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CLEANTECH INVESTMENTS IN NEW ENERGY AND
THE ENVIRONMENT

Financing RE in South Africa: 2 October 2009

inspired
evolution 
investment management



An Intro to Inspired Evolution and our Evolution One Fund...

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FUND HIGHLIGHTS

“ Make no mistake there is money to be made in industrial CO₂ emission reduction. The problem is nobody knows just how much money. According to the minerals and energy department, South Africa could generate ZAR618m in carbon trade by 2012. PricewaterhouseCoopers puts potential earnings for companies as high as ZAR2.5bn.

MIKE MOON
Maverick Magazine, 03/2006.

Fund Size	ZAR 1 billion
Investment Stage	Predominantly expansion stage; some early and later stage
Minimum Investment per Project	ZAR 10 million
Maximum Investment per Project	ZAR 150 million (15% cap)
Minimum Equity Participation per Project	25%*
Maximum Equity Participation per Project	51%*
Fund Life	10 years, 2008-2018

* Indicative equity participation numbers

Cleantech is way broader a theme than just energy



Typically
Ubiquitous
Global
Applications

Doing more with
less



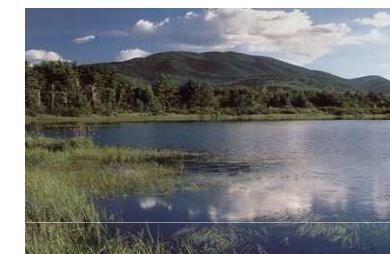
ENERGY: Includes Energy Generation, Energy Storage, Energy Infrastructure and Energy Efficiency .



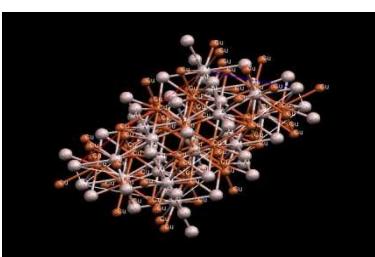
TRANSPORTATION: Includes vehicles design, fuels and logistics



WATER: Includes filtration, purification, water conservation and wastewater treatment, etc.



AIR & ENVIRONMENT:
Includes remediation, emission control, trading and offsets, etc.



MATERIALS: Includes environmental friendly nano, bio, chemical materials, etc.



MANUFACTURING/INDUSTRY
: Includes monitoring/control appliance and smart production industries.



AGRICULTURE: Includes land management, natural pesticides, natural fertilizers, etc.



RECYCLING & WASTE:
Includes various recycling services and waste treatment services.





INVESTMENT FOCUS

Eight prominent high-growth investment sectors/sub-sectors:

New Energy:

- 1. Cleaner energy generation, energy storage, smart grid/transmission, and energy efficiency**

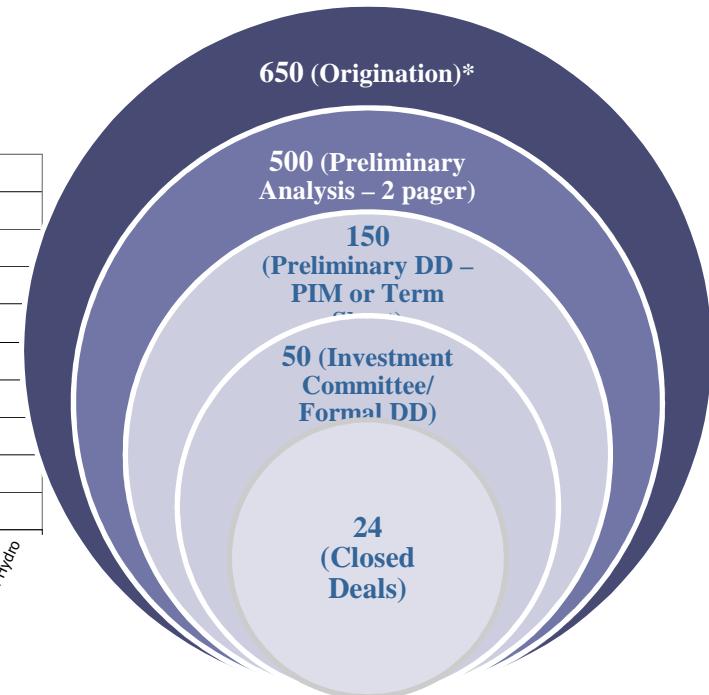
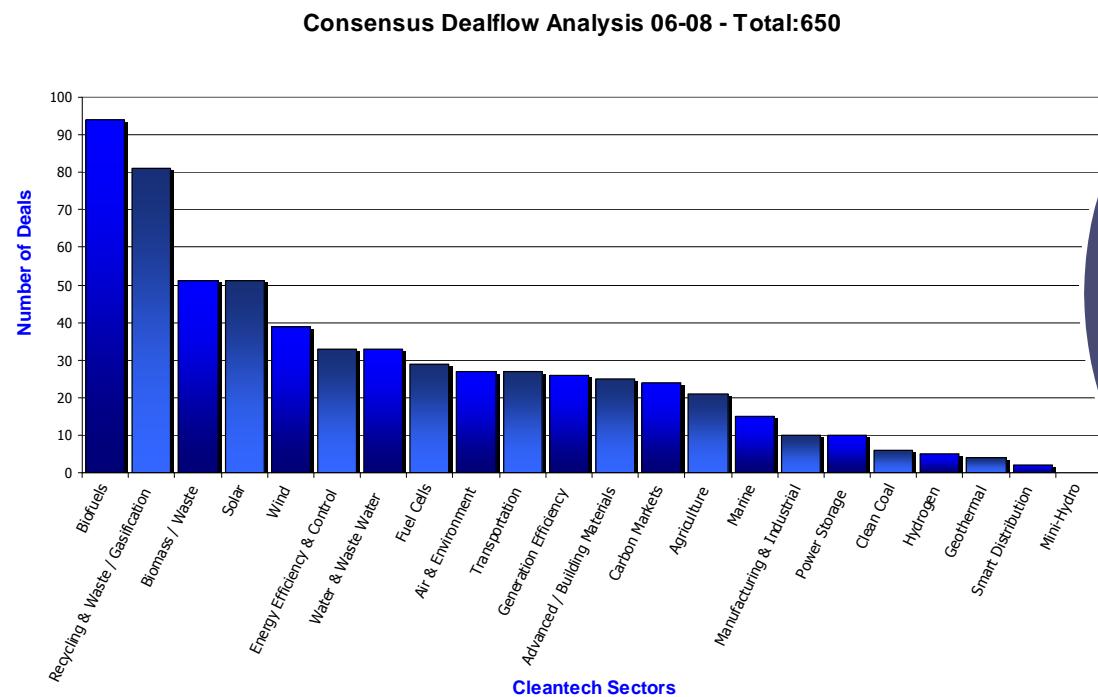
Environment:

- 2. Cleaner production**
- 3. Air quality and emissions control**
- 4. Water quality and management**
- 5. Waste management**
- 6. Agribusiness and forestry**
- 7. Natural products, organics and natural health**
- 8. Environmental real estate & sustainable buildings**

We offer an experienced global team that has sourced more than 650 Proprietary Deals



The team has created a database of reviewed clean technology and infrastructure deals that they continually monitor to determine if investment at a later date is merited.



...and deployed >\$300m into direct investments and >\$200m into funds



*This graphic shows representative deal flow processed from 2006 to 2008

A Team with Global Deal Execution Experience



And Strong Relationships with other VC's



Investment in Funds / Advisory Board Strategic Committee



EXPANSION CAPITAL PARTNERS, LLC

CLEAN TECHNOLOGY VENTURE CAPITAL



Co-investment / Joint Leads

BAY PARTNERS





FUND TEAM





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Financing RE in South Africa...

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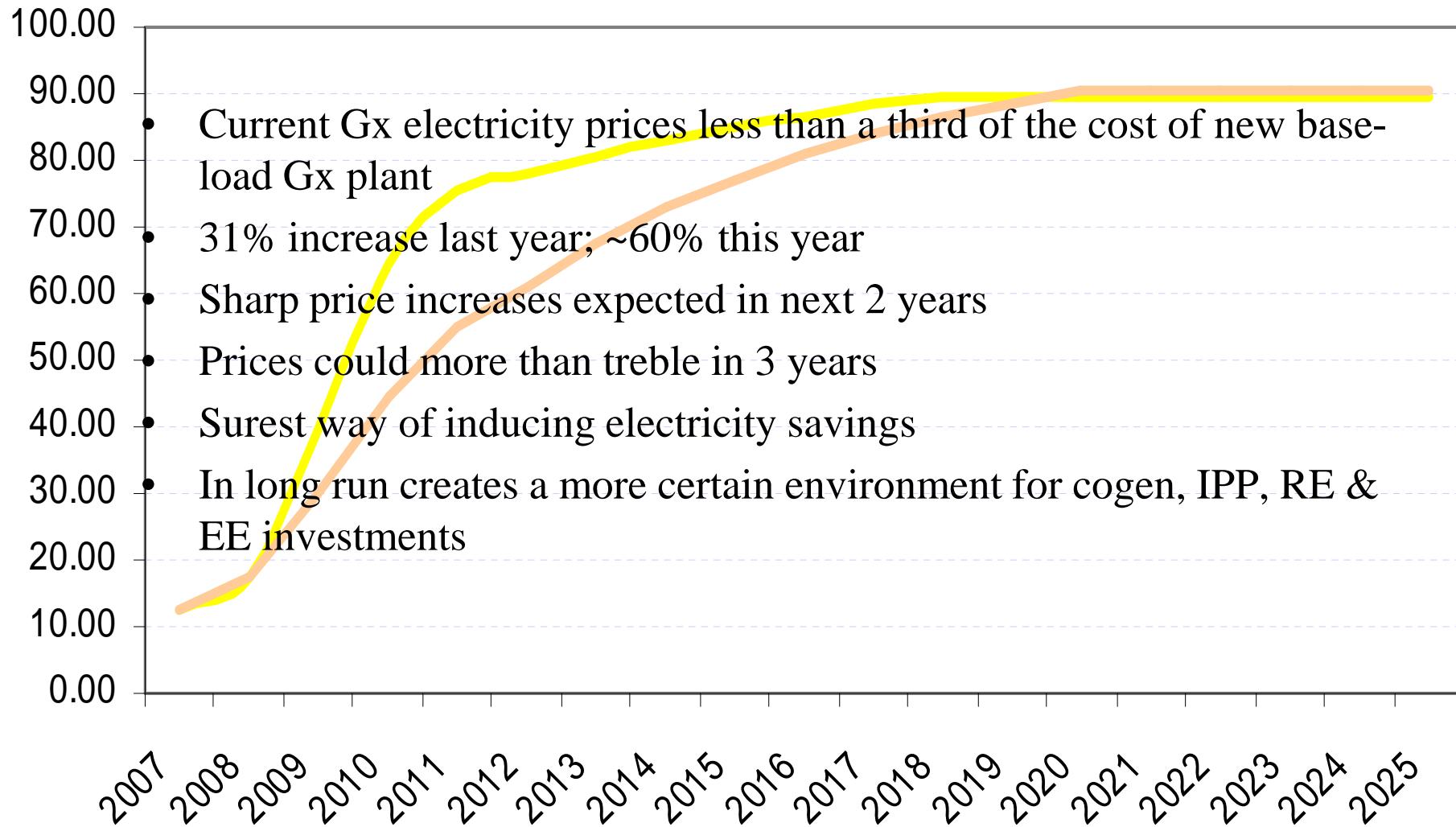
Prospects for RE & EE investments

- Destruction of demand has temporarily postponed power crunch
- Real danger of complacency with little commitment to actually contract IPPs
- Contradictory policies and regulations also frustrate entry of renewables
- But prices will rise sharply and RE and EE investments will become more viable
- Demand might rebound and power shortages may reoccur in from 2010/11 onwards
- New REFIT guidelines finalised & soon to be promulgated

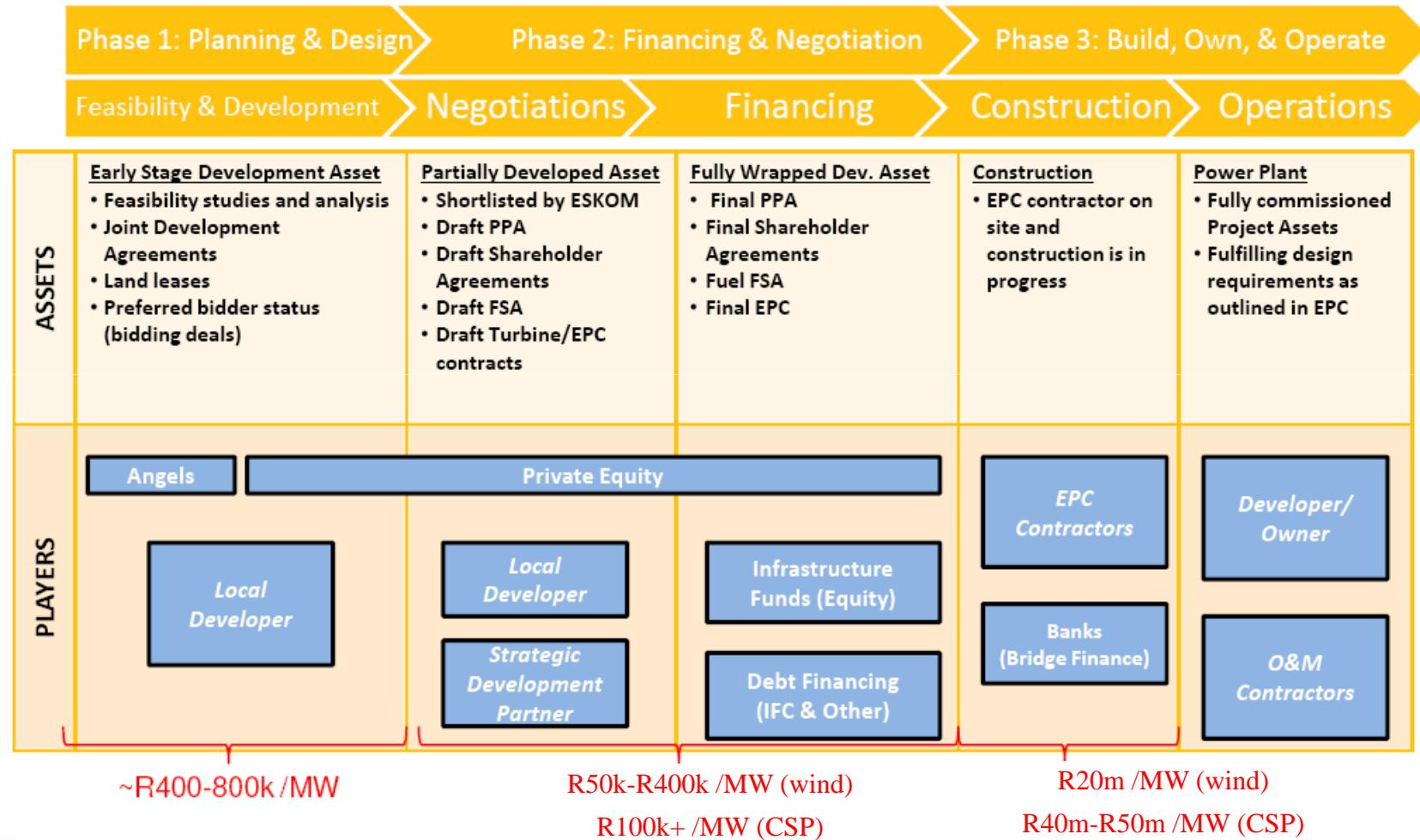


Although we face a much more difficult investment climate, there are growing RE & EE opportunities!!!

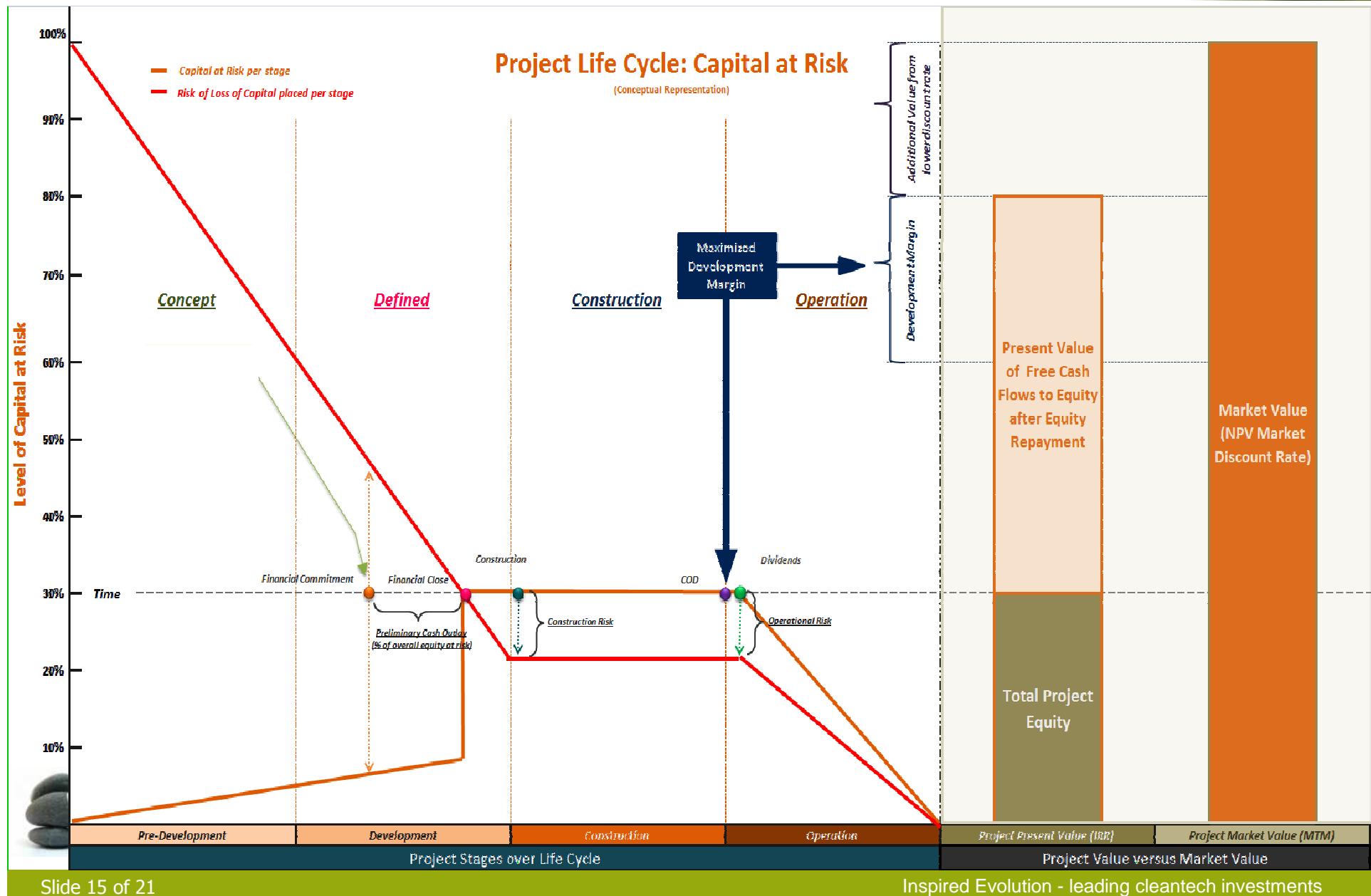
Steep electricity prices increases now inevitable



Value Chain



RE Project Life Cycle





RE Investment Fundamentals

Fund Criteria	Deal Description
Business Model	Compelling business case
Value Proposition	Unique selling proposition
Market Size & Growth	What is the macro opportunity/scalability?
Legislation	Favourable investment climate
Industry Dynamics	Barriers to Entry
Competitors	Competitive advantage
Supply chain	Are we investing in the right space?
Risk mitigation	Feedstock, Off take, Debt provider, etc
Technology/IP	Patents
Financial Model	Conventionally formatted model in Excel
Management	Experience
Co-investors	Experience





Options for financing RE projects:

- Bank loans secured against developer's assets ("on balance sheet/asset-backed finance")
- Bank loans secured against future cash flows ("limited recourse project finance")
- Co-development of a project with a financially strong JV partner



On Balance Sheet:



- Small capital projects
- May benefit from “co-development” with financially strong partner or experienced development partner
- E.g. A sugar refinery looking to finance a co-generation project





Limited Recourse Project Finance:

- Large capital projects
- Signed contracts (REFIT PPA, EPCC, Feedstock supply, Land leases, etc)
- E.g. Renewable Energy projects that qualify for REFIT





Co-Development:

- Small/inexperience RE developers
- Co-development with experienced and credible partners improves ability to raise additional equity and debt
- E.g. Small wind project developers in SA





Risks & risk-adjusted returns under REFIT:

- Technology – RE category preferences
- Market size estimated to be ?? MW for installed RE by 2013 (RE target vs NIRP vs MYPD vs End User)
- Untested process in SA
- NERSA final approvals and process (regs) - exact allocation for subsequent REFIT tranches and timing thereof
- Treasury cost recovery approvals – Eskom
- Affordability (RE Tranche #1 = 8% premium)
- Eskom SBO conflict & delays in procurement
- Final REFIT PPA terms & risk allocation
- Project execution risks (EPCC / EPCM / O&M)





thank you...

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