



Efficient income

How SDCL Energy Efficiency Income is benefitting from reducing energy wastage.



Jonathan Maxwell, CEO of Sustainable Development Capital, the investment manager of the SDCL Energy Efficiency Income Trust plc

2020 saw a fundamental shift in the prioritisation of green policy and the clean energy transition. Key policy initiatives and the commitment of vast sums of capital from leading government bodies around the world will aid the financial recovery and are critical steps forward in tackling climate change. These climate goals cannot be achieved through supply side measures alone. Reducing the size of cake has become key.

Forty percent of the world's energy is used in

buildings, but more than half of that energy can be lost or wasted in poor generation, transmission, and distribution systems. Those losses account for about a third of global greenhouse gas emissions and, as a result, the International Energy Agency says that energy efficiency measures can make up forty percent of the required energy reduction to limit global warming to 1.5° centigrade. This is the sector in which SDCL Energy Efficiency Income Trust Plc (SEEIT), the first UK-listed investment trust to invest exclusively in energy efficiency, specialises.

SEEIT floated on the London Stock Exchange in December 2018, introducing the opportunity to invest in energy efficiency projects to the public and raising £100m. There has been growing appetite from investors for our offering. Since our IPO, we have raised an additional £441m in subsequent fundraisings from a broad range of investors keen to invest in a strategy that delivers an attractive income stream by providing businesses with sustainable energy solutions, while reducing their costs in the process.

SEEIT has acquired and manages a portfolio of assets across the UK, Europe, and North America that delivers a diverse range of energy efficient solutions directly to end-users in return for long-term contracted income. Some projects provide cleaner, cheaper and more reliable energy directly to the point of use through onsite energy generation, e.g. through solar panels or combined heat and power plants – thereby avoiding losses in transmission and distribution from the grid. Others reduce energy waste on the demand side, for example retrofitting a building with more efficient LED lighting, air conditioning, insulation or building controls.

For example, our onsite generation system in St Bartholomew's Hospital in London provides heat and power at an efficiency level of over 80%, whereas if the energy were drawn from the grid, its energy would have an efficiency level of below 40%. We have also installed rooftop solar power panels across Tesco's estate, again bypassing the grid and providing more efficient energy directly to the point of use. Recently, we have also invested in the roll-out of an electric vehicle charging network, acquired a biogas

distribution network in Stockholm and invested in one of the largest commercial and industrial solar portfolios of its kind in the United States.

In addition, we have a portfolio of industrial cogeneration projects in the United States, where waste flue gases and heat from steel production, that would otherwise be polluting the atmosphere, are recycled into turbines, producing power for the steel mills and the surrounding site. The portfolio generates around 298MW of energy but earns renewable energy certificates equivalent to 536MW of solar power production, due to its waste reduction.

SEEIT's portfolio has continued to perform robustly throughout the hugely challenging Covid crisis, reflecting the nature of the essential service our projects provide to clients.

With the prospect of a renewed commitment to environmental policy in the United States from the incoming Biden administration, as well as recent commitments by the UK government and the EU, we expect 2021 will see even greater momentum for greening the economy. We have

an exciting pipeline of opportunities for SEEIT to invest in and we will look to continue to expand and diversify the portfolio. These projects will

help us achieve our shared net-zero goals while delivering long-term, reliable income to our shareholders.

