

Pump it up: Octopus Energy and Legal & General make Britain's biggest investment in ground source heat pumps

- **£70m investment to scale ground source heat pump business Kensa Group**
- **Further demonstrating Legal & General Capital's dedication to scaling innovative businesses that reduce emissions**
- **Next step in Octopus' drive to replace polluting gas boilers with heat pumps**
- **Investment will create 7,000+ green jobs in Britain by 2030**

Legal & General Capital and Octopus Energy's generation arm are turbocharging Britain's heat pump rollout by investing £70 million in the country's leading manufacturer and installer of ground source heat pumps, The Kensa Group.

This marks the biggest investment ever made in ground source tech in Britain. It will allow Kensa to rapidly expand and install 50,000 ground source heat pumps a year by 2030. The move will drive down costs of heat pumps and reduce reliance on polluting gas boilers.

The UK is targeting 600,000 heat pump installations a year by 2028 as part of wider efforts to decarbonise the heating industry and realise its net-zero ambitions. Unlocking investment through deals like this will help rapidly grow the country's heat pump industry, meet net zero targets and deliver jobs. Kensa expects its growth to create more than 7,000 green jobs in the UK by 2030.

By harnessing freely available heat energy in the ground or water, electrically powered ground source heat pumps work like a fridge in reverse. They produce around four units of clean heat for every one unit of electricity they consume, making them much more efficient than gas boilers. They're recognised by the Government as a key solution to tackling heating emissions and weaning the country off gas.

This investment will make heat pumps even more accessible to more properties, including retrofits for social housing, terraced housing, and non-domestic buildings. As part of the deal, finance will be provided to offer house builders, housing associations, and non-domestic customers Kensa's 'Networked Heat Pumps' solution at a lower cost. This effectively creates a new renewable energy asset class – kick-starting growth towards a sector that could exceed £1bn by 2030.

“Legal & General Capital continues to invest in leading energy transition businesses capable of delivering significant economic, social, and environmental benefits for our economy. LGC first partnered with Kensa in April 2020 with the shared aim of scaling up the deployment of ground source heat pumps in the UK through their long-term solution that is highly efficient and reliable. Since our initial investment, they have grown quickly, opening a new factory and delivering some prestigious new-build and retrofit installations across the UK. We are delighted to make our third significant investment in Kensa together with Octopus Energy, recognising the significant role Kensa can play in reducing UK dependence on natural gas through a transition to low-carbon heating.”

John Bromley, Managing Director – Clean Energy, Legal & General Capital

“The heat pump revolution is off to a flying start: it's a tried and tested replacement for gas boilers and can drive down consumers' energy bills for good. Backing Kensa will help rapidly expand Britain's fast-growing ground source heat pump economy. This is a huge milestone for our exciting new energy transition fund, as we invest in ambitious companies rolling out tech to turbocharge the clean energy shift.”

Zoisa North-Bond, CEO of Octopus Energy Generation

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“This is a monumental moment for ground source heat pumps. This investment will help unlock Kensa’s vision of a mass transition to low carbon heating by replacing the gas grid with its 21st-century equivalent - an ambient temperature heat network. Our approach harnesses the power of investment capital funding infrastructure, reduces the strain on our electricity grid and enables a just transition - keeping heating costs low and addressing fuel poverty simultaneously with climate change mitigation. We’re extremely proud to partner with Octopus Energy and Legal & General Capital who show incredible leadership in bringing about our low carbon energy future.”

Dr Matthew Trehella, CEO of The Kensa Group

This latest Kensa deal heralds Octopus Energy Group’s entry into the ground source heat pump market and builds on Octopus’ existing air-source heat pump expertise. Octopus’ R&D centre is leading the way in creating a thriving renewable heating economy, from training, engineering, and installation. Octopus Energy Generation - which manages £6bn of renewable assets and energy transition projects - makes this investment as the first deal from its new £500m Octopus Energy Transition Fund (OETF), which is currently raising capital from investors.

As an energy transition investor, Legal & General Capital (LGC) supports the growth of a ‘new generation’ of energy providers and other early-stage, innovative companies whose work supports the transition to net zero. It does so by working with organisations ranging from start-up and scale-up companies to established clean energy investors and asset managers. Investees—called ‘partners’—are supported both with financial investments and with business expertise and non-executive support to help them scale up jobs, clean technology, renewable energy, and low-carbon infrastructure.

The investment, which is subject to applicable regulatory approval, is expected to complete in the third quarter of 2023.

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Notes to editors

About Legal & General

Established in 1836, Legal & General is one of the UK’s leading financial services groups and a major global investor, with over £1.2 trillion in total assets under management* of which a third is international. We also provide powerful asset origination capabilities. Together, these underpin our leading retirement and protection solutions: we are a leading international player in pension risk transfer, in UK and US life insurance, and in UK workplace pensions and retirement income. Through inclusive capitalism, we aim to build a better society by investing in long-term assets that benefit everyone.

**at 31 Dec 2022*

About Legal & General Capital

Legal & General Capital (LGC) is Legal & General Group’s alternative asset platform, creating assets for Legal & General Retirement and third-party clients in order to achieve improved risk-adjusted returns for our shareholders. LGC has built its capabilities in a range of alternative sectors, including in residential property; specialist commercial real estate; clean energy; alternative credit; and venture capital, which are all supported by long-term structural growth drivers, meet a financing gap and respond to a scarcity of supply that is underpinned by enduring societal needs.

Its purpose is to invest society’s capital for society’s benefit. Investing in the real economy and supporting the Group’s focus on climate and inclusive capitalism, LGC’s investments create jobs, change lives and contribute towards a net zero carbon future.

Legal & General has invested over £29bn in levelling-up regional economies, including through major UK-wide regeneration schemes and has recently made a commitment to enable all its new homes to operate at net zero carbon emissions from 2030.

**at 31 Jun 2021*

Further information

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