Highlights of the Carbon Equity Webinar of May 2024

Event date: 23 May 2024
Location: Zoom
Hosted by: Liza Rubinstein Malamud and Rikkert Beerekamp

Documentation by: Ardi Kaars
Date of release: 2 June 2024

Introduction: About the event itself

Carbon Equity is a Dutch fund manager for climate technologies. Its portfolio is under expansion, and there is increasing demand for investments into these firms, often start-ups and scale ups in North-America and the EU.

In this document, I have used Roman numbers to rank the different parts of the schedule. There are no direct quotations, yet covered topics and answered questions have been documented below with utmost care and accuracy based on my own notes, careful listening and a final review. Moreover, I have drawn several a figure to explain several stages of firm development as given during the presentation to support my written notes.

Speakers:
- Liza Rubinstein Malamud (Co-Founder and Head of Impact at Carbon Equity)
- Rikkert Beerekamp (Head of Professional Solutions at Carbon Equity)

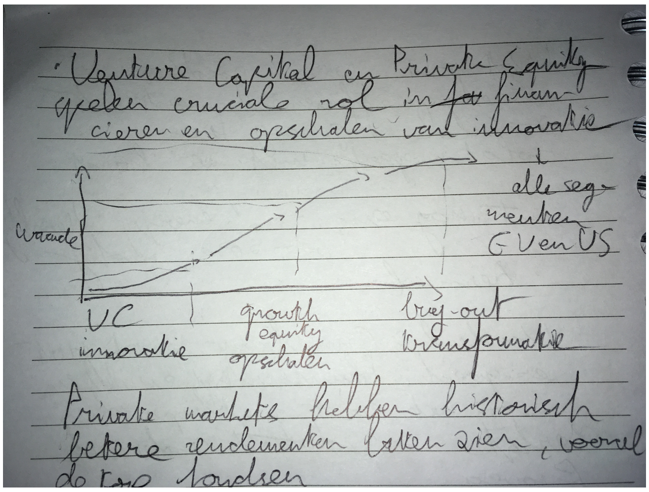
I. Liza:
- Climate change may well be the biggest problem at this moment -> as such it is also the biggest investment opportunity -> the main challenge consists of optimal capital allocation, especially so from private investors
- We draw a selection of the best climate funds -> and offer a diversified access for long-term investors
- Within three years we have grown into a leader in climate investments
- We have in excess of 450 climate funds, having chosen 18 top fund managers, with €225 million capital under management
- So far there have been 20 follow-up rounds for raising funds, and more than 30% of the firms has been around for more than a year, having received an up-round
- There will be €1.6 billion worth of follow on financing

- Within less than 30 years, CO_2 emissions will have to be reduced from 59 billion tons per year towards 0
- Extreme weather conditions are on the rise
- 6 sectors are responsible for CO_2 production in particular: production (33%), mobility (15%), industry (24%), real estate (6%), nutrition (22%), carbon (±1%)
- We know which solutions are needed -> now its a matter of scaling up
- Expected growth is based on strong global trends
- So far most of the technology stems from the US

- An example of a growth market is that of sustainable jet fuel: currently $1.1 billion, and $16.8 billion within the next 10 years based on prognosis
- One of the Paris Agreement climate targets was to limit global warming to a maximum of +1.5 degrees Celsius, pre-Paris Agreement situation would lead to +4 degrees, and current policies will likely lead to +2 degrees
- Adoption of solar energy: $250 billion in 2023, $450 billion in 2032 based on prognosis

- What is holding us back? -> Capacity at the energy net
- What is going well? -> 3 million heat pumps have been sold in the EU in 2022; market size in 2023 was $90 billion; this will be $200 billion in 2032 according to prognosis
- What is <u>not</u> going well? Energy efficiency is does not increase as fast as it should, neither does the quality of isolation
- Another -30% energy reduction will be needed before 2030

- Food & agriculture: What is going well? -> Plant-based proteins are now for the first time cheaper than animal ones -> as investigated per Proveg
- What is holding us back? -> the sale of plant-based alternatives is stagnating (Source: Euromonitor)
- A recent development: Precision fermentation; seed treatment with micro-organisms, for example by Puna.bio in Argentina (founded in 2020)
- 110+ companies in our growing portfolio -> spread over 6 sectors as described



II. Rikkert:
- Venture Capital and Private Equity play a crucial role in financing and scaling up innovation within all segments in the EU and US (see image for explanation of financing curve)
- Historically, private markets have shown better returns on investment, particularly so for top-performing funds
- Private markets, though often displaying higher returns, are often not very accessible for private investors due to barriers to entry -> fund-of-fund is a solution to this
- Portfolio funds often have better selection-abilities en lower risks due to better diversification
- In the case of Venture Capital -> funds-of-funds show an additional 0.7x return
- Every year, Carbon Equity offers a portfolio fund with 7-10 funds
- We have one of the largest and most specialised teams in climate investments

- The selection process balances risks / reward and climate scores -> we have developed our own climate score
- Bottom-up analysis also takes place -> as of now we have done so at over 800 firms
- The biggest investment opportunities of the coming decades are now ahead of us
- As of now, climate technology is one of the largest segments in private markets -> in all sectors it has grown from a niche towards 20% of the total market
- Specialised funds keeps increasing in number and quality -> and more and more late-phase investors are joining in

- In addition to Fund I and Fund II, Climate Portfolio Fund III is now in the making
- €125 million has been set as a target (hard cap of €200 million)
- It invests into 7-10 climate funds
- Venture Capital, Growth and Buy-out -> about twelve years until maturity
- First closing will be on 20 June -> 50% discount for set-up costs
- Geography: Europe and North-America
- Minimum investment threshold: €100000

III. Q&A
My Question:
- It is clear from your presentation that there are good reasons for optimism when investing in climate technology. Are there significant risks too as a consequence of political and geographic fragmentation? And how do you take this into account?

Answer:
- In order to contain risks we spread our exposure across as many segments as possible, yet also within segments. This approach works best. As far as supply-chain disruptions are concerned, these will often be of a short-term nature. With growth to be realised in about 10 years, these problems will be solved before maturity is reached.

On a final note
The webinar offered a clear yet concise insight into climate technology investments. This field of the economy is likely to grow in size and significance, hence the presentation was a useful one, even from a mere information collection perspective. Thank you for reading! The following link shows a more detailed report (McKinsey) from which input was used for the first part of the presentation: https://www.mckinsey.com/capabilities/sustainability/our-insights/an-affordable-reliable-competitive-path-to-net-zero.

I have no interests to declare other than my attendance as a board member of investment committee Carpe Divitias.