

Impact investing in action

US residential solar

January 2018

The value of investments will fluctuate which will cause prices to fall as well as rise and investors may not get back the original amount they invested.

Expected
environmental impact
50,000 tCO₂e emissions
avoided per year¹

- M&G participated in the financing of a pool of US residential solar loans
- Expected return premium: 0.5% to 1% p.a. over equivalent-rated public corporate bonds
- Key M&G impact theme and expected metrics¹:
 - Renewable energy generation:
 1. 50,000 tCO₂e emissions avoided per year
 2. Approximately 101,000 MWh of clean energy generated per year

This investment aligns with the following UN Sustainable Development Goals (SDGs):



Investment impact overview:

In October 2017, M&G participated in a US residential solar transaction. This deal finances a pool of solar panel loans to residential customers in the US who use the loans to purchase rooftop solar panels, benefiting from long-term savings on energy bills from the clean electricity produced by the solar panels.

The transaction qualified as an impact investment under the category of renewable energy generation, according to our thematic impact eligibility criteria.²



Environmental impact theme: Renewable energy generation

The US produces around 20% more CO₂ per megawatt hour (MWh) of electricity generated than the OECD average and 50% more than European OECD countries³. The relative impact on greenhouse gas (GHG) emissions and the importance of clean energy for the protection of the environment is therefore higher for the US than many other countries.

The amount of emissions avoided by using the clean electricity produced by all the rooftop panels financed in the pool of loans is estimated at over 50,000 tonnes of CO₂ – which is equivalent to 10,700 cars off the road per year in the US⁴. It is estimated that approximately 101,000 MWh of clean energy (electricity) will be generated per year by the solar panels financed by this transaction.

Attractive expected returns

In addition to generating positive environmental impact, the investment targets a competitive financial return. The investment is expected to generate a return premium in the range of 0.5% to 1% p.a. over similar-rated public corporate bonds, and benefits from long-term, secure cashflows.

¹ Impact metrics are intended to provide an indication of expected outcome. tCO₂e = tonnes of carbon dioxide equivalent.

² At M&G we assess impact investments against a criteria developed in conjunction with a leading sustainability adviser.

³ Source: European Investment Bank, "Methodologies for the Assessment of Project GHG Emissions and Emission Variations", April 2014.

⁴ 'Passenger vehicles driven for one year' figure calculated according the United States Environmental Protection Agency (EPA) Greenhouse Gas Equivalencies Calculator.

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