

Facts about the Danish Climate Investment Fund

The Danish state, IFU and a number of institutional investors have established the Danish Climate Investment Fund with the purpose of contributing to reducing global warming and promoting Danish climate technology through investments on commercial terms. The current total commitment to the Danish Climate Investment Fund is DKK 1.2bn.

At the UN climate summit in Copenhagen in December 2009 (COP 15) it was decided that the developed countries should raise capital for climate investments in developing countries. The objective is to raise USD 100bn a year from 2020, and part of the funds should be contributed by the private sector. Raising climate financing is crucial to ensure the necessary transition in the developing countries.

With the new climate investment fund, Denmark has taken an important step to raise public and private climate financing through a public/private agreement with a total commitment of DKK 1.2bn for the new fund. It is expected to obtain further commitments of DKK 200m from private investors in a second investment round, which means that the Danish Climate Investment Fund will have DKK 1.4bn at its disposal.

The public funds come from the Danish state and IFU, who have contributed DKK 275m and 250m, respectively. The private funds totalling DKK 675m come from PensionDanmark, PKA, Pædagogernes Pensionskasse (PBU) and Dansk Vækstkapital and are distributed as follows:

PensionDanmark: DKK 200m
PKA: DKK 200m
PBU: DKK 125m
Dansk Vækstkapital: DKK 150m

Total investments of DKK 8-9bn

The Danish Climate Investment Fund only contributes part of the total project financing in the individual projects. To implement the projects, further financing is required from other public and private investors such as Danish partner, local banks, funds, etc.

Experience from similar investments shows that for every DKK 100 that the fund invests, total investments will be just above DKK 600. Therefore, total investments are expected to be in the range of DKK 8-9bn.

Dual purpose

The Danish Climate Investment Fund has a dual purpose. Firstly, it will contribute to reducing climate impacts and global warming by investing in projects that will reduce greenhouse gas emissions. Secondly, the fund will invest in projects that will promote the transfer of Danish technology, thereby supporting Denmark's leading position in this expanding market in developing countries and emerging markets.

Investments in all DAC countries

The Danish Climate Investment Fund can invest in all of the DAC countries, approx. 150, and thereby covers practically all countries in Africa and Latin America, most of the countries in Asia and a few countries in Europe.

Projects

The Danish Climate Investment Fund will invest in projects that contribute to reducing greenhouse gas emissions, directly or indirectly, including:

- Renewable energy projects, e.g. solar, hydro and wind
- Suppliers to renewable energy projects, e.g. wings for wind turbines and production of solar panels
- Energy efficiency projects, e.g. efficiency improvement where greenhouse gas emissions induced by the project are smaller than the emissions in the reference scenario by 20 per cent or more
- Alternative energy projects, e.g. biogas from animal stock
- Transport projects, e.g. urban public transportation systems
- Material and equipment, e.g. insulation material and district heating systems
- Other projects that will contribute to significant reduction in greenhouse gas emissions

Furthermore, the Danish Climate Investment Fund will invest in projects with the purpose of adjusting to climate change, e.g. disaster preparedness, coastal management and climate change information.

The Danish Climate Investment Fund will neither invest in energy production based on carbon nor in projects with the purpose of capturing and storing CO₂.

The total climate effect of the individual projects will be assessed in connection with the decision to invest in the project.

CSR policy

The Danish Climate Investment Fund follows IFU's CSR policy, which is based on the UN Global Compact and a number of international conventions.

Investments with a Danish interest

The Danish Climate Investment Fund must invest in projects with a Danish financial interest. This means that a Danish partner must co-invest or participate as a supplier of equipment or technology.

Investment period

The Danish Climate Investment Fund will run for four years. After that the investment projects are divested, and the investors will receive the expected return during a period of six years.

IFU is fund manager

IFU – Investment Fund for Developing Countries is fund manager of the Danish Climate Investment Fund. IFU has more than 45 years' experience with investments in developing countries and has contracted investments with Danish companies of more than DKK 10bn in close to 800 project companies in 85 developing countries. The total expected investment is more than DKK 100bn.

Investment committee

The investments of the Danish Climate Investment Fund will be approved by an investment committee with the following members:

Peter Schütze (chairman), former managing director of Nordea Bank Danmark A/S and chairman of DSB.

Rod Evison, former managing director for Africa and Latin America with CDC Group Plc and founder of Globeleq.

Torben Möger Pedersen, managing director of PensionDanmark.

Peter Damgaard Jensen, managing director of PKA.

Sigurd Ø. Andersen, former managing director of B&W Scandinavian Contractors.

Investors*PensionDanmark*

PensionDanmark manages collective agreement and company labour market pension funds for 12 unions and 37 employers' associations with a total of 642,000 members. The company's balance is DKK 150bn.

PKA

PKA manages pensions for five pension funds, primarily within the health sector. PKA has invested approx. DKK 13bn in climate-related projects, including commitments. PKA has 260,000 members and a fortune of DKK 200bn.

Pædagogernes Pensionskasse (PBU) manages pensions for more than 110,000 kindergarten and nursery teachers. The annual pension payments total DKK 2.5bn, and the total fortune is DKK 50bn.

Dansk Vækstkapital

Dansk Vækstkapital makes investments on commercial terms in small cap, mid cap and venture funds focusing on small and medium-sized enterprises. The fund was established in 2011 with a total capital of DKK 4.8bn. The capital was contributed by Danish pension funds and Vækstfonden.

IFU

IFU – Investment Fund for Developing Countries advises and invests with Danish companies in Africa, Asia, Latin America and Europe. The investments are made on commercial terms in the form of equity and loans to project companies, and the purpose is to promote the economic and social development in the investment countries.

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