



Meeting COP21 Challenges with an Innovative Approach

- Matthieu Poisson, CEO,
Amundi Transition Énergétique

Matthieu Poisson, Amundi Transition Énergétique's CEO, introduces this unique joint venture between Electricité de France and Amundi.

Why has Amundi Transition Énergétique been set up?

There is now a robust political momentum behind the need for an accelerated energy transition in France, in the broader context of the COP21 Paris Agreement. More specifically, a law was passed in August 2015 with a very large scope notably in terms of targets for reducing energy consumption, greenhouse gas emissions, and diversifying energy supply sources.

Such an effort will obviously imply a significantly more ambitious tariff and subsidy program by the French state than previously contemplated. As an example, the annual German renewable tariff budget is over five times bigger than in France. The new law extended its reach far beyond tariffs with, for example, a new obligation for institutional investors to report on an annual basis on their exposure to climate change risk, their carbon footprint and their contribution towards achieving the objectives of the law.

EDF is the leading European renewable energy producer and as such has an obvious central role to play in any change to the energy mix. EDF has set itself the target to almost double its renewable capacity by 2030. In this perspective, the group has looked for innovative financing models to finance its growth, which paved the way for the creation of Amundi Transition Énergétique (ATE), an asset management company owned 40/60 by EDF and Amundi.

What roles do EDF and Amundi have?

EDF supplies two areas of know-how: project sourcing and operational management and the maintenance of assets, both on a scale which would be hard to replicate for any traditional asset management company. As an illustration of this point, an average fund investing in wind farms might reach a size which is approximately one tenth of what EDF has under management. This scale advantage provides EDF with a unique insight into industrial risk over a very broad array of equipment, which in turn proves invaluable for example when analyzing assets for potential acquisition.

The role of Amundi is to select assets and design the financial structure of the project with a dedicated team. One of the key objectives of the joint venture is to design robust financial structures that enable a high degree of standardization from one deal to another in order to address both very large and smaller projects on the same basis. This allows EDF to respond to all market opportunities, deploying more resources than before and on a timely basis, and it also provides ATE with a high degree of diversification.

What does this partnership involve?

This is the first time that an industrial company and a financing company have come together. The creation of this partnership involves sourcing agreements with the subsidiaries of EDF present in the various renewables businesses enjoying an attractive PPP/Tariff context. Obviously ATE has no obligation to accept all the deals presented by EDF (which would in any case far exceed its capacity) and can source projects outside EDF. The various privileged sourcing agreements are focused on identifying projects available outside EDF and those that can be secured jointly.

As far as the potential future disposal of EDF's own existing assets, both partners have agreed that it was preferable to keep them out of the scope of the agreement. More generally, the partnership has set up a number of safeguards to protect investors from potential conflicts of interest. Apart from the obvious (i.e. no EDF representative within the company and/or at its investment committee), the relative size of the projected first fund of ATE implies that its annual investment should represent less than a quarter of what EDF currently invests annually in the same sectors, thus ensuring an ability to be selective. Additionally, EDF will retain a degree of exposure to the underlying assets should it be through O&M, minority ownership or its share in the carried interest of the fund. On a more strategic basis, given the amount of renewable investments of EDF that need to be financed, there is a very strong incentive for both sponsors to make the first fund launched by ATE a success, as the key strategic objective is to repeat capital raisings in the future.

How do you compare the types of funds that ATE might launch with other infrastructure funds?

The main distinctive feature of ATE is its access to a very large and robust existing pipeline of opportunities, but also its structural ongoing relationship with EDF's development teams, which can amount to several hundred people in the heating network PPPs for example. This privileged access provides ATE with a unique visibility over capital deployment as it benefits from the input of sourcing teams that far exceed any other infrastructure funds in size, access and experience.

Overall, our targeted returns will be in line with the market, but we will try to reduce their volatility by opting for a pure buy-and-hold strategy. This differs from a more aggressive private equity style approach to infrastructure investing, which relies both on the ability to substantially increase the asset's performance and favourable market conditions upon exit. The solidity of our entry IRR will be supported by the



combination of a stable regulatory environment, long-term debt financing and EDF's scope of activity in operations and maintenance throughout the entire life of the asset. We also want to concentrate on late-stage investing in order to limit our exposure to development risk. Finally, we are also confident enough in our sourcing capacity to limit our investment scope

to at least 75% Eurozone and 51% France. Overall, we feel that there is a strong appetite in the market to trade liquidity for solid cash-yield returns, and therefore invest in funds that match in duration the entire economic life of assets i.e. 20 years plus.

Amundi

Publicly traded since November 2015, **Amundi** is the largest European Asset Manager in terms of AUM*, with over €1,000bn worldwide. Headquartered in Paris, France, Amundi has six investment hubs located in the world's key financial centres, and offers a combination of research depth and market experience that has earned the confidence of its clients.

Amundi is the trusted partner of 100 million retail clients, 1,000 institutional clients and 1,000 distributors in more than 30 countries, and designs innovative, high-performing products and services for these types of clients tailored specifically to their needs and risk profile.

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Amundi figures as of 30 June 2016.

**No. 1 European asset manager based on global assets under management (AUM) and the main headquarters being based in Continental Europe - Source IPE "Top 400 asset managers" published in June 2016 and based on AUM as at December 2015.*

Matthieu Poisson is the CEO of the newly created joint venture between Electricité de France (EDF) and Amundi in energy transition financing. Previously, Matthieu was working for EDF, the world's largest electrical company. He first acted as Head of international operations under EDF's CFO, and in that capacity was the group's representative in a number of foreign operations such as the Taishan Nuclear project (TNPJVC) and Constellation Energy Nuclear Group. He was then appointed in 2012 CEO of EDEV, the holding company of EDF for renewable operations and corporate venture. Among his assignments, he was in charge of the group investment committee for mid-sized energy assets. Before joining EDF, Matthieu had spent ten years at Lazard in equity capital markets, and merger & acquisitions.

Matthieu graduated from the Institut d'Etudes Politiques (Paris) and holds a Master in Corporate Finance.