply from Northern Ireland and the from larger market for waste wood in the UK. That will ensure that we are comfortable with it and that we do not build this thing and, because it cannot find sufficient fuel, find that it is unable to pay back the loan over the life of the project. It can run only on wood or waste wood.

Mr Dunne: OK. Gentlemen, thanks very much.

The Chairperson: Will you tell us how much money your bank has?

Mr Griffiths: We have £3.8 billion. That is for the period through to March 2016. It was £3 billion until this summer, when we were allocated an extra £800 million for the year 2015-16 in the latest Westminster spending round. We have committed just over £700 million to date.

The Chairperson: That is very good. I will piggyback on what Mr Dunne said. A person has been in touch with me who has an idea for one of those newbuild passive housing schemes — one of those zero carbon-type schemes. That scheme has the potential for a biomass boiler district heating system. You are obviously not going to say whether you would consider that or not, but can you consider those types of things as potential investments?

Mr Kingsbury: Absolutely. District heating is a great energy-efficient form of heating and much more efficient than trying to heat each home individually. We would love to find a district heating scheme.

When we set up the bank, we realised that, with £3.8 billion to invest in a relatively short period, we would have to invest it in sizeable chunks — £50 million to £100 million. We also recognised that there would be a group of projects that were green and profitable — very good projects — that would not need £50 million or even £25 million but £3 million, £4 million or £5 million. Therefore, we established four funds: two to look at energy efficiency; and two to look at waste and biomass. Those funds look at projects that need £2 million, £3 million or £4 million. The district heating scheme sounds like a perfect one for those funds. So they have that investment mandate. Folks can contact us, and we will put them in touch with the right group, or they can go to them directly.

The Chairperson: Thanks very much for that. We have your contact details here, anyway.

Mr Kingsbury: Yes. You know where to find me.

Ms Maeve McLaughlin: Thank you, folks, for the presentation. You said that £700 million has been invested in projects to date. Are those the 21 projects that you referred to?

Mr Kingsbury: Yes.

Ms Maeve McLaughlin: How much of that is in the North?

Mr Kingsbury: It is £20 million into one project.

Ms Maeve McLaughlin: Is that the Evermore project?

Mr Kingsbury: Yes.

Ms Maeve McLaughlin: I listened carefully to what you said about the energy efficiency potential. The Committee probably shares some of your concerns about our Departments and their renewables responsibilities. The uptake by some is very poor. You referenced being a catalyst for the private sector. What are the obstacles to the private sector's being attracted to the Green Investment Bank?

Mr Kingsbury: I will start with the bigger question, which is the sheer scale of what needs to be done. The first couple of pages of the chart in my presentation show that about £330 billion needs to be invested over the next 10 years across the UK. Current investment is about half of that, so there is not enough capital to fill all the gaps.

What will make green investment attractive? We know that the private sector does not have much experience because this is relatively new. It has not been around for 25 years like, for example, investing in housing. Therefore, our taking a position alongside folks gives them a great deal of comfort and means that they are willing to look at it. By taking one of the risks, such as the construction risk, with which they might not be comfortable, we can be an early catalyst. Then, when the projects are up and running, we can sell down, recycle our capital and do more construction projects.

People are very happy to invest in offshore wind when it is operating. One of our first transactions was to finance an equity stake. Two Dutch pension funds wanted to invest in offshore wind. They wanted to learn all about it, but they did not want to take construction risks. So the utility built the project. We then lent them money so that they would invest. They took the equity piece, and we provided the debt. They are now very happy with that. There have been three or four other such transactions in operating. Next, we will take some construction risk in offshore wind. We hope that by demonstrating that it works and you can make returns — you can take construction risk, make a profit and sell this to people who want to take operating risk — we will show that the risks are manageable. It is about understanding the risks, putting capital to work and then proving that these are investment-grade opportunities.

Ms Maeve McLaughlin: Can you actively target the risk or perceived risk?

Mr Kingsbury: We can. We always try to do something that can be repeated again and again. People will say to us, "I'd like to build an offshore wind farm, but I do not really want construction risk. By the way, I can only get seven-year capital and I need 15-year capital, so can you take the refinancing risk? I'm not entirely sure that I can get a good power purchase agreement to pay for all the electricity coming in, so would you underwrite that? If you did all that and took away all the risk, we would be very happy to invest." We will not do that, because that is a good way of losing money. Those risks are real. In these projects, we have to understand who is best to take that risk, and it is always someone who can manage it. We will take a piece of it and sit alongside them, but we want to demonstrate that the right people take the right risks, because that is something that we can do again and again.

I will give you another example of something we did, which was then repeated. About two years ago, a group of folk tried to raise some money in London to list a company that would invest in operating wind farms. It would then list those, and consumers could invest in them and see the yield from them. However, it was a new sector, and it failed by about £50 million to hit its target. We found it a new home in a new fund-management business. We worked with it to restructure that offer so that the right people were taking the right risks. We took it from being a Guernsey-managed asset company to being onshore in the UK and fully paying its tax but also subject to all the rules and regulations that give investors more comfort.

We took it from the alternative investment market (AIM) to the main London listing market. When it took that product out again with a £50 million backing through us, it was completely oversubscribed. So it tried to raise between £210 million and £260 million, and it had over £300 million of capital offered on it. What is even more important is that, since it was successful in getting that away, four or five other companies have now taken a very similar model focused on renewables and successfully listed those companies. So a £50 million investment from us has generated about £700 million or £800 million of new capital coming into this business in the past six months. It also means that consumers and the public have the chance now, if they want to invest in this, to buy shares in these companies and reap the benefits of being an owner of green power.

Ms Maeve McLaughlin: Thanks for that, but, if the real obstacle is the potential lack of understanding of the work or of the green economy sector, is enough being done by the Department?

Mr Griffiths: One of the things that has been very important for us is the potential demonstration effect that we have. By that I mean that, if you approach many of the banks about energy efficiency, you find that they do not have an energy efficiency department. It is just not something that they really look at. If we demonstrate that we can make money in the sector, that is more likely to open people's eyes to the idea of setting up their own energy efficiency team than government having much of a say. I think that energy efficiency has genuine cross-party support. It has not necessarily had the status of energy supply, but I think that moving to a world in which people are more focused on energy efficiency, be that at a financial level or, indeed, at a corporate level, will be a very good step forward.

Ms Maeve McLaughlin: Finally, on social responsibilities, is it within your remit or gift to ensure that, on the construction of new projects, for example, social and local labour clauses are built in? Can you do that?

Mr Kingsbury: Probably not, because we have to invest along with the market. The areas in which we can enforce are the emissions and green areas of a project. Local labour clauses and so forth are difficult for us because they are outside our remit, although we would, of course, encourage them. However, in areas such as sustainability, we have the ability to put real teeth into, for example, our loan agreements. So, if you tell us that, for your biomass plant, you will sustainably source the biomass through a certain supply chain, we have the right to go and audit that every year. If we were to find that you were not sustainably sourcing that biomass, we would have the right to cancel your loan agreement. It is just like breaching a financial covenant: if you breach a sustainability or green covenant, we have the ability to pull the loan. Obviously, we encourage folks wherever they can to use local content because it is greener, but we do not have the ability to say that they must.

Ms Maeve McLaughlin: I am happy to discuss that with you later. Local labour was the wrong term. The term is social clauses, and they are currently written into public contracts in particular.

Mr Anderson: Thank you, Shaun and Oliver, for your presentation to us. I want to touch a bit more on risks. The angle that I want to come from is that you seem to deal with low risk in this market. Do you get involved in development costs for major projects? Do all the approval boxes have to be ticked? There can be many difficulties in waste energy. At what stage would you get involved in development costs?

Mr Kingsbury: We cannot take development costs or risks. You are right about that. Let me talk about our risk profile. We looked at all of our sectors and built a matrix with "Risk" along one axis and "Green impact" along the other. We want to focus most of our time, attention and capital on areas with the highest green impact and lowest risk. We are precluded from taking development risk. We are an infrastructure investor and need to invest at the point at which the projects are ready to go to construction or are in operation. We sit down with folk who have a pretty well-developed project. They come and ask whether their project has the potential to be a fit. If we say yes, we then tell them that they need a power purchase agreement, a fixed construction price and a long-dated operations and maintenance agreement. Basically, we help them to understand how to take a good project and a great idea to a bankable project, and that is the point at which we commit capital. We do not have an advisory service. However, we will point out to people who bring us really good projects where the holes are. We tell them that, if those holes are filled, we think that their project will work.

Mr Anderson: Has it been your experience that you were able to direct people who came with potential projects, which you were not too confident about initially, and they came back and the projects got off the ground?

Mr Kingsbury: Evermore is a classic example. When those involved originally talked about building the Evermore project, they were going to import virgin biomass. They concluded that they could get a better deal and that it was more environmentally sustainable to go with waste wood, so part of the work that they did was to change the scope of the project. A different kind of plant was required to be compliant to burn waste wood rather than virgin biomass. They thought about the capital structure: how much debt and how much equity. They worked with an engineering, procurement and construction company — effectively, the contractor — to get coverage.

The technology used in the boiler is Danish, and they got the export credit agency of Denmark to underwrite a portion of the loan. So the commercial banks were more comfortable because they were taking Danish Government risk and not Danish contractor risk. We started by looking at the debt of the project. When they got the export credit agency to cover most of the debt, that meant that there was a bank willing to invest but they were short of equity, so we put our money into the equity

structure. That is a classic example of how you turn a project two or three times. There is a lot of iteration and discussion, but we commit capital and costs only when a project is ready to sign and all the boxes are ticked.

Mr Anderson: Gordon touched on the sustainability of wood supply. Maybe I am wrong, and I am sure that you have looked at the figures, but with projects such as Evermore and the type of wood that it is allowed to burn, is the UK supply sufficient to sustain that for 20 years?

Mr Kingsbury: Yes, it is.

Mr Anderson: How confident are you about that?

Mr Kingsbury: Very confident. Otherwise, we would not have invested — believe me. We produce a comprehensive supply report. Specialist external advisers come in and ask what the arisings and quality of waste wood are. The quality is graded A, B and C. The 'A' wood is pretty clean but has been used; the 'C' wood may be covered in chemicals and is difficult to burn because of the emissions that it would produce. We have a complete report on the waste wood arisings in Northern Ireland and across the UK.

The contractor for that is Stobart, the trucking firm. It built a logistics business to collect all the sources of waste wood, transport it to key assembly areas and then bring it to where it is needed. We are not taking a series of risks with whether small construction firms will knock down buildings or build new buildings and produce waste wood. The underwriter is Eddie Stobart's distribution, logistics and trucking business. That is a company of significant scale and balance sheet, and it has to deliver or make good on a financial payment to make up for it.

We assess all the risks in a project. We understand who best can hold those risks. In this project, did we want to take that risk? No, we do not have people who can run around the UK finding waste wood. Have we got someone who can and has done that? Yes, and they take that risk. In return, they make a profit on supplying the wood. However, there is a lot of technical advice and a big thick report to show that. We are confident, first, that the wood will be there; secondly, that they have the capacity to find, collect and bring it to the right location; and, thirdly, if they do not, they will financially make good on any shortfall.

Mr Anderson: Will this be the only one of its kind in the UK or will there be more?

Mr Kingsbury: There will be more.

Mr Anderson: Is there potentially more wood?

Mr Kingsbury: There is a lot of waste wood.

Mr Anderson: Good. Have you any ideas for becoming involved in offshore wind investment projects in Northern Ireland?

Mr Kingsbury: I think that, in the next few years, it is more likely to be in the supply chain than in the construction of projects around the Northern Ireland coast. Harland and Wolff and the whole Belfast harbour area have been great staging grounds for manufacturing products such as foundations. They are the big yellow constructions sitting beside Belfast City Airport. You can see them when driving to the airport. It is also an assembly place, where parts can be assembled on the dockside before they are taken out. It is much easier to do that on solid land than trying to do everything out at sea. It could be used not just for projects here, of which there are not that many, but for projects along the whole west coast of the UK. It is the clear choice for projects in Scotland and the north of England, so there is hope for that. It is more likely to be a supply chain opportunity than ownership of offshore wind.

Mr McKinney: Specifically, can government access your funding if they arrive at an arrangement to match a project to your funding model? I am thinking, for example, of the green new deal. So, for example, if there were a project —

Mr Griffiths: Sorry. Would you mind explaining what the green new deal is?

The Chairperson: Pardon me, Fearghal. In case we get confused, I will provide a bit of clarity. Oliver, you may or may not be aware that the green deal in England and the green new deal proposed for here are two slightly different concepts, so maybe you would prefer to answer that in more detail in writing.

Mr Griffiths: OK. Great. Shall I just explain the way in which we have participated in the green deal to date?

Mr McKinney: We could end up talking about two different types of green deal. On the general concept, if there were a government plan to refit, insulate, re-roof et cetera, could they leverage the project through your model?

Mr Griffiths: As Shaun was saying, we have been looking actively at working with local authorities and central government. At the heart of that are a lot of accounting and budgeting rules on what can generally be seen as off balance sheet. We are working through them, and the UK Government have been focused on that as well. So, absolutely, we are looking to partner central government there. Another area where we partnered, for example, on the Drax transaction is the infrastructure guarantee scheme (IUK), where, essentially, you could have IUK guaranteeing some of the debt in a project and us participating in some of the actuary. That would be our obvious way of working with another part of government. Generally, however, we look to invest alongside private investors.

Mr Kingsbury: I would love to hear more about the green new deal here because I do not know the details of it. We provided debt to the green deal in the UK. That is sitting alongside an equity contribution from the Department of Energy and Climate Change. It is taking a portion of the equity risk on that along with all of the providers, the big six utility companies plus some of the installers. So, absolutely, the model can work. We need to look at the detail of what is being proposed here, how it would work and how we could play a role, but, in principle, it would be of interest. We should have a look at that.

Mr McKinney: Is it possible, on the back of what the Chair is saying, to have a look and provide your thoughts on it?

Mr Kingsbury: Yes. That would be great.

Mr McKinney: Thank you.

Mrs Overend: Fearghal stole my question. *[Laughter.]* Thank you very much. It has been an interesting discussion.

Mr Kingsbury: That is always the problem with being towards the end.

Mrs Overend: I am OK. Thank you very much.

Mr Mitchel McLaughlin: Thank you very much, gentlemen. It is a very innovative and interesting concept. You mentioned 21 projects and £700 million of investment. Have any trends or particular issues, either in energy or, more generally, environmentally friendly developments, emerged? The converse of that is whether there are any particular areas where, in fact, you have decided to be careful or stay away.

Mr Kingsbury: I think that we have been fortunate in that we have managed to make investments in all of those key sectors, the four areas that I outlined. So we have been involved in projects in energy efficiency, offshore wind, waste to energy and waste recycling. We have also had projects in each region — England, Wales, Northern Ireland and Scotland. That was not the plan; we set out to look at what projects we could find. We have been fortunate in finding good green and profitable projects in all of those areas. I guess that one of the themes that I would like to see whether we could do more on is energy efficiency. That has been one of our most difficult areas. I will give you an example of a project that worked in England. Perhaps there is a chance to do something similar here. We retrofitted Addenbrooke's Hospital in Ely in Cambridge with £35 million-worth of energy efficiency kit — everything from combined heat and power boilers; a little district heating; biomass power; and solar panels on the roof. We also fitted a lot of energy-efficient lighting and systems to help things to work together so that an air-conditioning unit does not run against a heating unit, which can happen quite a lot and wastes energy and money. We financed that project

along with the insurance company Aviva. After paying for the financing and seeing the CO2 savings, the hospital will save around £1 million a year, which can go into patient care. That is a great place for it to be, as well as being green.

If there were opportunities for similar projects in any of the big hospitals here or energy efficiency projects with any of the towns and councils, that would be fantastic. Every town should have LED lighting. The technology is proven. The payback is seven or eight years. The quality of light is better, and electricity consumption is 20% or less of what it is today. There is absolutely no reason why everybody should not have it. If councils are stuck for the capital required, we can do it off balance sheet. We can install and own all of the lights and provide lighting services, if you like. If they want to borrow money from us to do it, we can do that as well. I ask you this: what is it that you need help with? Energy efficiency is an area that everybody says is great, because it is. It is green. It does not require any other form of government support; it stands on its own two feet. Anything that you can do to push and encourage people to move, bring us projects, put their heads above the parapet and take some risks to do something new — there is no technology risk — is huge. We will look at those projects.

The Chairperson: As you were talking, I thought immediately of the likes of school estates with old, dated buildings that are very cold and difficult to heat. Surely, somewhere along the line, an investment there could save money. On that point, you referred to the hospital in England and mentioned £1 million a year in savings. Was that after the loan had been serviced?

Mr Kingsbury: Yes, exactly. The hospital had £1 million additional cash a year. It was much more efficient, much greener and had great carbon savings. However, most importantly for the hospital, £1 million is going into patient care that, previously, was going out the windows.

The Chairperson: That is grand. Thanks very much for that.

Mr Mitchel McLaughlin: I just want to pick up on that point. It is exactly the type of exemplar project that we should draw to people's attention. I am intrigued: did the Health Minister not notice that he had saved £1 million and respond accordingly?

Mr Kingsbury: No. We told him.

Mr Mitchel McLaughlin: Is there simply inertia or institutional resistance?

Mr Griffiths: There is a structural issue in England, which has NHS foundation trusts. Addenbrooke's Hospital is, in fact, a NHS foundation trust, but it has its own corporate governance. It is a case of talking to them individually. In Scotland, there is much more direct control over the NHS estate, and we are talking to NHS Scotland. In England, it is a slightly more piecemeal picture.

Mr Mitchel McLaughlin: Does that imply that, for instance, you would seek a meeting with the Health Minister, either here or in England, to advocate that model?

Mr Kingsbury: Absolutely. We would be very happy to do that. We have done it in the UK. However, as Oliver said, each trust has the ability to take its own decision. Trusts have their own chief financial officers. However, now that we have got the project at up and running, it is a great marquee example of how to do it properly. You might imagine that we are writing to them all —

Mr Mitchel McLaughlin: We have that silo construct here as well, I am afraid.

Mr Kingsbury: I would be very happy to take folks from here over to have a look at it. Come and see how it works. Talk to the chief financial officer over there and ensure that they are comfortable with everything. I would love to do that.

The Chairperson: This has been very useful and helpful to us all. Indeed, the modelling that you refer to should be shared with the entire, cross-departmental public estate. We will come to that in our wash-up at the end.

Mr Mitchel McLaughlin: We could start here in the Assembly.

The Chairperson: The Hansard report and the information that you have shared with us today should definitely be disseminated through the public estate to see whether we could avail ourselves of any opportunities. It would tick all the boxes and provide some work.

Mr Kingsbury: We would love to do that, and we will come back. We will put our head of energy efficiency in touch with the Clerk, and you can tell us who we should speak to about looking at projects. It would be great if we could start in this Building. It would be a great example for everyone, would it not?

The Chairperson: Absolutely. It is a good idea.

Mr Flanagan: Gentlemen, it is good to see you over here again. Sorry that I missed the presentation, so I really do not know what you said, but —

Mr Kingsbury: It was good stuff. *[Laughter.]*

Mr Mitchel McLaughlin: It has never stopped him before. *[Laughter.]*

Mr Flanagan: Even had I been here, I probably would not have known what you said. I will review Hansard. You mentioned district heating schemes just as I came in. Have you already invested in them, or are there any in the pipeline, particularly ones that are combined heat and power plants?

Mr Kingsbury: We are looking at several, but we have not found any that are sufficiently mature to invest in. Typically, that means that a local authority is looking at creating a district heating scheme for, for example, a series of multi-family dwellings and apartments. The local authority has approached us and asked whether it could work, and we have said yes, it could. It is now going through the business case, the engineering case and doing the front-end design work to understand what they could build and how it would work. We have not yet financed any of those in the public sector, other than a small one as part of the overall energy efficiency programme at Addenbrooke's. Would we be interested in that? Absolutely. The frustration is that the technology is proven and we have the capital, but can someone bring us something that is ready to go?

Mr Flanagan: To make it feasible and financially viable, do you need a large user, such as a large business, a hospital or a school that would consume an awful lot of energy?

Mr Kingsbury: Yes. Generally, you need a big heat load. When designing a scheme, you can trim how much goes to power and how much goes to heat load, so you can optimise between the two, but, generally, you need a significant heat load such as a school, hospital or something with a campus — a university could work as well — or a large industrial business that needs heat.

Mr Flanagan: Is the one that you are looking at here or over in Britain?

Mr Kingsbury: It is over in the UK.

Mr Flanagan: Personally, I would be keen to see some of the schemes that you have invested in here. You may want to extend an invitation to the Committee.

The Chairperson: Thank you very much indeed, gentlemen. That has been very useful and very informative, and I hope that contact numbers and the like can be shared with us so that we can avail ourselves of every opportunity that we pick up on. We discussed some of them today. Thank you for your time, and we look forward to hearing from you again.

Mr Kingsbury: We look forward to making more investments.

The Chairperson: Good.

Mr Mitchel McLaughlin: Yes, and making more money.

Mr Kingsbury: Thank you all very much.