

INVESTMENT FUND DESIGNER
UN ECE SED
Financing Energy Efficiency Investments
for Climate Change Mitigation



**Reducing Transaction Time and Costs:
An Innovative Approach to Making Energy Efficiency Investment Funds Work**

UNECE – International Energy Efficiency Forum

Conning Asset Management Limited
Authorised and regulated by the Financial Services Authority



Communication, Reporting and Service Overview

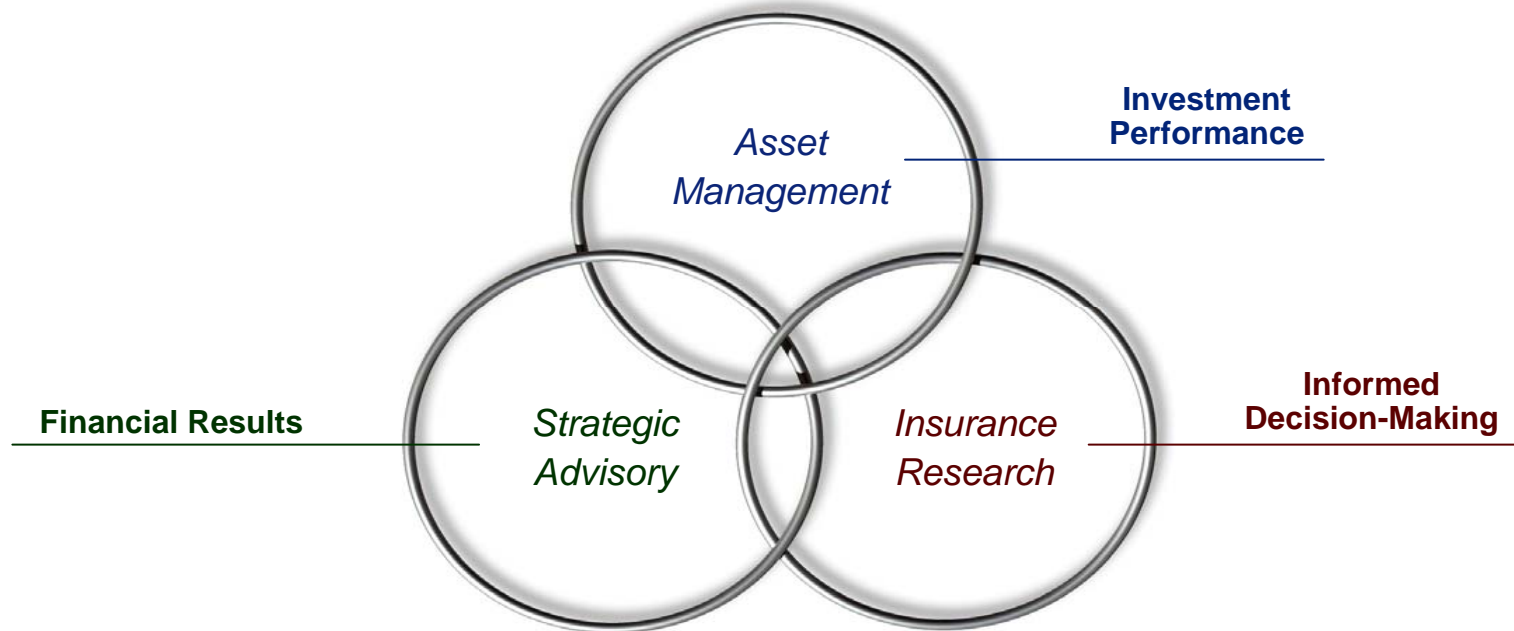
Global interaction between the portfolio management, credit research, trading and risk management functions as portfolio managers in Hartford and Dublin attend weekly, monthly and ongoing market review meetings to exchange research and opinion

Investment reports can be produced per asset class, aggregated by entity or group of entities as required. Reports are available to cover compliance, regulatory returns and risk management

Conning's global investment accounting system enables local GAAP and US GAAP to be provided on the portfolios that Conning manages.

◆ Our Business:

- ❖ Leading global insurance asset management specialist
- ❖ \$77.1 billion* in assets under management
- ❖ Nearly 300 clients worldwide
- ❖ Operations in Hartford, New York, London and Dublin
- ❖ Integrated capabilities focused on insurance

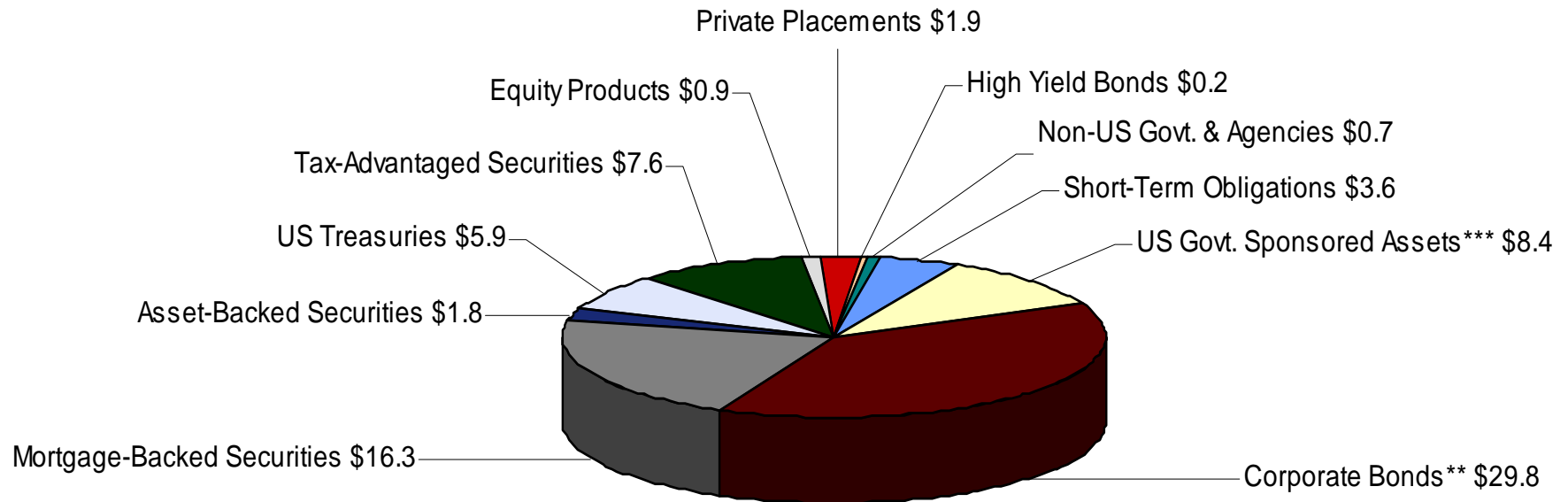


As of 30/06/10

* Includes Conning's U.S. and Dublin Investment Centers

Investment capabilities provide multiple sources of value and performance

\$77.1 Billion Assets Under Management*



As of 30/06/10

*Includes Conning's U.S. and Dublin Investment Centers

** Includes Convertible Securities

*** Includes Agencies, Taxable Municipals and Government related assets

European Clean Energy Fund (ECEP)

Target Projects	Clean energy projects in EU 27 including wind energy, solar energy, hydro-electric, biomass, cogeneration, combined-cycle, fuel switching, geothermal, clean coal, waste-to-energy, district heating and electric, waste fuel, combined heat & power (CHP), efficiency retrofit and related projects and companies
Fund Size	EUR354 million
Investment Period	Four years from Final Closing (Dec 2006)
Term	Ten years, with two one-year renewal options
Investment Manager	Trust Company of the West
Investors	Swiss Re EUR40 million; TCW EUR5 million; public pension schemes, commercial fund investors, foundations and international financial institutions
Management Fee	2% of committed capital during investment period and afterwards 2% on par value of investments
Preferred Return	7%
Performance Fee	20% to the Investment Manager and 80% to the Investors after the Preferred Return

Post 2012 Carbon Credit Fund

Target Projects	Projects generating a recognised carbon credit stream Post-2012
Fund Size	EUR125 million
Investment Period	Two years from First Closing (Feb 2008)
Term	December 2012
Investment Manager	First Climate
Investors	European Investment Bank with Caisse des dépôts et consignations, Instituto de Crédito Oficial, KfW and Nordic Investment Bank
Management Fee	2% of committed capital during investment period and 2% on par value of outstanding investments following the investment period
Preferred Return	7% (with a catch-up in certain circumstances)
Performance Fee	20% to the Investment Manager and 80% to the Investors after the Preferred Return

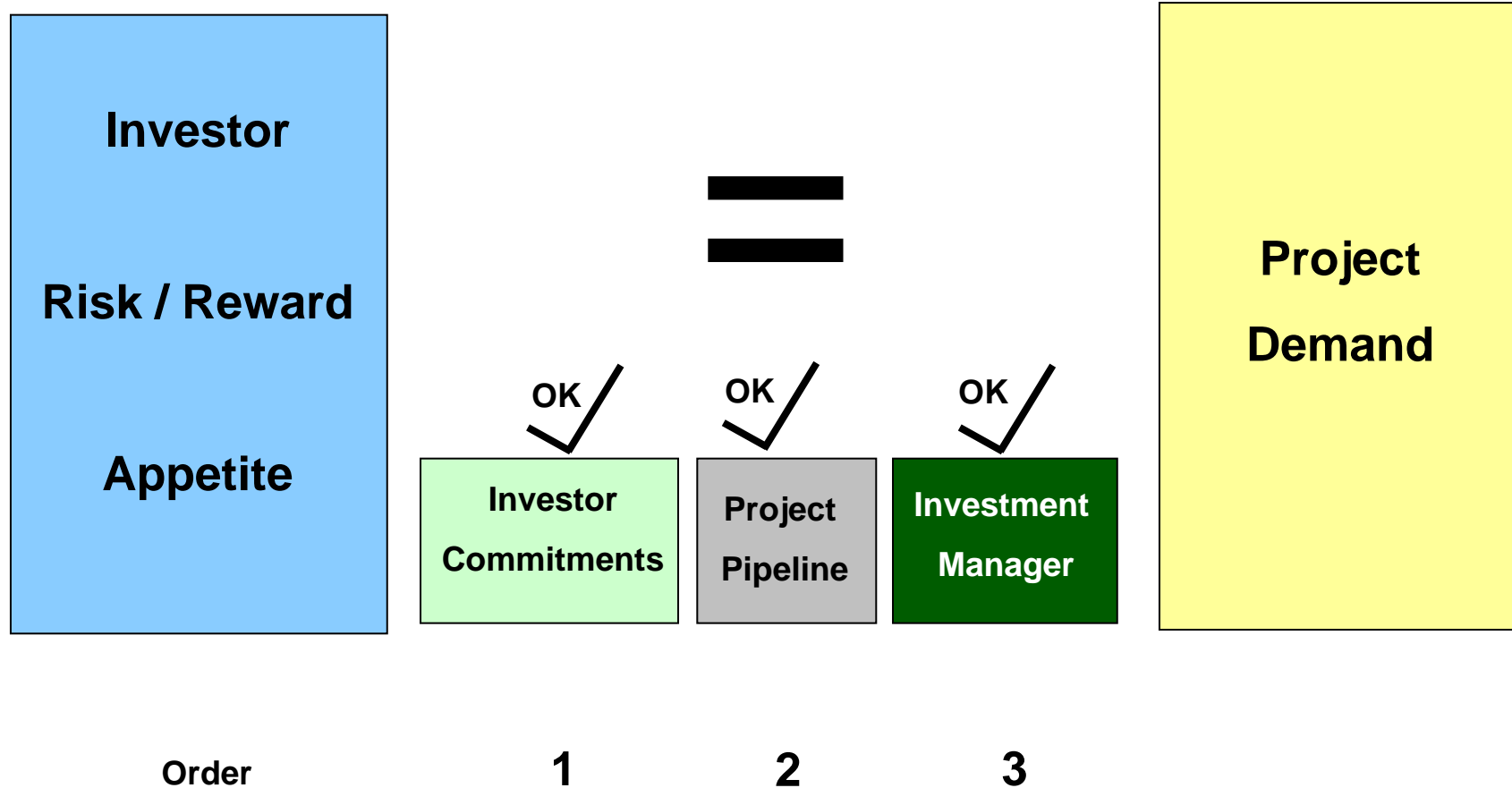
1. To promote market formation so that self-sustaining energy efficiency and renewable energy projects can be identified, developed, financed and implemented locally in twelve nominated countries.
2. Designing a Euro denominated public-private partnership fund with contributions from both the public and private sector in the region of EUR250m, which invests exclusively in projects which have a quantifiable impact on the reduction of greenhouse gas emissions.
3. The countries are Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Republic of Moldova, Romania, Russian Federation, Serbia, The former Yugoslav Republic of Macedonia and the Ukraine.

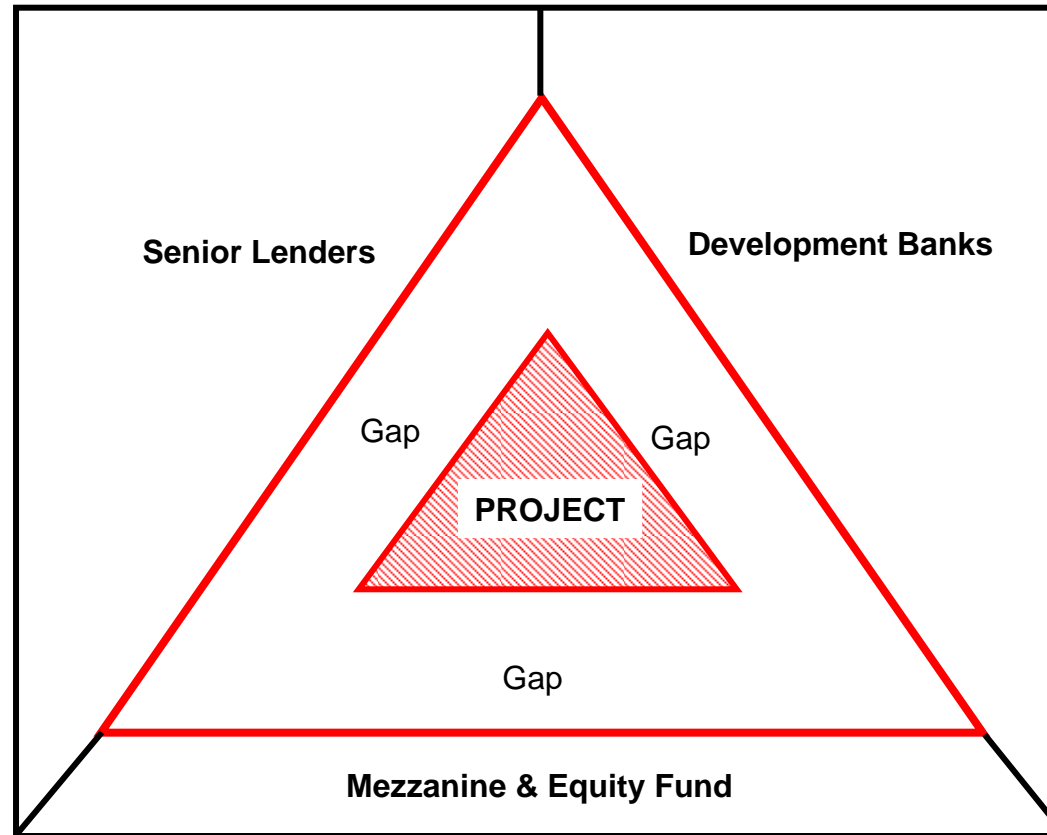
1. Develop PPP* fund structure
2. Define fund procedures, rules, governance
3. Draft legal document for investors
4. Draft PPM** and fund business plan
5. Identify lead investors
6. Solicit public/private investors
7. Determine the role and TOR*** of the fund manager

* Public Private Partnership

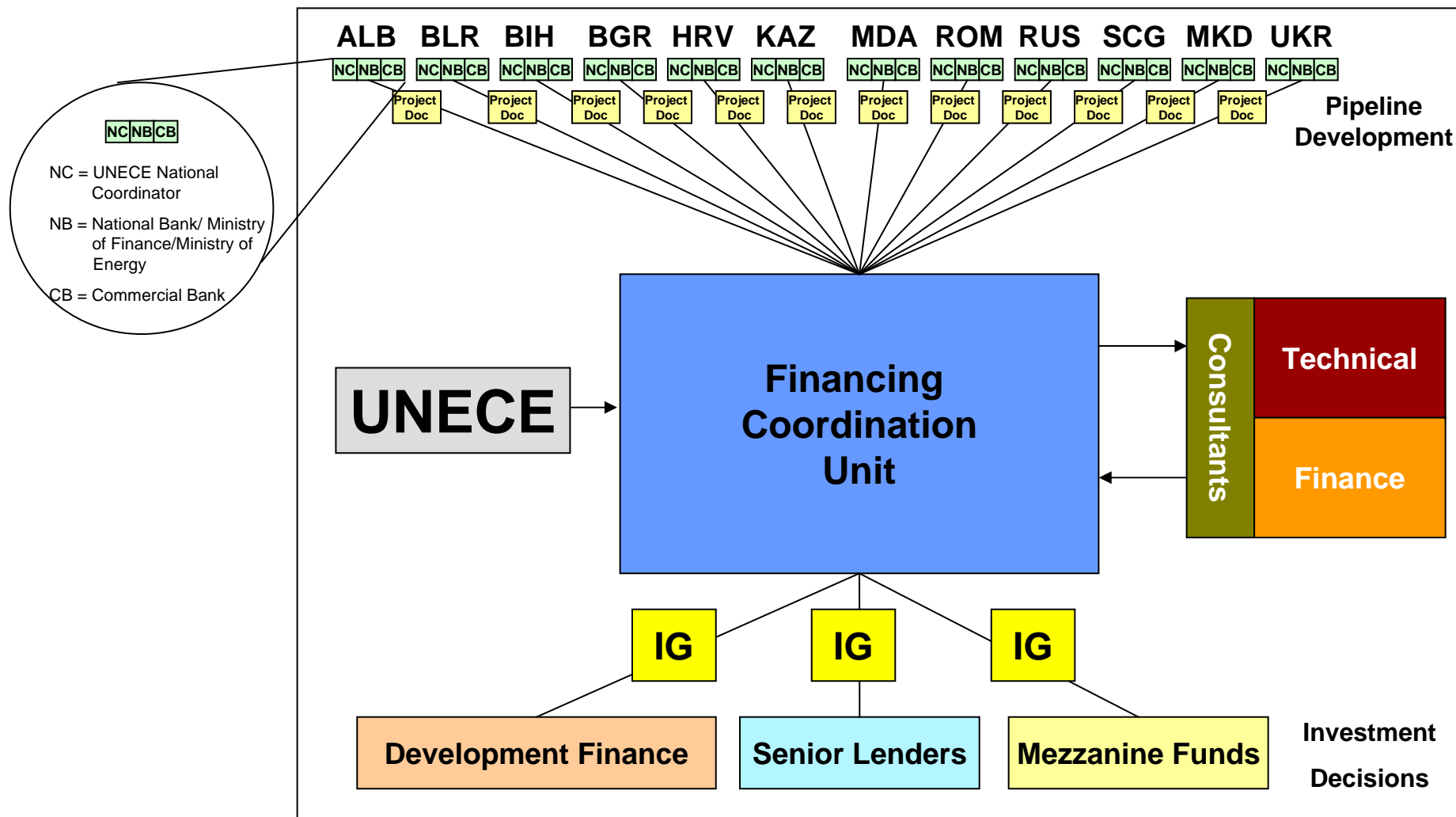
** Private Placement Memorandum

*** Terms of Reference

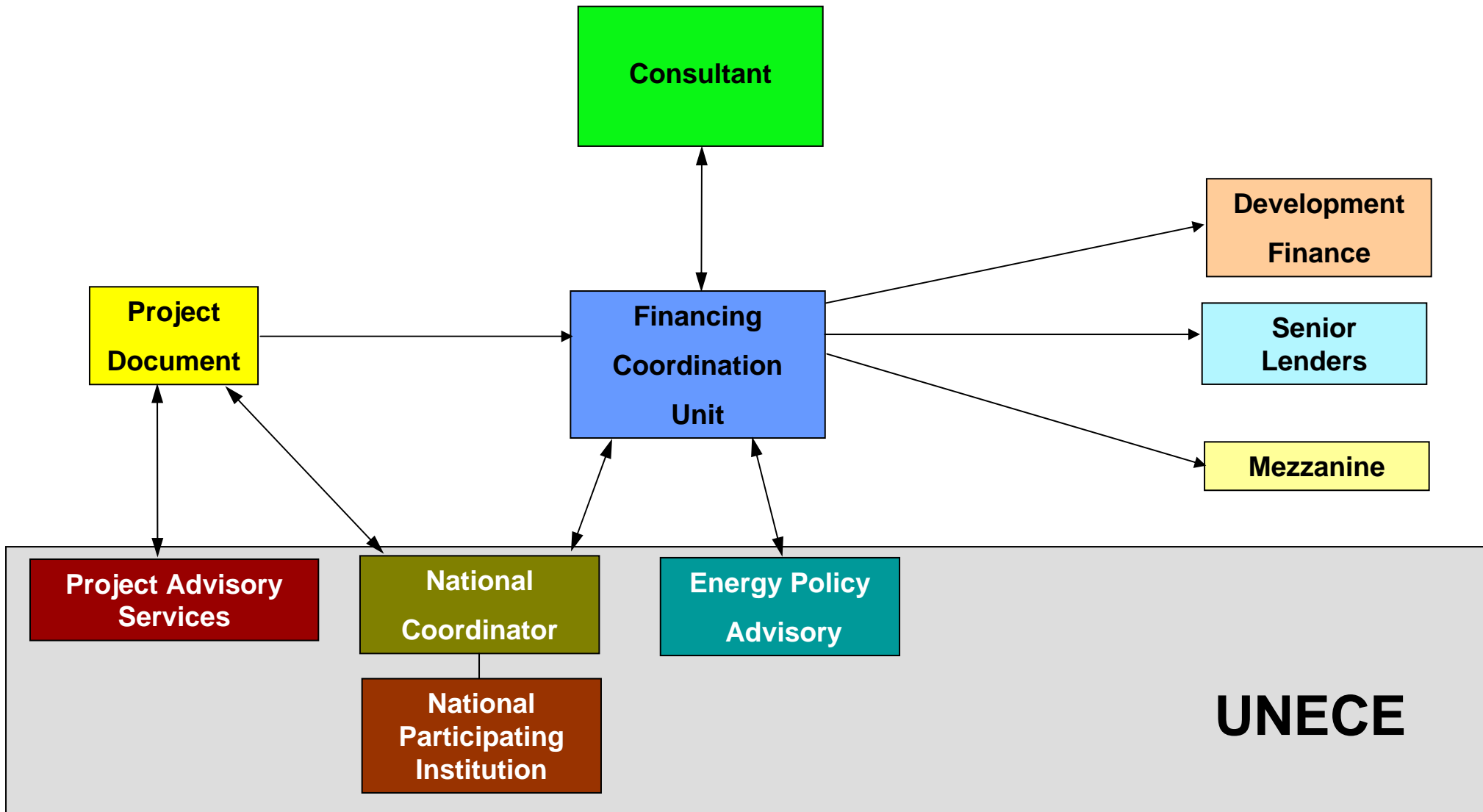


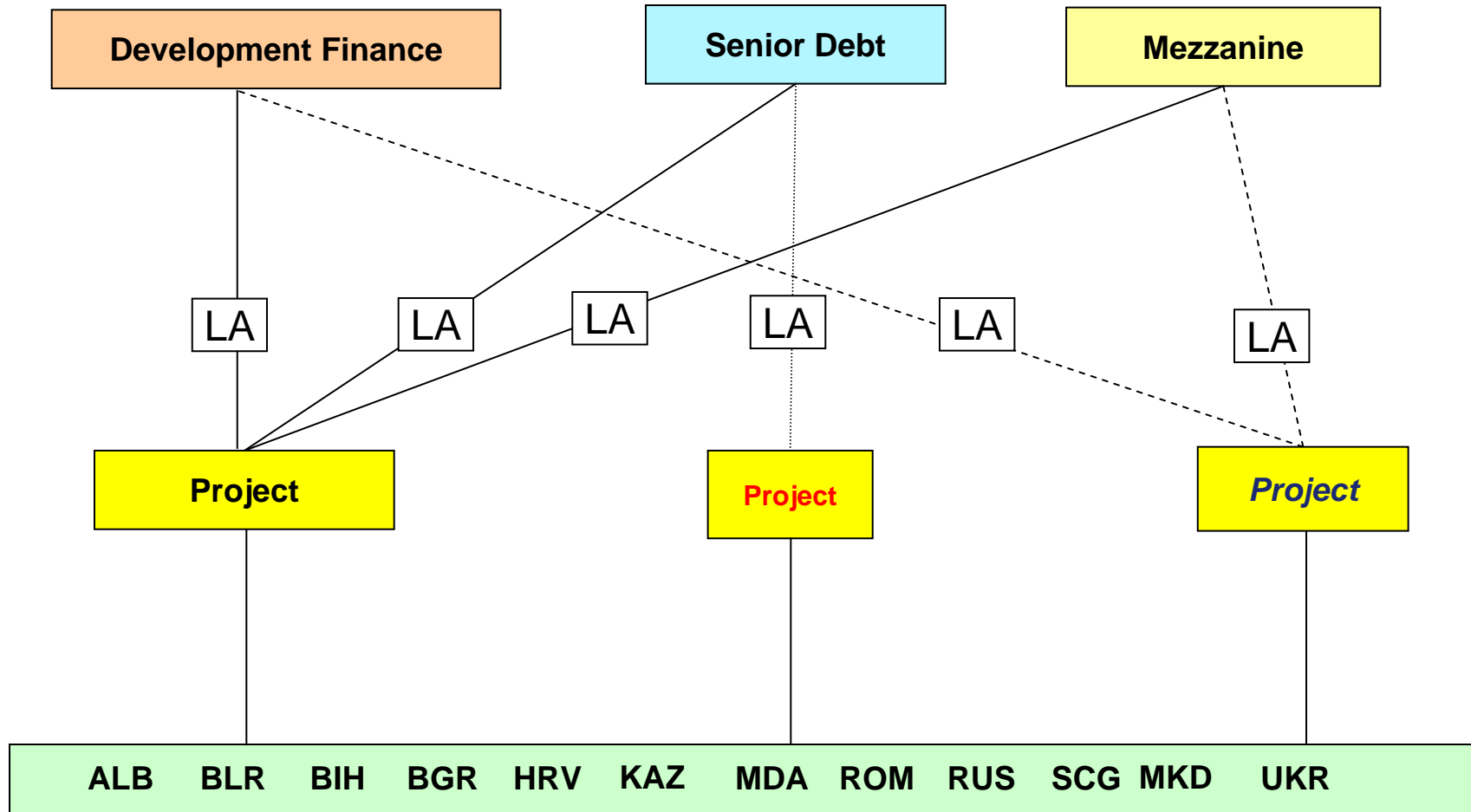


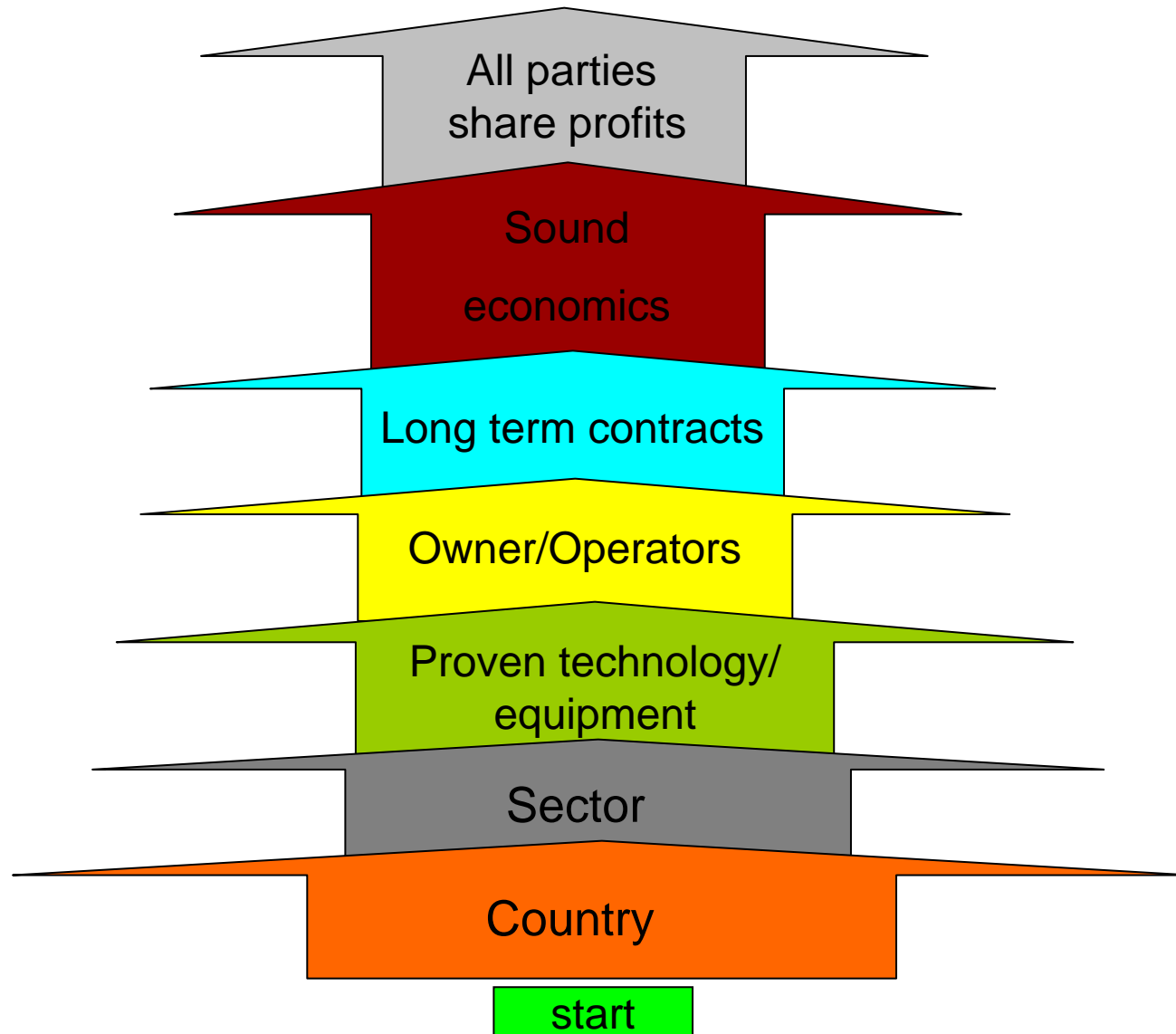
- ◆ Project document development support is key to promote bankable projects
- ◆ Targeted training could be used to maximum effect here



- Project Doc = Project Document
- IG = Investment Guidelines







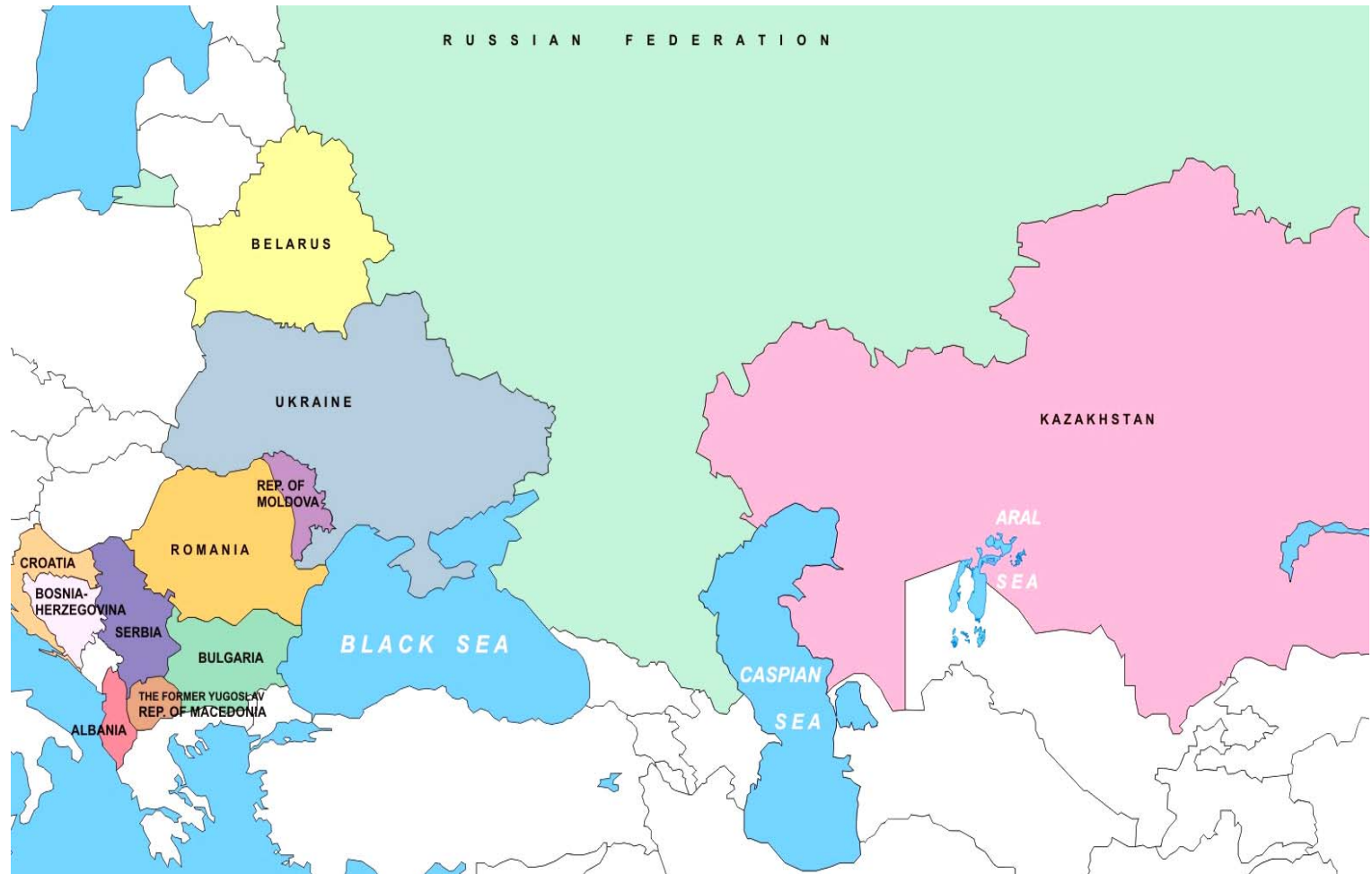
- ◆ What is the project country?
- ◆ Does the sector qualify?
- ◆ Is the technology a proven technology?
- ◆ Who is the owner / operator?
- ◆ Who are the project owners?
- ◆ Is there a cash generation source?

- ◆ For example, for power projects is it renewable or clean?
- ◆ For energy efficiency, does it reduce energy consumption or shift time of use?

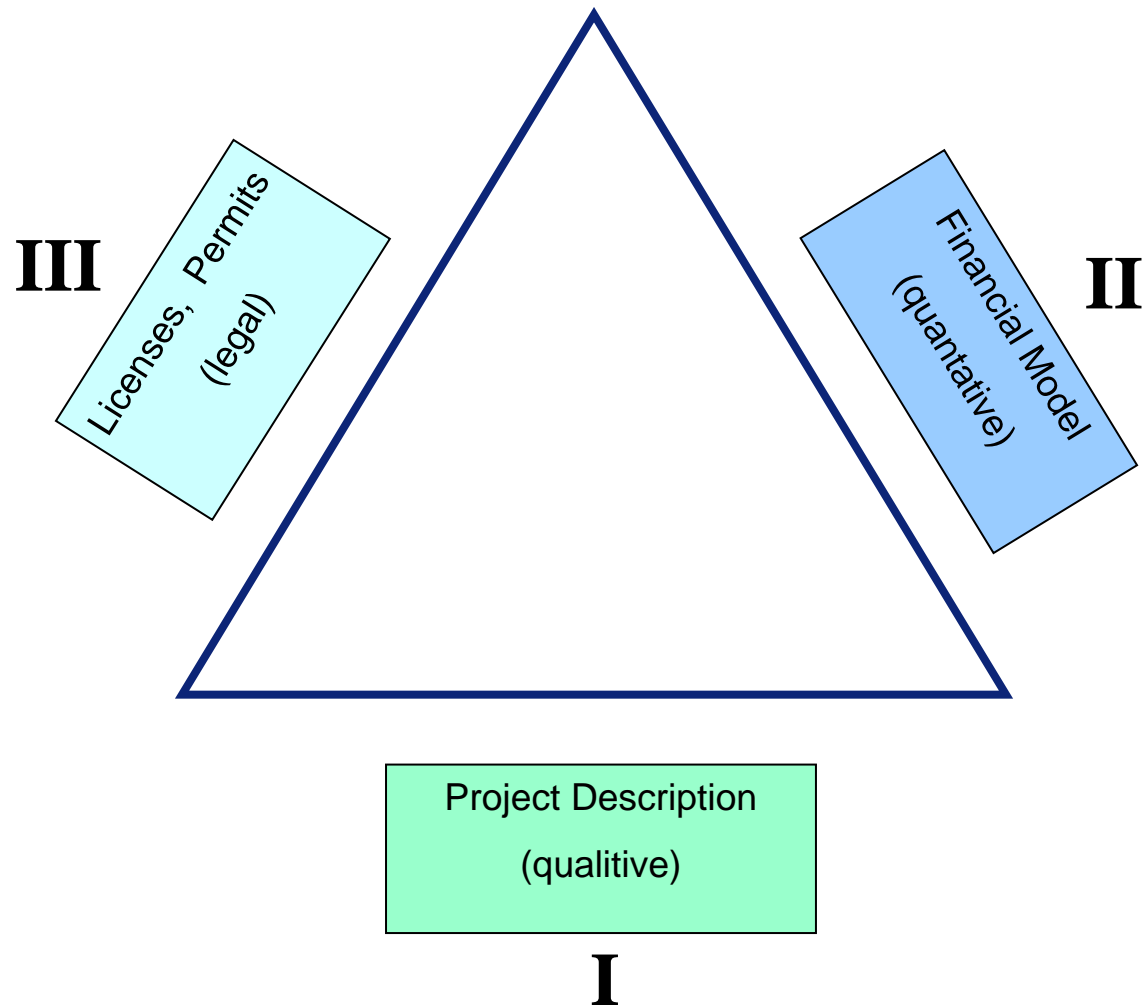
Types of renewable and clean projects: Wind energy, solar energy, hydro-electric, biomass, cogeneration, combined-cycle, fuel switching, geothermal, clean coal, waste-to-energy, district heating and electric, waste fuel, combined heat & power (CHP), efficiency retrofit and related projects and companies.

The project needs to be in:

- Albania
- Belarus
- Bosnia and Herzegovina
- Bulgaria
- Croatia
- Kazakhstan
- Former Yugoslav
- Republic of Macedonia
- Republic of Moldova
- Romania
- Russian Federation
- Serbia
- Ukraine



Bankable Projects – Which comes first ?



- Feasibility Studies

- ◆ A project description is needed
- ◆ A financial model will be requested

What is a project description?

What is a financial model?

- ◆ A detailed written description, including the following
 - ❖ The country and location of the project
 - ❖ The sector and how the project fits into the sector
 - ❖ The technology used by the project
 - ❖ Description of the owner/operators
 - ❖ Track record of the operators
 - ❖ Description of the long-term cash generating contracts

◆ Summary of the project economics

❖ Revenue

- Contracted revenues
- Tax incentives
- Potential incremental revenue

❖ Expenses

- Operations and maintenance
 - Management & employees
 - Parts, overhaul / replacement account
- Fuel
- Taxes
- Rent/Lease
- Cost of Financing

- ◆ Senior Debt:
 - ❖ Has fixed repayment amounts
 - ❖ Has fixed repayment dates
 - ❖ Has a fixed term

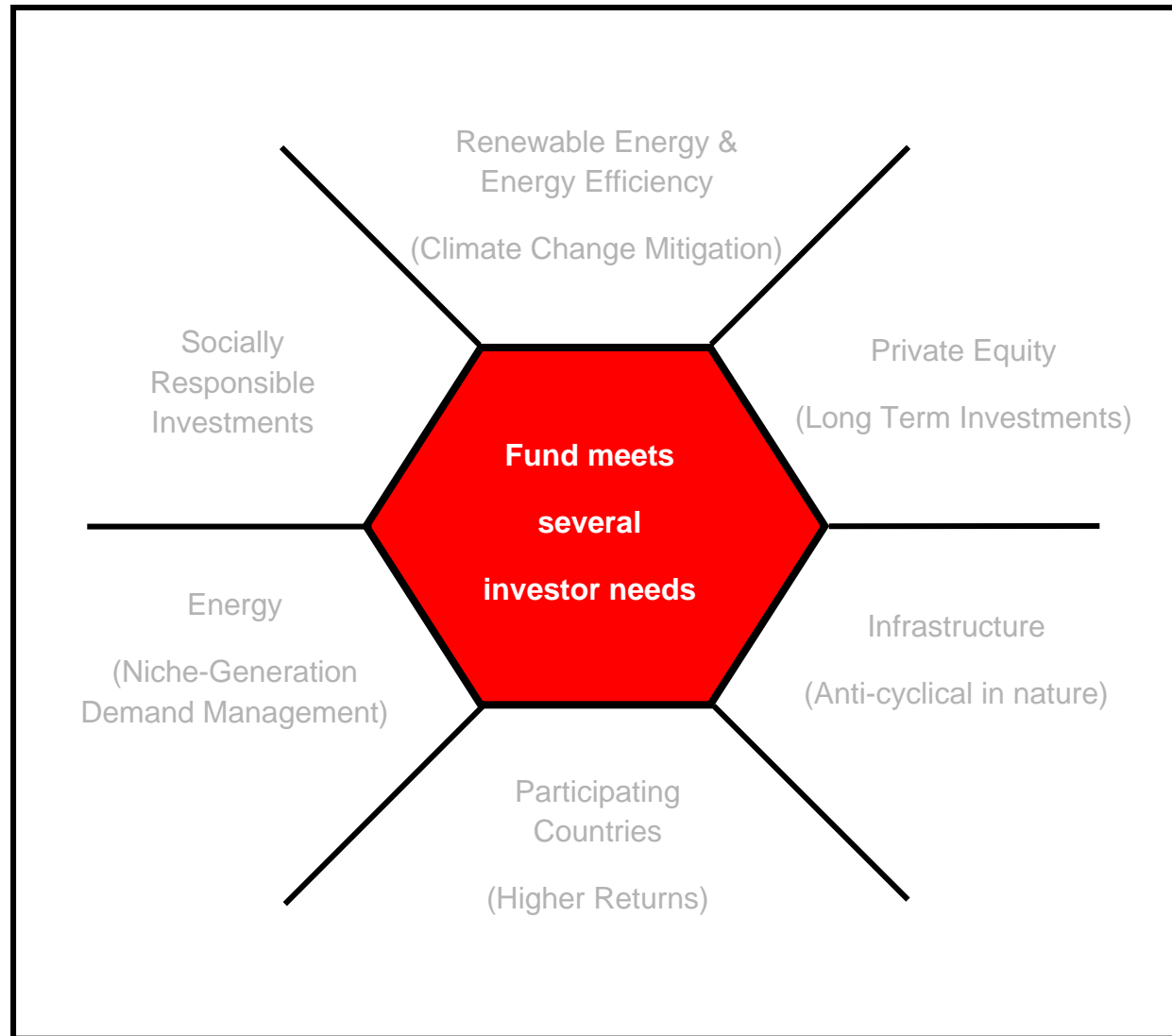
- ◆ Mezzanine Debt:
 - ❖ Has unknown repayment amounts
 - ❖ Has a fixed term
 - ❖ Has minimum repayment amounts

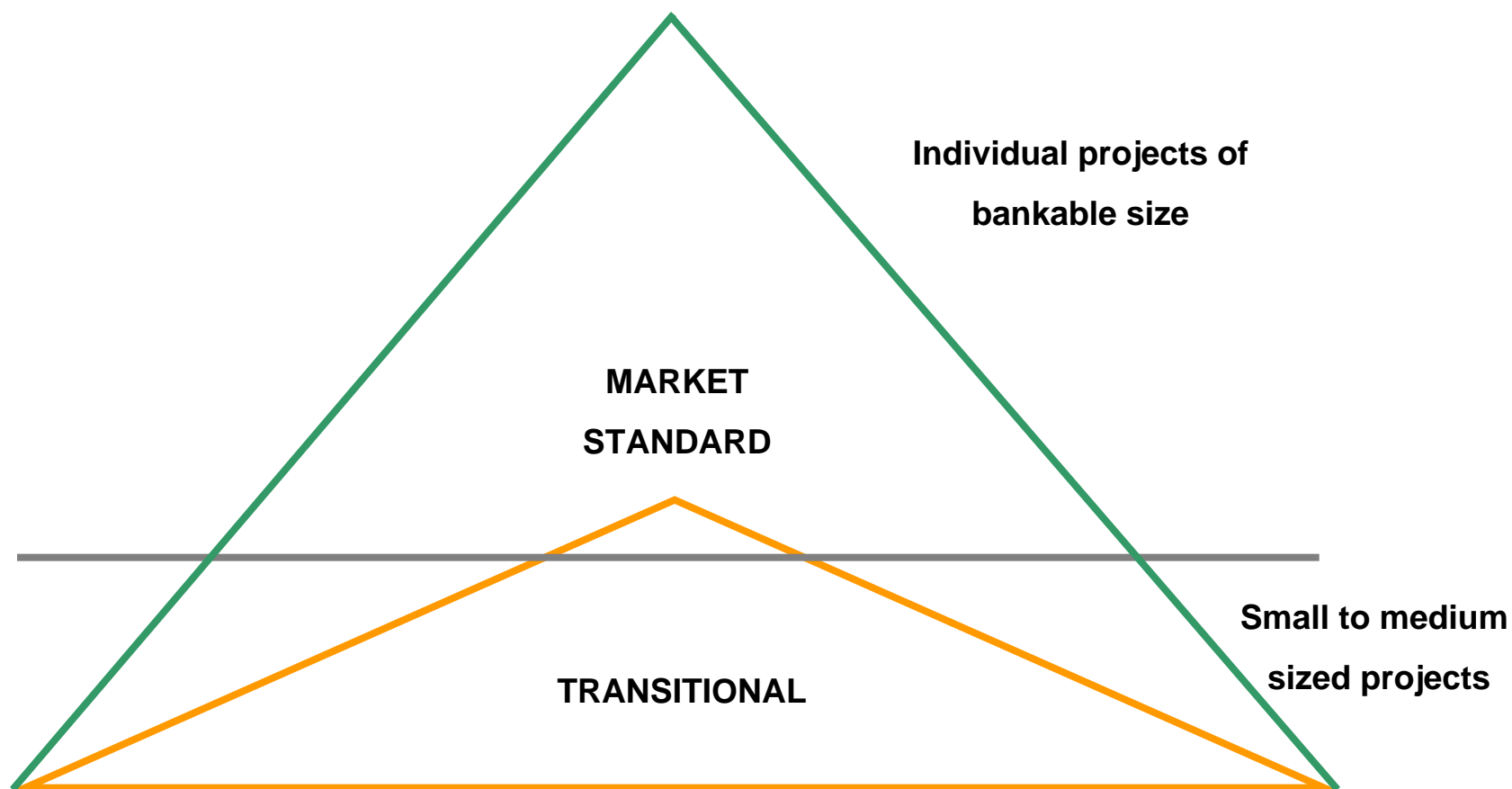
- ◆ Equity:
 - ❖ Has unknown dividend payments
 - ❖ Has an unknown term
 - ❖ Has unknown residual value

- ◆ What is a self amortisation cash flow?
 - ❖ A self amortisation cash flow is the single most important factor which allows for the financing of a project to happen, as it defines the base case, while still allowing for up-side events like an IPO* or trade sale

* IPO = Initial Public Offering of shares in a company

The project generates cash sufficient to repay its debts and provides as acceptable return to equity without a sale or other exceptional event or improvement in contractual terms.





- ◆ Solving the issues of synchronisation and of project document development allows time to develop market-standard solutions for small projects and complex projects e.g. district heating.

- ◆ National economies benefit from greater supply efficiency i.e. lower cost
- ◆ Society benefits from good resource allocation, more from less
- ◆ Efficient regulatory structures permit more projects to be built
- ◆ Efficient financial structures encourage asset transfers to the most efficient operators

www.feei.info

<http://www.unece.org/energy/se/eneffic.html>

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