

3 March 2017

Housing Unit Manager
Social Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600
By email: socialimpactinvesting@treasury.gov.au

Dear Sir/Madam,

Social Impact Investing Discussion Paper

Please find attached Impact Investment Group's submission in response to the Australian Government's Social Impact Investing Discussion Paper.

We welcome Treasury's focus on developing the impact investing market and the opportunity to contribute.

Impact Investment Group would welcome the opportunity to discuss the matters raised in this submission further. Please do not hesitate to contact Caroline Vu on (03) 8534 8000 or caroline@impact-group.com.au.

Yours Sincerely,



Chris Lock
Chief Executive Officer
Impact Investment Group

About IIG

IIG is a leading impact investment funds manager and co-investor with more than \$400 million in funds under management across property, renewable infrastructure and venture capital. IIG's mission is to shift capital towards investments that blend financial returns with deep social and environmental impact. Since establishment in early 2013, IIG has successfully arranged and co-invested in numerous investment syndicates in pursuit of our mission.

IIG is owned by Chris Lock (Chief Executive Officer) and Small Giants, the family office of Daniel Almagor and Berry Liberman. IIG is an active and ethical manager that benchmarks its fees to the long term performance of its assets. IIG is a certified B Corporation and a member of the Responsible Investment Association Australasia.

IIG as a financier and investor in renewable energy infrastructure

In June 2014, IIG offered wholesale investors the opportunity to co-invest with IIG in part funding the construction of a new 3-turbine wind farm located in Chepstowe, east of Ballarat, Victoria. The Chepstowe Wind Farm is forecast to generate enough energy to power 4,000 homes with approximately 24,000 tonnes of CO² expected to be offset. The wind farm was commissioned in April 2015 and cost approximately \$16.3 million. has A 10-year Power Purchase Agreement with Hydro Tasmania is in place, for the purchase all of the energy generated by the wind farm.

In August 2016, IIG launched its target \$100 million IIG Solar Income Fund, IIG's first investment fund dedicated to renewable energy infrastructure. The Fund was established in response to new Australian opportunities emerging in the solar infrastructure sector and investor demand for passive investments with relatively secure, long-term income streams. The Fund provides investors access to a portfolio of operational Australian solar farms and is expected to deliver a pre-tax Internal Rate of Return of approximately 10% over the life of the Fund with low correlation to market and economic conditions. The Fund closed in mid-August 2016 due to enormous demand from wholesale investors. The Clean Energy Finance Corporation will provide a \$50 million Debt Facility to the Fund. The Solar Income Fund is expected to abate 48,000 tonnes of CO² emissions annually, and provide clean energy for the equivalent of 9,000 Australian homes.

Response to the Discussion Paper

We note the focus of the Discussion Paper is on social outcomes of impact investment, but encourage a holistic approach to examining the investment universe. Namely, we submit that investments which may appear to be environmental in focus can also have significant social outcomes. For example, over its lifetime, we estimate that the Solar Income Fund will avoid \$57 million in health and environmental costs¹, avoid 29 deaths and 16,000 illnesses², not to mention create 270 jobs during construction³. Accordingly, we wish to contend that investment in to renewable energy assets be included explicitly when the Government conceptualises the social impact investment market.

¹ American Economic Review 101 (August 2011): 1649-1675, "Environmental Accounting for Pollution in the United States Economy", by N.Z. Muller, R. Mendelsohn & W. Nordhaus

² The Lancet (15 – 21 September 2007): 370, 9591 "Energy and Health 2: Electricity Generation and Health", by A. Markandya & P. Wilkinson

³ RET Policy Analysis – A Report for the Clean Energy Council", Roam Consulting, May 2014

A major barrier to new investment is the perceived ongoing regulatory risk around investment in the power generation industry. The sooner Australia can achieve certainty in energy policy, including the introduction of policies which are consistent with Australia's obligations under the Paris Agreement, the sooner the nation-wide benefits of new investment, job creation and health benefits will flow, alongside a transition to a low carbon future.

We also acknowledge and support the submissions of our peers at the Responsible Investment Association of Australia, B Lab Australia and New Zealand, Impact Investing Australia, Small Giants, Impact Club and Philanthropy Australia.