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⚙️ ThomasLloyd's CFO looks east but 'China is not appropriate for our risk appetite'

Vivienne Maclachlan focuses on Asia as a rapidly emerging giant in the renewable energy investment space

By Juliette Portala

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Meet Vivienne Maclachlan, the current finance chief at ThomasLloyd, the rapidly growing impact investment management firm that was founded two decades ago by its current CEO.

During the last twenty years, ThomasLloyd's role in the world of impact investing has evolved into that of a global player. Headquartered in Zurich, the company has a global presence with offices in Europe, Asia and North America.

Increasingly, the manager is eyeing new, emerging markets to implement its so-called 'triple return' strategy.

That is why Maclachlan, who was appointed group finance chief in December 2020, is keen to get *Net Zero Investor's* attention firmly focused on ThomasLloyd Energy Impact Trust (TLEI).

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The fund is all about Asia, and that is where tomorrow's growth lies, according to Maclachlan, who is also a member of the company's ESG stewardship committee.

She claims TLEI is the UK's first, and so far only, investment trust on the London Stock Exchange that takes impact investors' cash to Asia, excluding China, to pump into real-life assets and renewable energy.

When investing in emerging Asian countries, TLEI looks to use the environment to favour a circular economy and ensure that its impact can be measured in terms of carbon emissions as much as in jobs created, Maclachlan explains.

"We have countries that are more than 50% dependent on coal-fired power plants, the need to replace that with clean energy is beyond question, but where is that gap going to be filled when we decommission? Plus, power plants are a significant provider of employment opportunities: how do you replace that?"

Portfolio diversification

In the Philippines, TLEI acquired a minority stake in three solar power plants with a combined capacity of 80 megawatts.

Maclachlan stressed the government had capped foreign investments in solar, wind and hydro assets to 40%, but agreed late last year to open the sector to full foreign ownership, "indicating the need for renewable energy sources to be built."

"They have recently stood by their decision to not build any new coal-fired plants and as their population is growing ... the demand for electricity is increasing significantly and therefore foreign investment is needed," she added.

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It's very much a balancing act, which is why diversification is key.

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VIVIENNE MACLACHLAN, CFO, THOMASLLOYD

The Filipino Department of Energy intends to hike the share of renewables in the nation's power generation mix to 35% by 2030 and to 50% by 2040.

TLEI also owns six solar operating assets in India, and one utility scale solar project is in construction for an anticipated completion in the second half of this year. "That's a total of 434 megawatts," Maclachlan noted.

"While biomass is fantastic in the Philippines, it isn't necessarily an appropriate technology in other countries: so, it's about looking at how we can meet demand in an environmentally friendly fashion, return impact to the communities, as well as make a financial return," she explained.

Spotting opportunities

Before investing in a new market, TLEI asks itself three questions, Maclachlan disclosed: is there a need? Are foreign investors going to be welcomed and protected? Is it commercially viable?

In India, the trust is limited to investing 50% of its portfolio, unless it raises additional capital in the market while in the Philippines, she sees a number of opportunities but biodiversity protection comes first.

"We have seen the US dollar strengthen significantly: that's not great from an investment portfolio standpoint, but it should also make the acquisition of operational assets cheaper," Maclachlan argued.

Moreover, targeting markets that have ambitious climate goals is "a fabulous indicator that you have a government that will support what you're doing, but the quieter countries don't necessarily reflect a worse opportunity."

The investment trust is also looking into Bangladesh for its potential in floating solar power, and Indonesia, which launched at the G20 Summit a Just Energy Transition Partnership (JETP).

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VIVIENNE MACLACHLAN

In addition, TLEI is currently monitoring the Sri Lankan market as well, but “that looks like another three to five years before there is a structure and a framework that would be suitable for foreign investment,” said Maclachlan, as she pointed out that avoiding political risk is crucial to TLEI's approach.

Going up north, “China is not on the cards,” she firmly stated.

“Right now, I do not think that it would be appropriate for our shareholders' risk appetite,” she explained, highlighting the difficulty of getting money in and out of the country.

Vietnamese newbie

TLEI has recently made its debuts on the Vietnamese renewable energy market, with an initial \$30m partnership with Solar Electric Vietnam in November, which included the immediate acquisition of six megawatts (MW) of rooftop solar assets.

“I think what will be interesting is seeing the ambitious energy plan come out from the Vietnamese government,” Maclachlan said.

Hanoi was expected to approve its Power Development Plan 8 through 2030 by the end of 2020, but surging liquefied natural gas (LNG) left officials scrambling to find the appropriate strategy to reach carbon neutrality by mid-century.

At a time when Asia is also betting on LNG, she warned of potential competitive tensions and price cannibalisation of electricity, but not before two to three years.

“There's just too much of a need [for new renewable energy sources].”

In the case of Vietnam, Maclachlan claimed that renewables will depend on the government's efforts to support power sources like solar in order to supply individual businesses or homes.

“It's looking at how the national electricity distributor starts to come into play as part of that wider plan to move the energy market forward,” she added.

“We see there's a significant amount of runway, and demand from population growth in GDP means that it is an attractive place to invest and create impact.”

Cultural differences

Although TLEI's ideal scenario is to have full control of its assets, Maclachlan stressed the importance of maintaining a connection through local co-shareholders.

“We're very cognizant we can't come in as British or European people and plunk our policies and procedures on a desk and make another culture follow that to the letter,” she stated.

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"It's about understanding the cultural sensitivities, the individual situation of that employee workforce or community and blending that to their needs, wishes and wants."

"The cultural aspects are completely different across all three jurisdictions in which we operate but what is pleasing is that we are all aiming for the same goal, therefore there is a reason to push forward."

Currently, TLEI has a team in Manila, some people in Singapore, a hub in Delhi, and is looking into building a team in Vietnam.

"It is important to us to have a team on the ground for a couple of reasons: one is that we cannot service things from Europe, as it just goes against everything we believe in, from a greenhouse gas (GHG) and an impact standpoint. But also, it's really important to have boots on the ground," she stressed.

Maclachlan flagged that TLEI had looked to address the perception of risk to European shareholders and explain emerging Asia's potential.

"These markets are not like the UK, the US and Europe: they're different," she explained. "Different isn't better or worse, it's just different."

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We need to operate as a local, not a global partner.

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VIVIENNE MACLACHLAN

Moving forward

A few days after the Intergovernmental Panel on Climate Change (IPCC) [warned](#) that limiting global warming to 1.5 degrees Celsius was no longer realistic, Maclachlan agreed the world has not moved forward as fast as she would have liked.

"My concern is that it comes with frustration," she said, stressing how essential it is to progress step by step, just like in Indonesia which counts many relatively small players.

"It's really about the scalability of small wins. It's about talking about them, it's about replicating them and it's about taking more people with us on the journey."

In a bid to expand its Filipino, Indian and Vietnamese portfolios, TLEI seeks to diversify technologies – especially wind and biomass, make sure its portfolio has more revenues covered by long-term power purchase agreements (PPAs), and extrapolate the concept of quality and diversity in the jobs it creates.

Outside of gender pay gap considerations, for instance, it wishes to guarantee it offers appropriate local employment, provide job development opportunities for all and make sure employees are satisfied; some metrics that are not always taken into account in the jurisdictions TLEI operates, according to Maclachlan.

Questioned on TLEI's plans to invest in Africa, she claims the debate comes up at the board level every month. "We know Asia and we're good in Asia."

"But we know that there is a crying out need in Africa as well," she concluded.