All-Energy 2005 Conference

Institutional Investors:

How much of the £1bn pa we might provide and what we will want in return

Charlotte Moore
CEO Europe
MCC Energy Plc

MCC Energy Plc
Background

- MCC Energy Plc ("MCC Energy") provides integrated strategic and financial advisory services to and invests in established and emerging businesses based primarily in Europe and North America

- We focus on technologies, projects and services in two key areas:
  - Alternative/Renewable energy
  - Energy efficiency

- Offices in Los Angeles, New York and London

- MCC Energy floated on AIM in London in February 2005 to extend its existing advisory business by acquiring majority or active minority interests in energy assets and technologies

- Completed first acquisition Navitas Technologies on 20 April 2005
  - Navitas, which is based in Toronto, develops and makes control systems for electric vehicles

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Who “we” are

- Ranges from specialist sector funds to mainstream institutions investing in private or public equity

- Focus varies from renewable power projects to IP technology businesses with differing risk/reward requirements

	Specialist fund	Special focus	Generalists
Public markets	IMPAX, Merrill Lynch		Artemis, Henderson, Jupiter, Morley, RAB Capital
Renewable projects	MCC Energy, Novera Energy, REH, REG	Allianz, Englefield, Hg Capital	
LBOs		Allianz, Englefield, Hg Capital	Apax, Doughty Hanson
VCs	SAM, BankInvest, Conduit, Wheb Ventures, CT,MCC Energy, REH, REG		3i, Apax

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Key characteristics

- Key criteria - to maximise shareholders/investors returns

- Focus on equity
  - less de-risked than the banks
  - expect higher returns

- Majority of institutional investors have a wide range of alternative investment opportunities in different sectors

- Unlike the Large Corporates we are under no pressure to buy ROCs

- Tend to follow Large Corporates as investors
  - viz On and Offshore wind
  - VCs like to see large corporate in place as strategic customer

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How much of the £1 billion pa we might provide: Historical trend

- Carbon Trust/ Library House report shows that between 2000-2004:
  - £1bn of equity has been invested in UK in "clean technology"
  - sustained annual growth of investment 30% per annum
  - sector has begun to emerge as a discrete investment category
  - increase in interest from the public markets

- Of the £1bn:
  - 53% came from VCs
  - 11% came from IPOs (mainstream institutions)
  - 37% represented exits via M&A (predominantly corporates)

- Of the £522m from VC investment £194m- 37% was in alternative/renewable generation, predominantly wind and then fuel cells, marine and solar

- In 2004 around £330m was invested in "clean technology"
  - £150m was raised from VCs
  - not clear from the data what was invested in "renewables"

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How much of the £1 billion pa we might provide: Notable UK 2004 /2005 deals

- Zephyr/Beaufort £100m equity commitment in 2004:
  - Institutions: Englefield and First Islamic Bank
  - UK's largest wind farm portfolio financing
  - Provided for the financing of North Hoyle offshore wind farm

- Hg Capital acquired 22MW Tir Mostyn wind farm in 2004

- Biofuels IPOs on AIM
  - Biofuels Corp raised £15m in 2004 and £33m in 2005
  - D1 Oils raised £13m in 2004

- Fuel cells IPOs on AIM
  - ITM Power raised £10m in 2004
  - Ceres Power raised £16m in 2004
  - Voller Energy raised £10m in 2005

- Clean energy investment vehicle IPOs on AIM
  - MCC Energy raised £3m in 2005
  - Renewable Energy Holdings raised £10m in 2005
  - Renewable Energy Generation raised £25m in 2005

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How much of the £1 billion pa we might provide: Outlook

- Fundamentals support renewables:
    - fossil fuel price rises
    - security of supply
    - climate change regulatory drivers
    - European Emission Trading commencing 1 Jan 2005 prices "dirty power"
    - global interest - varying support schemes

- Increasing involvement of big institutions:
    - April 2005 - Hank Paulson, Goldman Sachs' chairman and CEO has said *" his company believes that wind and other renewable forms of energy will become an increasingly important part of the world's energy mix, and his firm wants to play a leading role in this high-growth industry "*

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What we will want in return

- IRRs
  - “bankable projects” - IRR 10% -18%
  - LBOs - IRR mid 20%- 30%+
  - VCs - IRR 30%+

- No or very limited technology, construction or deployment risk
- Low volatility
- Clear and readily available exits routes
- A consistent track-record of good investment returns
- Long term, benign and stable regulatory environment
- Positive virtual circle of confidence in the sector in general (including the press)
- A clear significant market position alongside other low emission energy sources

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Conclusion

- In 2004 around £200m was invested in the alternative/renewable energy sector in the UK by institutional investors

- There has been a sustained increase of around 30% pa in investment in the sector since 2000 - this should be regarded as a big success story for the industry

- The sector is in the process of becoming mainstream globally

- Given a positive virtual circle of a stable and supportive regulatory environment and public support, the UK has the potential to follow suit

- However, important challenges remain:
  - uncertainty regarding changes to the regulatory environment
  - ability to overcome the “anti-lobby” in the press
  - responsibility by those who have raised money to deliver returns

MCC Energy Plc
Contact details

Charlotte Moore
CEO Europe
MCC Energy Plc

Aurora House
5-6 Carlos Place
London
W1K 3AP

cmoore@mccenergyplc.com
Tel: +44 207 907 9854
Mob: +44 7796 95 37 95

www.mccenergyplc.com