



Long-term sustainable returns from hydropower

Climate Endowment and eHydro500 launch hydropower fund

- The Climate Endowment Hydropower Fund concentrates on medium-sized run-of-river power plants in Europe, some of which are too small for the large electricity supply companies.
- Hydropower plants have a lifetime of 80 to more than 100 years, generate predictable and stable cash flows and benefit from low operating and maintenance costs.
- Electricity from hydropower generates less than 1/100th of the carbon footprint per kilowatt-hour generated compared to the average EU electricity generation.
- Considerable potential for the construction of new plants as well as the modernisation of existing hydroelectric power plants.

Berlin, 29. June 2020 – At the virtual Berlin Green Investment Summit on Thursday, 25 June 2020, Dr. Gilbert Frizberg, former long-standing Chairman of the Supervisory Board of Verbund AG (Europe's second largest hydropower operator), emphasized at a panel discussion on how to close the climate financing gap, that investors should consider hydropower as the largest and one of the oldest renewable energy sources, when investing in renewable energies. Phillipe Desfossés, former CEO of France's largest pension fund ERAFP, (~40 billion euros under management), explained that pension funds can increase returns while tackling climate change by investing more in illiquid investments with a lower carbon footprint, such as the Climate Endowment Hydropower Fund.

In 2018, hydropower accounted for 16.4% of global electricity generation or 62% of global renewable energy. There is still considerable potential for the construction of new plants as well as the modernisation of existing hydropower plants. However, Dr. Frizberg emphasized that expertise is essential for any investment in hydropower plants, as hydropower plants require extensive technical know-how, which is mainly found in the large utility companies. For this reason, his team from eHydro500 is preparing to launch a new hydropower fund together with Climate Endowment in Q3 2020, the Climate Endowment Hydropower Fund. The fund will focus on medium-sized run-of-river power plants in Europe that are too small for the large power utilities. In addition, these smaller power plants, sometimes called run-of-river plants, have less environmental impact than large hydroelectric plants due to the fact that they do not require large dams or river diversions.

Phillipe Desfossés further explained that pension funds may not be able to meet their liabilities for the next 20 years without significant changes in their asset allocation strategy. The low interest rate environment and the phasing out of older bonds with higher coupons leave pension funds with a difficult choice between highly valued equity markets, bonds with near-zero interest rates and demands by society that their capital be invested in social goods such as climate-friendly investments.

Pension funds receive capital inflows from their contributors and invest them, typically for several decades, before they start paying out pensions to contributors. These are large institutional investors with a low risk appetite who traditionally invest according to the so-called 60/40 allocation strategy, i.e. investing 60% of the capital in equities and the rest in bonds. As the future

returns of European pension funds may not be sufficient to cover the increasing pension payments, Mr. Desfossés co-founded the Climate Endowment Fund, which offers investments based on the Endowment Portfolio Model of the American university foundations, but with a positive climate impact.

The Berlin Green Investment Summit (BGIS) is jointly organized by the global impact investor network "Toniic", the Institutional Investor Group on Climate Change (IIGCC), whose members manage 30 trillion euros, the "Stiftung 2 Grad", a German corporate network supporting the Paris climate targets, the non-partisan climate protection initiative GermanZero, and climate impact investment advisor Wermuth Asset Management GmbH. The BGIS will take place, in corona times, in the form of 45-minute webinars on the last Thursday of each quarter at 4 pm CET.

Contact:

Patrick Horend

phorend@climate-endowment.com

+44 740 338 6965

www.climate-endowment.com

About Climate Endowment:

Climate Endowment is a multidisciplinary team of experienced financial experts, entrepreneurs and technical professionals with the goal of providing institutional investors with long-term profitable asset management across all asset classes with a positive impact on the climate within planetary boundaries. A particular focus is on alternative, illiquid investments in order to achieve solid, risk-adjusted, long-term attractive returns.

About eHydro500:

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