

# Tycoon Tchenguiz has seen the future - and it's green

**Published: 03 December 2006**

**from The Independent & The Independent on Sunday**

By Tim Webb

Vincent Tchenguiz, the property tycoon turned green energy investor, is planning to launch billions of dollars worth of clean technology funds in dozens of countries.

His business vehicle, Consensus Business Group (CBG), will announce early next year Africa's first such fund, called Inspire. It will be based in South Africa and have \$140m (£71m) to invest in environmentally friendly technologies in the continent.

Speaking exclusively to The Independent on Sunday, Tchenguiz revealed he has already invested at least \$250m in more than 100 start-up companies and funds in this sector.

The colourful Iranian-born tycoon has a penchant for fast cars and planes - a model of the QSST supersonic jet, being developed by Lockheed Martin, sits prominently on his boardroom table. Yet he is making investment in green energy, once the preserve of the well-meaning brown-sandal brigade, fashionable.

The Natural History Museum in Kensington, central London, was the venue for a glitzy party he hosted last month to launch CBG's first clean technology fund, a venture being undertaken with the Middle Eastern oil state of Abu Dhabi.

Malcolm Brinded, the head of exploration and production at Shell, a partner in the project, gave a speech. The former Tory ministers David Mellor, Norman Lamont (a business associate of Tchenguiz and his brother, Robert) and Tim Yeo were also there, sipping champagne from flute glasses among the bankers and Arab princes.

So why is Tchenguiz, who made his fortune with his brother buying property, going green? And as companies fall over themselves to prove their environmentally friendly credentials and look for something - and in some cases anything - appropriate to invest in, are these investments safe?

But before he explains his green conversion (and why he expects it to make him even wealthier), Tchenguiz has a confession to make. Under the terms of the lease, the landlord of his Hyde Park offices does not allow him to switch off the ceiling lights at night. "They're on all the time," he says. The irony is not lost on him.

Over the past year or so, Tchenguiz's CBG has spent about \$250m buying stakes in 100 or so early-stage and later-stage technology companies, as well as environmental funds. They range from businesses involved in solar power (Solar World) and wave energy (Ocean Power Delivery) to Econergy, which makes wood-chip boilers. Most

are loss-making and privately owned (sometimes with university or government backing, such as the Carbon Trust). A few, such as the bio-fuels company D1 Oils and the boiler maker Ceres Power, are listed on AIM.

Tchenguiz has also been systematically buying up as much intellectual property from universities as he can lay his hands on. "Some areas might do very well, some might do very badly, but you've got to be across all of them." He jokes that he doesn't understand the technology, but by investing widely enough, he believes he is bound to pick some winners, even if some companies fall by the wayside.

He is not alone. According to Venture Business Research, a specialist in this sector, total investment in energy technology is set to quadruple this year compared with 2004, with almost \$2bn invested in the first 10 months of 2006 in Europe and North America. Companies developing biofuels, solar power, electricity storage batteries and wind farms are attracting the biggest amount of cash.

What is attracting investors such as Tchenguiz to green energy is the emergence of a new commodity - carbon (or more specifically, licences to emit it). As governments look to tax producers of carbon (the biggest contributor to climate change) and cap their emissions, technologies that reduce emissions - for example, by generating power without using carbon-emitting fossil fuels - are in demand. Corporations can also choose to invest in clean energy projects such as wind farms or forests if they think this is cheaper than cutting their own emissions. This is slowly stimulating a market for carbon where licences to pollute can be bought and sold like any other financial derivative or commodity. The carbon market is still immature and largely unregulated, but Tchenguiz believes this will change.

He wants to apply the financial engineering he used to build up his property empire to his green investments in a radical way. Typically, he would buy property using mostly debt raised by using future rental income as security. Now, he is looking to raise debt to fund acquisitions in the green energy sector by using the income generated by these companies selling their carbon credits as security.

For example, Tchenguiz says he could buy a piece of land to plant a forest, raising the money up front to do this from other companies looking to offset their carbon emissions by buying credits that will be created by the forest. He admits the market is not sufficiently sophisticated yet to securitise carbon credits in the way that rent is securitised, but he is already planning his first such transactions when the market is ready.

Rather than being on a mission to save the planet from climate change, Tchenguiz seems more like a canny investor spotting a market trend. He admits he has no plans to put a wind turbine on his roof and looks aghast when it is suggested that people should fly less. But he is convinced that awareness of climate change and the need to combat it is not a passing fad.

His brother-in-law, he says, has a beachfront home near his own house in South Africa, in an area where beaches are disappearing due to rising sea levels. "My house is way on top above his, and I'll probably see his slippers on my porch one day," he laughs good-naturedly.

There is no doubt that, as more money chases a limited number of green energy companies, the choice and quality of investments suffer. One banker working for an investment banking boutique specialising in raising finance for technology companies reports that the phone has not stopped ringing since the publication in September of the Stern report on climate change. Many proposals are closer to fantasy than commercial viability.

Douglas Lloyd, director and founder of Venture Business Research, says the cost of investing in green energy has risen as a result of higher demand. "This 'buzz' means that management teams are demanding high valuations for their businesses in the knowledge that more investors than ever are eager to invest. And since there are many more institutional investors trawling the sector, investors have to be extremely careful."

Tchenguiz, who is spending \$20m a month on new investments, agrees that some areas of the clean energy market resemble the froth of the dot-com era. He admits that if oil prices fall below \$35 per barrel, a lot of investments will no longer be viable, and that continued government subsidy is essential to support the sector. He laughs when he is described as a "green" Bill Gates. But if his myriad of investments come off, in a few years he'll be laughing all the way to the bank.