

IJGlobal ESG Awards 2022: Interview with EDRAM

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19/01/2023

In the wake of Edmond de Rothschild Asset Management winning ESG Infrastructure Asset Manager of The Year (Debt) at the recent IJGlobal ESG Awards, Jean Francis Dusch, managing director, global head of infrastructure and structured finance at the asset manager, discusses the firm's differentiated approach to ESG investing, and how that's demonstrated in key transactions.

The Edmond de Rothschild Asset Management (EDRAM) infrastructure debt platform was created in 2014 to offer investors opportunities to support the financing of infrastructure projects in Europe and beyond. Since then, the platform has become one of Europe's leading sustainable infrastructure investors, with €4.7 billion raised since launch – which has all been or will be invested in-line with its ESG policy and procedures – and 40% of assets under management linked to the energy transition.

Together with this, the team, which today comprises 14 investment professionals led by Jean Francis Dusch, was one of the first to formally integrate a comprehensive review of environmental, social and governance factors into its investment selection, structuring and monitoring processes.

“Infrastructure financing is a conviction at the heart of our contribution to sustainable development,” says Dusch. “Our infrastructure debt offering supports the acceleration of major decarbonisation and global warming reduction plans. This requires the structuring and implementation of efficient debt instruments for greener infrastructure, supporting economic growth and sustainability.”

While renewable energy has rightly been a big investment focus for EDRAM and other investors, the firm has always felt that the ESG investment opportunity is much broader.

“Yes there is the environmental and social impact that you can have as an investor, but we wanted to look at the impact we could have across many different sectors, including renewables, digital infrastructure, utilities, transport, and social infrastructure delivering energy efficiencies,” says Dusch.

Among many projects in which EDRAM invests, two of the standout projects this year, supporting its recognition as IJGlobal’s ESG Infrastructure Asset Manager of The Year (Debt), were Project Ares and Project Nature.

Project Ares is an example of an innovative bilateral energy investment sourced, structured and executed by EDRAM.

Essentially, it is a green bond financing of La Francaise de l’Energie (LFDE), a French energy producer with a negative carbon footprint. LFDE’s main activity is the capture of methane emissions (CH₄) from abandoned coal mines in France and Belgium and to convert or monetise this gas into electricity, gas and heat sales under long-term regulated tariffs (feed-in tariff in France or green certificates in Belgium) or long-term private contracts with local stakeholders such as industrials or municipalities willing to offer local and affordable green energy to surrounding communities.

“What we liked about this opportunity is that it is good energy transition play, where we start with closed mines but from that create something that has positive impact on the environment. From the moment we talked to them, we could see their conviction and the CEO had a clear view on how to implement it,” says Dusch.

He adds: “We also liked that there was a true conviction on what the positive impact on environment could be, which was important in putting together a financing structure that would finance this investment. Importantly, we also had a kind of framework finance agreement in place, where if the next project fitted certain environmental, social impact, operational and financial criteria, we would then finance the next phase. And that’s what we did three weeks ago when we closed the second phase of the extension.”

Taken together, Dusch says Project Ares was ultimately compelling because it was entrepreneurial, innovative, demonstrably useful to society and beneficial to the environment, all of which was important when delivering on their mandate with investors to help them invest more sustainably.

The other standout project – Project Nature – has similar characteristics, though it leans more towards social impact.

Indeed, it is an example of a proprietary bilateral social infrastructure deal where EDRAM is sole lender, financing the communal infrastructure assets of an eco-holiday resort set within a 280 hectare nature park in Belgium. The resort incorporates sustainability throughout and creates both a positive environmental and social impact.

“We saw that this asset could have a strong social impact, and that there were also strong environmental criteria with infrastructure that was energy efficient. For these reasons, we saw it as the type of asset that we should invest in, not least because it creates some diversification. As we see it, investing in the energy transition, investing through the ESG lens, should apply right across the infrastructure universe.”

That type of holistic vision to investing helps differentiate EDRAM from other investors in this space. Also important, if possible, is capitalising on the interconnectivity between infrastructure assets, as happened between Ares and Nature – LFDE supplies heating to the holiday resort.

“That’s what we like to see sometimes,” says Dusch. “Investing in and building an asset than can serve another asset, which in this case, has a strong ESG story on this sides.”

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