

Macquarie Corporate Holdings Pty Limited (UK Branch)

A Member of the Macquarie Group of Companies

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Rt Hon Kwasi Kwarteng MP
Minister for Business, Energy and Clean Growth
Department for Business, Energy and Industrial Strategy
1 Victoria Street
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10 December 2020

Dear Minister

Summary of progress since the acquisition of the UK Green Investment Bank

It was a pleasure to meet you last month to discuss the UK Government's ambitious agenda on decarbonisation and legally binding commitment to net zero. Following our meeting, I wanted to write to provide you with an overview of progress since our acquisition of the UK Green Investment Bank, and our plans for the future.

Macquarie was proud to acquire the UK Green Investment Bank (GIB) three years ago, combining the world's first green bank and the world's largest infrastructure investor. The result – the Green Investment Group (GIG) – is now one of the world's leading renewable energy developers and investors. It has remained true to its original mission, continues to be led from the UK and its green purposes remain enshrined in its legal constitution and culture.

At the time of the acquisition, Macquarie made a number of commitments to the UK Government. Those commitments reflected our intentions and ambitions to grow GIB and continue its success story, backed by the strength, diversity and resources of Macquarie Group. They also reflected the objectives of the UK Government, in allowing GIB the freedom to increase the sectors and technologies in which it operates, commit ever greater levels of capital to green projects, and expand its operations internationally to export this UK success story overseas.

GIG now has more than 450 people operating in over 25 markets, tripling the number of staff who joined with GIB on acquisition. As Macquarie's primary vehicle for principal investment in green energy projects globally GIG has invested or arranged a total of £4.7 billion in green energy projects in the UK and Europe, surpassing the target set at the time of acquisition of £3 billion over three years. Globally this number stands at £6.9 billion, reflecting our growth in Asia and North America. In all of these markets we have been proud to fly the flag and champion the UK's global leadership in green finance.

GIG is fully committed to its green mission, and to the 'special share' arrangements which safeguard this. We have a constructive working relationship with the holders of the special share – the Green Purposes Company – and confirm that no proposal has been made to change the green purposes. We would like to thank the Trustees of the Green Purposes Company for the support and challenge they have provided since assuming their role.

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I have attached to this letter a summary of the commitments made by Macquarie and how GIG has met these over the past three years. I am also pleased to be able to share a link to our latest [GIG Progress Report](#), from October this year, which provides a detailed overview of our activities, outlook, and green impact.

As we discussed when we met, Macquarie and GIG are committed to supporting the UK's continuing green industrial revolution. We were pleased that Macquarie's chief executive was invited to join the Prime Minister's business round table to launch the UK's new Ten Point Plan last month. Our areas of strength and expertise line up well with that plan with shared ambitions in offshore wind, hydrogen, zero emission transport, energy efficiency, carbon capture and nature-based solutions.

All of us at GIG and Macquarie look forward to playing our part in helping the UK meet its net zero ambitions and supporting your leadership of COP26. If we can be of any assistance to the Government, please do not hesitate to contact me.

Yours sincerely

Daniel Wong
Global Co-Head, Macquarie Capital &
Chair of Green Investment Group

Annex: Macquarie's commitments on the acquisition of GIB

All of the commitments made by Macquarie on signing the deal to acquire GIB are contained within its [statement](#) in April 2017, and were reflected in the Transaction Agreements and communications with UK Government around the time of the acquisition.

1. "The Green Investment Bank will become Macquarie's platform for principal investments in green infrastructure projects in the UK and Europe ...Macquarie will integrate its existing UK green energy principal investing business into the Green Investment Bank"

- 1.1. GIG is Macquarie's primary vehicle for principal investment in green energy projects in the UK, Europe and globally. With more than 450 people operating in over 25 markets, it is now one of the world's largest teams of green energy investment specialists.
- 1.2. On becoming part of Macquarie, GIG became the home for Macquarie's existing principal green energy investments in the UK and Europe. GIG continues to manage Macquarie's interest in these projects.

2. "Macquarie is committed to the Green Investment Bank's newly established target of £3 billion of new investment in green energy projects over the next three years, either directly or by arranging capital from other investors"

- 2.1. In the three years since GIG became part of Macquarie Group (1 September 2017 – 31 August 2020), GIG has invested or arranged a total of £4.7 billion in green energy projects in the UK and Europe, and £6.9 billion globally.
- 2.2. To count towards this target, the UK GIB Board has determined certain criteria which must be met:
 - Investments count towards this target if they are made or arranged by GIG, its subsidiaries, or any fund managed by GIG
 - An investment is considered arranged by GIG, if GIG played an instrumental role in making it happen – this requires demonstrable evidence such as a lead sponsorship role, a formal arrangement mandate, or some other form of similar evidence
 - The investment must comply with GIG's green objective and secure a Green Impact Report
 - Contributing investments can be made into new projects or as an injection of additional capital into an existing project.

3. "Together, the Green Investment Bank and Macquarie will employ one of Europe's largest teams of green energy investment specialists, based in Edinburgh and London."

- 3.1. GIG is led from the UK, with the Chair of GIG, Global Head of GIG and Head of GIG in Europe & UK all based in the UK.
- 3.2. London based GIB staff moved to be located within Macquarie's London office, the hub of Macquarie operations in Europe, the Middle East and Africa. GIG also retains its original office in Edinburgh which is home to a number of key functions including GIG's project management business, green impact reporting team, climate finance advisory team, and its dedicated corporate affairs team.

4. "Under Macquarie's custodianship, the Green Investment Bank will operate in accordance with its green purpose and green objectives, and in line with the 'special share' arrangements."

- 4.1. The original five Green Purposes of GIB, established in 2012 and approved by Parliament in 2013, remain legally enshrined in the Articles of Association of UK Green Investment Bank Limited and key subsidiaries, and govern all activity carried out under the GIG brand. Every investment made by GIG must be aligned to the Green Objective, and contribute to one or more of the five Green Purposes.
- 4.2. GIG remains committed to its Green Investment Principles and its Green Investment Policy and publishes these on its [website](#).
- 4.3. GIG has a constructive working relationship with the [Green Purposes Company](#) (GPC), who hold the 'special share' in UK Green Investment Bank Limited. We notify them of every principal transaction carried out by GIG, providing detailed information on green impact, and hold regular formal meetings to update Trustees on our projects and wider business strategy. GIG has invited the GPC trustees to speak at our annual Green Energy Conference, and publishes an annual letter from the Trustees in its Progress Report and Annual Report and Accounts each year.
- 4.4. No proposal has been made to change the Green Purposes.
5. **“Subject to the availability of suitable opportunities, anticipated investments will span energy efficiency, bioenergy, energy from waste, onshore and offshore wind, solar and tidal energy and energy storage. The Green Investment Bank will target investments in both equity and debt and at all project stages including development, construction and operation.”**
 - 5.1. GIG has made or arranged investments in mature renewable energy technologies, including onshore wind, offshore wind, energy from waste, biomass, solar, as well as emerging technologies including floating offshore wind, energy storage and hydrogen. Further information on these investments can be found on GIG's website.
 - 5.2. GIG continues to make investments across the capital structure including equity and debt, and is supporting the transition to subsidy-free development by driving innovations in the Power Purchase Agreement (PPA) market.
 - 5.3. GIG has made investments across the full project lifecycle, and now invests earlier in projects during the higher risk development phase.
6. **“This will include publishing an annual report on its green performance... and green reporting.”**
 - 6.1. GIG continues to publish regular reports on its performance:
 - A Progress Report, published in early October each year, which contains narrative information on GIG's strategy, outlook and global activity. The GIG website contains links to our [2018](#), [2019](#) and [2020](#) reports.
 - Annual Report and Accounts for UK Green Investment Bank Limited, published in line with Companies House requirements, for each financial year.
 - 6.2. Each report contains detailed green impact statements prepared in line with GIG's established methodology for reporting against each of the five green purposes. These green impact statements are assured by an independent auditor each year.
7. **“This will include... holding an annual industry day for stakeholders...”**
 - 7.1. GIG has developed its London stakeholder day, typically held in October or November, into an industry-leading green energy conference. Events in previous

years have attracted more than 500 attendees from across financial services, the energy industry, academia and policymakers.

- 7.2. In 2020, GIG is held its Green Energy Conference (GEC) on a virtual platform for the first time. As a global event, GEC 2020 attracted more than 1,500 attendees over two days, with keynote speakers including the CEOs of Macquarie, Total, Siemens Gamesa and BloombergNEF, as well as panel discussions convened by leading figures within the green policy community, including Christiana Figueres.
- 7.3. GIG has also held a stakeholder day in Edinburgh each year at a similar time, providing an update on GIG activity alongside discussions on market developments. In 2020, stakeholders who usually attended the Edinburgh event were invited to join the virtual conference.
- 7.4. The GPC have been invited to participate in each stakeholder day and Green Energy Conference.

8. “The Green Investment Bank will continue the collaboration between UK Climate Investments (UKCI) and the Department for Business, Energy and Industrial Strategy. Macquarie is committed to UKCI and its vision to invest internationally.”

- 8.1. GIG, working with Macquarie Infrastructure and Real Assets (MIRA), has continued the UK Climate Investments (UKCI) joint venture with the Department for Business, Energy and Industrial Strategy (BEIS).
- 8.2. Established in 2015 and with a mandate to invest £200 million of UK International Climate Finance in renewable energy and energy efficiency projects in India and sub-Saharan Africa, Macquarie welcomed the opportunity to help deliver on UKCI’s goal to promote cleaner, greener growth in developing economies.
- 8.3. Following a successful transition onto the Macquarie platform, UKCI made its first investment at the end of 2017. Benefitting from Macquarie’s extensive global origination network and considerable expertise in the energy sector, UKCI has gone on to substantially commit its initial capital across six transformational projects.
- 8.4. UKCI’s initial projects and wider engagement are helping to promote the UK’s leadership position in the renewable energy and green finance sectors on the international stage. Under Macquarie’s stewardship, UKCI has co-Chaired the City of London’s UK-India Sustainable Finance Taskforce and been an active member of important global initiatives such as the International Solar Alliance. UKCI’s participation in numerous industry and stakeholder events also promotes the UK’s commitment to supporting the low-carbon transition and the key role of private finance.

9. “The Green Investment Bank will establish three new investment vehicles – an offshore wind investment vehicle, a low carbon lending platform and a green infrastructure investment platform.”

- 9.1. Offshore wind investment vehicle: On completion of the sale of GIB, the offshore wind investment vehicle was established, with long term investors USS and MEIF5 invested alongside GIG. GIG has subsequently exited its investment in this vehicle to recycle capital into new projects and the position is now held by a new long-term investor alongside USS and MEIF5.
- 9.2. Low carbon lending platform: On completion of the sale of GIB, the low carbon lending platform was established with investments from USS and GCP Infrastructure Investments. As anticipated at the time of announcing the sale, GIG is not an investor in this platform.

- 9.3. Green infrastructure investment platform: On completion of the sale of GIB, the UK green infrastructure investment platform was established with the majority of the investment held by the UK Government, with GIG holding a minority stake. GIG remains an investor alongside the UK Government in this vehicle and provides asset management and advisory services to the UK Government for the positions held in this vehicle.