HgCapital

Electricity Market Reform Project
Department of Energy & Climate Change
4th Floor Area E
3 Whitehall Place
London
SW1A 2AW

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Response of HgCapital to Consultation on Electricity Market Reform (the "Consultation")

HgCapital is a leading investor in UK and EU renewable energy projects. Our investors include UK, European and American pension funds, the investors that UK seeks to attract to its energy markets. We agree that market reform is needed to attract new low carbon investment on the scale and at the pace required for the UK to meet its renewable energy, low carbon and energy security targets. Having started this process, we encourage DECC to make the most of this opportunity to make even more far reaching changes to the power market to encourage even more investment. We see little additional risk in doing so, as any disruptive effects of the Consultation on investment have already occurred.

EXECUTIVE SUMMARY

- Decisive and effective grandfathering of investments made under the RO is critical. If existing RO investors do not receive the full expected economic bargain under the RO, including the benefits from the Climate Change Levy, it will make attracting new investment nearly impossible.

- The overall suite of regulatory reforms proposed in the Consultation and in the Treasury Carbon Floor Price Consultation are an improvement on the existing market and should attract new entrants and new capital.

- DECC's preferred low carbon support mechanism, the Contract for Differences (CfD), could work, but the CfD as outlined in the Consultation is not likely to attract new investment, and could present significant implementation issues.

- Absent modifications to the CfD, fixed or premium feed-in tariff is more likely to attract new investment.

- The proposed policy changes should be accompanied by further electricity market reforms to guarantee new entrants a route to the power market, minimize the oligopoly power of existing utilities and level the playing field for new entrants.

- DECC should more closely coordinate with Ofgem on the electricity market liquidity review; which we view as an essential part of market reform and which should proceed on a common path.

- DECC should consult more closely with the finance sector on the cost of capital assumptions underlying the Consultation proposals.

2 More London Riverside
London SE1 2AP
United Kingdom

T +44 0020 7089 7888
F +44 0020 7089 7999
www.hgcapital.com

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- Our key recommendations to attract new investment are:
    - The RO replacement needs to provide visible, firm and stable pricing for low carbon investment, particularly for intermittent generation such as wind.
    - The RO replacement needs a firm purchase obligation from utilities or a central buyer; there must be a clear route to market.
    - Remuneration should be fixed for the long-term and linked to inflation.
    - Auctions should not be used to set prices as they create unacceptable pricing uncertainty and deter development.
    - Reforms should be made to the electricity market to level the playing field for new entrants and remove the advantages of incumbent utilities which is deterring investment and increasing costs to consumers.
    - Costs must be passed through to consumers on a current basis.

Our recommendations are based not only on our experiences as an investor in UK low carbon generation, but the experiences of HgCapital personnel investing in renewable and conventional power generation throughout Europe. That experience includes raising over €500 million in capital from global pension funds for low carbon investments. Thus, we have real-world insight into the regulatory frameworks in which they are willing to invest.

DETAILED RESPONSE

HgCapital's response primarily addresses (i) grandfathering and transition, (ii) the replacement for the Renewables Obligation (RO) and (iii) removing advantages of incumbent utilities and other bottlenecks to the flow of new capital to the sector.

RO Grandfathering and Transition

Clear and effective grandfathering and transition rules are critical to maintaining investor confidence and attracting new capital. If existing investments are not effectively grandfathered, new investment will not flow. We encourage DECC to clearly set forth in the White Paper that it fully accepts and adopts the grandfathering principles outlined below.

We agree with the proposed transition from the RO to the new support system, giving projects the option to enter the RO until 2017. We favor "Option B" (10% guaranteed headroom) method for calculating the RO in the grandfathered system, as it better matches investor expectations and is less likely to trigger defaults under existing power sales and project financing arrangements.

In approaching grandfathering, from an investor standpoint the most important factors are:

1. Grandfathering Economic Expectations. It is not sufficient to grandfather the RO as a system. Rather, it is critical to *grandfather the full economic expectations* of investors under the RO. This means protecting fully the RO buyout price, the recycle benefit and Climate Change Levy exemption.

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We believe that the proposal for maintaining guaranteed headroom for RO projects (Option B) (with the headroom being adjusted up or down as projects enter or leave the RO) is the best method for achieving this rather than fixing the RO as a premium FIT. We note that the guaranteed headroom, which sets the supplier obligation, needs to be adjusted potentially both up and down: upward adjustments to account for new projects that elect the RO during transition, and downward adjustments for projects electing the new scheme and to reflect RO projects that, for any reason, cease generating. For example, should an offshore wind farm fail for technical reasons and cease generating renewable obligation certificates, the headroom would need to be adjusted downwards to avoid windfall profits to the remaining generators through increased recycled benefits.

2. Grandfathering the Climate Change Levy. Existing RO and NFFO projects benefit from payments for Climate Change Levy Exemption Certificates (LECs), which were factored into investment decisions. Neither this Consultation nor the HMT consultation on the Carbon Floor Price discuss grandfathering LEC payments. We understand from discussions with Treasury that this system will be grandfathered. DECC should confirm that the existing system will be grandfathered. *Failure to continue LEC payments would be seen as a retroactive change by investors, and could be viewed by lending banks as an event of default and could lead to terminations or defaults under the loan agreements.*

3. Respecting Existing Contracts. The new arrangements and the transition rules must respect existing contracts. A large number of existing RO projects have been financed using long term bank project finance. Most of those project financings rely on 12-15 year power purchase agreements (PPAs) between the projects and, generally speaking, the big six utilities. Effective grandfathering requires that the PPAs remain in full force and effect, and the benefits which are expected to flow to the parties do not change. Any legal changes cannot, or cannot be seen, to terminate or void any existing PPA. Grandfathering must also consider that the project financing agreements under which the projects operate allow the lending banks to declare the loans to be in default. [1]

   Thus, the changes in law from the RO to a new system must preserve the economics and existing contracts so that banks cannot claim defaults. We emphasize the critical nature of this because a large amount of existing RO projects were financed by lenders prior to the credit crunch on terms that are no longer obtainable in the market. In other sectors lenders are using technical defaults or requests for routine waivers as a way to reset lending terms to current market standards which invariably result in a loss of value to the generator. We strongly suggest that you retain advice of one or more of London's leading energy law firms on how legislation and regulation can be drafted to avoid these defaults.

[1] Circumstances which banks can declare a default typically include: (i) any change in law or regulation which would have a material impact on the expected economics of the investment, (ii) any termination of any material contract on which the project financing is based, specifically including the termination of any power sales contract between a generator and any big six utility; and (iii) any change in regulation or law which would lead to the loss of either RO accreditation or any material permit.

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4. Transition period. It appears that the Consultation may already be creating an investment hiatus. As active participants in the market, we are seeing:

    - Certain incumbent utilities avoiding new power sales agreements with RO based projects;
    - Deteriorating economic terms of RO power purchase agreements;
    - Lenders questioning the visibility of RO revenue streams due to proposed market changes; and
    - Biomass projects on hold while grandfathering is sorted.

    The hiatus risk appears to be growing for offshore wind. The RO accreditation deadline of 2017 may exclude a number of offshore wind projects currently under development from electing the RO, as the lead times require investment decisions to be made in the next 12-18 months. With the new system and level of support still unclear, and likely to be so for some time until the legislation is enacted, investment will slow down.

    We strongly encourage DECC to clarify Transition rules in the White Paper, giving clear signals that projects can proceed under the RO. If not, the risk of an investment hiatus will grow. This issue could be solved by granting RO status to any project that elects the renewables obligation and commences construction by the 2017 cut-off date, even though it may come online later. There should also be consideration for projects that come on line over several years, to avoid having parts of projects in the RO and parts in the new system.

Capacity Payments, Emissions Performance Standards, Carbon Floor Price

- We support capacity payments to ensure adequate back-up generation capacity in a system that will have increasing intermittent generation. Capacity payments are a proven method for securing investment. We assume that most new balancing capacity will be natural gas, which has a relatively short build time. Given the current UK generation mix should be sufficient to meet balancing needs in our opinion until 2020, we believe that there is ample time for the Government to refine both the scope and method of setting capacity payments as the market evolves.

- DECC should note, however, that some industry participants believe that capacity payments could have a significant negative impact on long-term power prices, which could negatively impact grandfathered RO projects which will still have power price exposure. We would encourage DECC to analyze these risks more carefully and consider making necessary adjustments when grandfathering RO projects.

- We support the emissions performance standards outlined in the consultation and do not recommend any material changes.

- We fully support the carbon floor price proposals as outlined in the HMT consultation and we, as part of the Low Carbon Finance Group, have submitted a separate response to that consultation. As noted above however, neither the HMT consultation nor this Consultation addresses LECs for existing RO projects.

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Replacement of the Renewables Obligation

The Consultation presents three options for incentivizing new low carbon generation:

1. A contract for differences (CfD).
2. A fixed feed-in tariff (Fixed FIT).
3. A premium feed-in tariff (Premium FIT).

We note DECC's preference for a CfD, and we believe that all three FIT models could be made to work if the recommendations suggested herein are adopted. Our experience, however, suggests that a Premium FIT or a Fixed FIT will attract more capital than the CfD as outlined in the Consultation. A Premium FIT, with (i) a purchase obligation and (ii) an electricity price floor and cap to ensure the price stability and to avoid windfall profits in the event of long-term power price increases should attract capital. This is the method used in Spain, which has delivered the second largest installed renewables base in Europe, behind Germany. It fits well with the UK's market-based approach to power.

A common complaint about the RO is that it is complex and difficult for investors to understand. In our opinion, the CfD outlined in the Consultation could appear to investors as more complicated and riskier than the RO, and thus less attractive. The reasons for this include:

- The lack of a firm purchase obligation from utilities or a central buyer creates an uncertain route to market, and will cause investor concern as to whether a market exists at all.

- The average price computations are complicated and expose investors to "basis" risk – the risk that the index on which the CfD is set is different from the market in which power is sold; exposing investors to price uncertainty. It will also have to deal with negative pricing in off-peak periods, especially as more intermittent generation is brought on line.

- "Peak" pricing upside outlined in the Consultation is likely to prove illusory because the proposed changes do nothing to alter the balancing market power of the incumbent utilities, as outlined below.

We note that the Ireland wind REFIT tariff is, in effect, a contract for differences and this has been made to work. However, in practice, it operates as a full fixed FIT rather than a contract for differences, with an obligation of the electric system to purchase all wind power generated. Were the Irish model adopted, a CfD could work.

From a long-term equity and debt investor perspective, the key elements of a viable low carbon support system that will attract capital are:

1. Pricing stability and visibility. The price for renewable electricity can float within a range, but there must be a clear floor or minimum price that investors can rely on for an extended period; at least 15-20 years to attract the lowest priced capital. If a CfD is used, it must provide true pricing certainty. The strike price must be set against an appropriate and measureable index and avoid "basis risk" – the risk between the index and the market in which generators actually sell power. There is a very substantial risk that the price at which new generation will actually sell power will be below the average price on which the CfD is set. This is already the case in the UK where utilities, with their market power, contract to buy renewable energy at a significant discount.

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2. Purchase obligation. There must be an obligation of either the main electric utilities or a central buyer to purchase the renewable energy produced with no volume risks. The intermittent nature of wind, sun, wave and water already creates volume risk. The proposed CfD does not have a clear purchase obligation or a clear route to market. Without an obligation or a route to market investors, if they appear, will require higher returns to compensate for perceived higher risk. With no purchase obligation, utilities will continue to do what they do now – purchase renewable power at a substantial discount to the market price, keeping the excess profit for themselves. If the limited obligation of the RO is removed, the discounts will be greater.

3. Inflation linkage. Pension funds are increasingly seeking inflation linked investments to match their long-term liabilities. If the CfD strike price, the premium portion of a Premium FIT or the fixed FIT price is inflation linked, it will attract more of the long-term investors that the DECC is targeting.

4. Level playing field. An objective of the Consultation is to reform the market to attract new entrants and new investors. The UK electricity market, however, does not provide a level playing field which discourages new entrants. It is an oligopoly dominated by six major utilities. Their incumbent positions across consumers, distribution networks, generation and trading, gives them a pricing advantage over new entrants such as independent power producers and pension funds, and in our opinion allows the utilities to extract excessive profits. To attract new entrants, the market power of these utilities needs to be eliminated or substantially reduced. By doing so we believe the Government will be more likely to attract new entrants and can realize savings for consumers.

   Much of the low carbon generation will be intermittent renewables like on and offshore wind, which require balancing. Incumbent utilities have excessive power in the balancing market, which disadvantages independent generators and new entrants, as well as increasing costs to consumers. To level the playing field, and reduce consumer costs, all intermittent low carbon generation, utility or non-utility, should either have a fixed balancing charge or be required to participate in a new independent balancing market.

5. Simplicity. Institutional investors are generally attracted by simple solutions. A Fixed or Premium FIT is known to and understood by them, and is simple to explain. Spain has operated a Premium FIT (with a cap and collar to prevent excess profits) for years and has delivered over 20GW of wind. The CfD is not proven and is more complicated, so is less likely to appeal to investors.

6. Stability and grandfathering. Whatever system is elected, it must not be subject to retroactive change for the entire period of time promised, whether it be 10, 15 or 20 years. This is perhaps the greatest challenge, as the system adopted now needs to survive several Parliaments. The UK has been plagued with too many energy consultations and changes in recent years, deterring investors.

7. Cost pass-through. The costs of energy, whether electricity, gas, renewable or conventional, must be passed through to consumers on a current basis. If costs are not passed through investors will perceive greater risks, and will seek higher returns. What led Spain to retroactive changes in solar PV tariffs was the government not allowing or requiring utilities to pass on the true cost of power to its consumers creating the "tariff deficit."

8. Protection Against Excessive Remuneration. Consumers should over time see real economic benefits from increased low carbon generation. Low carbon generation can be a hedge against increasingly volatile fossil fuel prices, and can actually reduce long-term power prices, particularly under the high carbon cost scenarios. A modified CfD and a Fixed FIT would allow the savings to flow to consumers. If a Premium FIT model is used, to avoid excess remuneration the premium should be adjusted to in effect provide a floor and a cap on the electricity price. This is in effect the Spanish system for wind, biomass and small hydro which has successfully delivered 20GW of wind capacity.

We understand DECC's desire for a CfD market-based solution, but we do not believe the proposal achieves it. We also understand DECC's concerns that a Fixed or Premium FIT could lead to excess compensation. A Premium FIT with a floor and cap on power prices would address this issue while preserving market flexibility The Premium FIT option, with a cap and floor, is what has been used in Spain, which at 20GW has the second largest installed base of wind in Europe. So that system is proven and understandable and acceptable to both lenders and equity investors.

Uneven playing field

The incumbent six utilities are an oligopoly and have market advantages over new entrants. In our opinion, utility market power discourages new investors from entering the market and allows incumbent utilities to extract excessive profits at the cost of consumers. None of the proposals in the Consultation addresses the power of the incumbent utilities. We believe that DECC should seize this opportunity to make even bolder market reforms to redress these imbalances and truly attract new investment. We see little additional risks in doing so, as the disruptive impact of the Consultation on investment has already occurred. In this respect, we urge DECC to work closely with Ofgem on its liquidity review, or to take over that review as part of this Consultation as the outcomes of that review and this Consultation are inextricably linked.

Utility market power is most readily apparent in the power balancing market, which is highly illiquid and dominated by the major utilities. Under the RO and the current UK electricity market structure, there is no real direct route to market for independent power producers. Further, for independent producers to secure long-term financing and achieve the lowest weighted average cost of capital (WACC), they must enter into a long term power sales contract with a supply utility. As part of that contract, the utilities, with their large fleet of generation assets and trading activities, agree to take on the half-hourly balancing risk in the system. For a wind farm, the utilities currently deduct 8-12% of wholesale power prices for taking on the balancing risk, which only they can do because they control gas-fired power plants that handle the balancing.

Because there is no other route to market, and because of their dominant position, utilities have no incentive to save costs. We believe their balancing costs to be no more than 3% of the wholesale power costs and that they are using their market position to buy power at a discount from renewables players not justified by actual balancing costs. The utilities will defend their position, but the balancing costs in other countries show the different and far lower costs.

Spanish wind farm balancing costs are currently about 2% of the wholesale power price. In Scandinavia, Nordpool wind balancing costs are currently about 3% of wholesale power prices. Spain's electric system today looks like what is expected in the UK – large amounts of coal and gas generation, some nuclear and hydro and 20GW of onshore wind. Nordpool has large amounts of intermittent generation in wind and hydro (>6GW wind). Why are costs so much lower than the UK? Limited utility market power.

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Neither Nordpool nor Sweden have oligopoly power in the balancing market. Nordpool achieved this through a multiplicity of market players. Spain achieved it by barring the oligopoly players from the balancing market. In Spain, each wind farm is required to handle its own balancing. Because Iberia is similar to the UK with four oligopoly electric utilities (Iberdrola, Energia du Portugal, Endesa and Gas Natural), the Spanish regulatory authorities banned the incumbent utilities from the wind balancing market. In Spain, we have seen innovative traders, primarily from Switzerland, provide balancing services at approximately 2% of the wholesale cost of electricity. Nordpool market boasts over 200 market participants and many, many generators, including large utilities like Statkraft and Vattenfall, industrial co-generation facilities and municipal electric companies. There is also a deep and highly liquid trading market where over 60% of electricity trades daily in the spot market.

This point is important for the CfD because DECC suggests that a CfD will allow new low carbon generation to capture the upside from operating during high price periods. This may prove to be illusory. First, wind power, a major focus of the Consultation, cannot control when it generates and is a price taker. Second, nuclear power is relatively inflexible in its demand response capabilities. In the current market it remains a price taker.

Therefore, we strongly suggest that balancing charges for intermittent generation be either fixed by regulation with that cost applying equally to utility and non-utility generators, or following the Spanish model by barring the existing oligopoly utilities from participating in that market. It would take far more radical market reform to achieve the Nordpool model.

This would level the playing field. Utilities would no longer have an advantage over independents in their profitability and it should also result in lower costs to consumers as it appears to us that the balancing charges of UK utilities are substantially higher than those of the Continent. We believe that with such a level playing field the UK market would be more attractive to new entrants who do not believe they would not be at an economic disadvantage to the incumbent utilities.

Auctions for setting Low Carbon Pricing levels

We do not support at this time using auctions to set CfD, Premium FIT or Fixed Fit support levels for low carbon generation. In the long run, with more market entrants and greater clarity, it might be workable. At present, however, it does not appear feasible and we think that using auctions would be more likely to decrease rather than increase sector investment. Auctions are also likely to increase the cost of capital due to the additional risks presented by an auction system.

We note the following issues with auction systems:

1. Low completion rates. The NFFO system during the 1990's was an auction system. Later NFFO rounds saw intense bidding, with bidders believing if they simply secured a contract they could make a project work. There is a very high failure rate of NFFO 4 and 5 contracts as the bidders were unable to deliver projects at the prices secured. To avoid the failure rate, an auction system can incorporate performance bonds requirements for the winners. This, however will deter new entrants particularly smaller independent players focused on community sized projects, and pension funds.

2. Pricing Uncertainty. Auctions create pricing uncertainty and will lead to slower project development. Today, project developers are able to make the decision to embark on the long and costly process of seeking planning approval and constructing renewable energy projects

because there is strong price visibility. An auction system increases pricing uncertainty and will likely lead to a slow down in project development and permitting applications. That uncertainty will also increase the cost of capital for project development, as there will be a risk that sunk costs cannot be recovered if the bidders lose auctions.

3. Lack of Underlying Competitive Tension. The primary (if unspoken) goal of the Consultation is a system that will foster more nuclear and offshore wind generation. However, in neither of these sectors does there appear to be sufficient competitive tension to create viable options. In nuclear, EdF controls British Energy which controls the vast majority of the new nuclear power sites. EdF is clearly aligned with AREVA as its technology supplier and at present the only other globally competitive nuclear technology option appears to be Korea. Thus, with one company controlling the vast majority of nuclear sites and only two viable technology suppliers, one must question whether any competitive tension can be reached in the nuclear market.

   In the offshore wind market, we are seeing the large utilities participate in a series of joint ventures on projects (e.g. SSE and RWE in Greater Gabbard, E-ON, Dong and Masdar on London Array). With the utilities increasingly taking on these projects in the consortium, there is a natural lessening of competitive tension. Further, at present there are only three viable suppliers of offshore wind turbines, Siemens, REpower and Vestas. Siemens is the clear market leader and turbine of choice because of its reliability and Siemens' ability to deliver. REpower is still scaling up its manufacturing capabilities for offshore and Vestas has a checkered track record in the offshore space and needs to regain investor confidence. As with the nuclear technology, with only at best three technology suppliers, serious questions must also arise about the competitive tension in the offshore wind sector.

Cost of Capital

The Consultation acknowledges that creating a low carbon energy infrastructure requires unprecedented capital investment over the next decade. The Consultation and other commentators also acknowledge that the investment required exceeds the capabilities of the main utilities, who have been the historic source of capital for the sector. Thus, new sources of capital are required. DECC's preference for a CfD is based on analysis that suggests CfDs will achieve a lower cost of capital (although the table on page 49 of the Redpoint analysis suggest CfD cost of capital is the same as FFITs). That analysis is in turn based on hurdle rate assumptions in Appendix D.

Appendix D, however, only addresses the current cost of capital of Vertically Integrated Utilities (VIUs) and Independent Power Producers (IPPs). That analysis is also based on a classic academic application of the Capital Asset Pricing Model (CAPM). From the perspective of pension plans and other financial investors that DECC seeks to attract, this approach does not adequately :

1. take into account the investment expectations of the new investors DECC is seeking to attract to the sector. This is critical because we know that VIUs and IPPs are capital constrained.

2. reflect how banks, pension funds and other investors allocate capital to investments.

3. consider certain macroeconomic and investment trends that could higher costs of capital.

We encourage DECC to focus more on the cost of capital and return expectations of the new investors that it seeks to attract to the sector.

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Investor expectations and capital allocations (1&2 above).

The institutional debt and equity investors that DECC seeks to attract have different investment objectives and capital allocation criteria than VIUs and IPPs. Fundamentally, VIUs and IPPs are in the electricity business – they have no choice but to invest in the sector. Banks, pension funds and insurance companies can invest in any business, and do so.

Generally, financial investors select the best investments, which may or may not be low carbon power, and if it is, it may be in markets other than the UK. In selecting where to invest they will be guided by the following:

- *Diversification* – they will not put all their eggs in one basket. They will invest in multiple industries, geographies and instruments (bonds, shares, private funds).

- *Overall returns* – they will solve for overall investment returns. For pension plans and insurance companies, they will invest to pay their obligations. For Banks to achieve a return on capital target.

For pension funds and insurance companies, usually diversification and overall returns merge in asset allocations. That is they will set their diversification targets, and the overall returns and then allocate broadly to sectors with an overall return. They are unlikely to have a "clean energy" allocation. Rather, they will have an energy or infrastructure allocation, from which they will seek an overall return. As they are dealing with large sums, they think "I need X% from energy", not X% + 5% for oil and gas, or X% - 4% for a CfD or X% - 3% for a Fixed Feed-in Tariff.

Macroeconomic and investment trends that could lead to higher costs of capital (3 above)

There are several factors that point to rising costs of capital for all sectors, which could affect investor return expectations. These include:

- *Rising interest rates*. Interest rates are at an all time low. There is pressure on central banks to raise interest rates to fight inflation. The cost of debt is likely to increase.

- *Basel III*. Basel II imposes greater capital reserve requirements on banks and insurance companies who make long-term loans (which may also be extended to pension funds). There is a strong possibility that these reserve requirements will add material costs to long-term project finance.

- *Pension deficits*. Broadly speaking, most UK, EU and global pension funds are "underfunded" – meaning that the present value of their pension liabilities exceeds the present value of their assets. This can be addressed by (i) increasing employer contributions, (ii) increasing employee contributions and (iii) investing at higher returns. Seeking higher returns reduces employer and employee burdens. This is why pension funds are increasingly looking at unlisted private equity investments.

- *Changing utility risk profile*. The risk profile of UK and European utilities is changing. Primarily, they are being asked to take on large infrastructure investments in a deregulated market. As they are short of capital, they are selling off regulated assets, such as transmission lines and distribution networks, and increasing their exposure to unregulated assets, which increases risk and may increase their cost of capital.

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We urge DECC to consult more deeply with banks, utilities and institutional investors to better understand the investment decision making and capital allocation methodologies of the investors it seeks to attract, and to understand the broader investment context beyond the electricity sector.

About HgCapital

HgCapital is a London based investment manager for global pension funds, insurance companies, sovereign wealth funds and other investors. Founded in 1985, we are employee-owned and London-based. We have grown from 25 employees in 2000 to 78 today, of whom 66 are employed in our London headquarters.

HgCapital has over €3.5 billion in assets under management, of which over €500 million are in the HgCapital Renewable Power Partner infrastructure funds which invest exclusively in European renewable energy projects. This makes HgCapital the single largest European-headquartered renewable energy investment fund. Our capital for renewable energy investment comes predominantly from pension funds, including:

- 3 UK local council pension funds
- 2 UK FTSE 100 corporate pension funds
- A large UK state entity pension fund
- United States and European public and private pension plans, including one of the largest US public pension plans

We have invested over €300 million in equity in European renewable energy projects with a total value in excess of €1.25 billion, including nearly €100 million of equity in the UK renewable energy sector. In the UK we hold interests in nine wind farms in operation or construction and a further ten wind farms under development. The UK wind farms in operation or construction have a combined total value in excess of €250 million.

We take seriously our obligations to our investors. Our profitability is directly linked to the long-term performance of the investments we make on their behalf. The firm and its employees invest their personal capital in each investment to assure proper alignment of interests with our investors.

We would be pleased to discuss any part of our comments should you wish to do so.

Respectfully yours,