The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Tatarstan Backing New Clean Technology Fund

By Anatoly Medetsky

January 30, 2012



A fund that will rely heavily on Russian money to invest in clean technology has raised the planned 110 million euros ($145.3 million) in capital from its two founders as it prepares to announce its first deal later this year, German co-founder Wermuth Asset Management announced Monday.

With 100 million euros from a Tatarstan government company, the fund will invest globally, but focus on companies that could benefit by selling their products — or initiating production — in Tatarstan.

"The biggest bang for the buck in clean energy is in Russia," said Jochen Wermuth, the chief investment officer at the asset management company.

By going clean, companies here could reduce costs more drastically than their Western peers because equipment in Russia is much more outdated, which is driving up demand for new

equipment, he said.

The energy intensity of Russia's gross domestic product is, according to the International Energy Agency, six times that of climatically similar Canada's.

Tatarstan is considered the best region for business, should clean technology providers set up manufacturing in the country, according to Ernst & Young and Forbes magazine, Wermuth said.

The Tatarstan Cleantech Fund expects to generate overall returns of 30 percent per annum. Its potential areas for investment include energy efficiency, waste management, electric buses, lithium-ion batteries and even food. The fund, which aims to raise another 90 million euros from outside investors by mid-summer, will seek to buy equity in small and medium-sized companies chiefly in Western Europe and the United States.

A spokeswoman for the Tatarstan co-founder, Svyazinvestneftekhim, which holds state interests in local enterprises, declined comment when contacted Monday.

Under the fund's terms, if a company that agrees to take investment from the fund goes on to build a plant in Tatarstan, the regional government will allow its partners in the fund to be the first to receive return on their investment.

"Its their way to reach their development goal," Wermuth said. "It's a brilliant decision by this fund."

There will be no hard pressure to choose Tatarstan, although for concrete deals it can compete with the world's low-cost manufacturing area, China, said Daniel Colbert, lead partner at the fund.

"We will not push our portfolio companies to manufacture in Tatarstan if it's not good business," he said.

Confirming demand for clean technology in Russia, consulting company Frost & Sullivan said in November that the market for water and wastewater treatment was on the rise. It reached about $918 million in 2010.

"Water supply and wastewater treatment facilities are in most cases outdated and require immediate modernization, replacement and introduction of modern treatment solutions," Frost & Sullivan research analyst Paulina Szyplinska said in the report.

Anton Lipatov, chief of the Cleandex analytical portal on clean technology, highlighted industrial energy efficiency, energy storage, biofuel or electric cars and water management as generating the most demand worldwide. In Russia, it is also waste management, he said.

He also named renewable energy, but Wermuth said the field was of secondary importance to the fund because of the abundance of fossil fuels in Russia.

The global trend is for profit margins in clean technology to decline, as in any mature industry, Lipatov said.

The Fund is conceived for 10 years: a six-year investment period and a four-year wind-down period. The agreement to establish the fund was signed in the presence of Chancellor Angela Merkel and President Dmitry Medvedev at German-Russian government consultations in Hanover in July.

Original url:
https://www.themoscowtimes.com/2012/01/30/tatarstan-backing-new-clean-technology-fund-a12266