



CASE STUDY 18: ASIA – CLEAN ENERGY PRIVATE EQUITY INVESTMENT FUNDS

Barriers	Lack of capital investment
Instrument	Private equity fund
Application	ADB provides investment into a private equity fund with specific clean energy portfolio and expertise
Amount	Up to US\$20 million

PROJECT BACKGROUND AND OBJECTIVES

A sustained period of economic growth in Asia has led to increasing demand for energy infrastructure. Acknowledging the importance of reducing GHG emission in Asia, most Asian countries has set targets for clean energy infrastructure programs. However, there is a lack of available capital investment and lack of knowledge in clean energy investments. Therefore, ADB aims to encourage the growth of risk capital in the Asian clean energy sector by investing equity in several private equity funds, which will in turn invest equity in clean energy projects and companies.

INSTRUMENTS USED

ADB worked with existing or new private equity fund managers invested equity into the fund, which in turn invest in clean energy projects. ADB’s equity investment was expected to attract other investors to sponsor the private equity fund

INSTITUTIONAL ARRANGEMENTS

ADB selects the private equity funds by issuing a call for proposals. The private equity fund manager will have the flexibility on the range of sectors and geographical location of their investments.

Clean energy projects can include renewable energy projects, energy efficiency, GHG abatement projects, and other clean energy technology.

The private equity fund can invest in projects at a very early development phase, such as start-up or technology-based investments, up to the very late stages, such as project development phase or before initial public offering stage.

OUTCOMES

The Asia Clean Energy Fund is managed by Kee-Doo Hong, a former chairman of KMPG Korea. The fund has two other sponsors, KTIC, which is a well-known Korean technology venture capital firm, and KPMG/SIA, which has international and regional experience in providing investment and financial advisory services to corporate clients and institutional investors.

The fund is expected attract investment from other investors and eventually finance 60-80 clean energy projects by 2014 and the funds return investor’s committed capital plus as commercial return by 2020.