



LEGAL & GENERAL SCALE UP COMMITMENT TO CLIMATE CHANGE WITH INVESTMENT IN LOW CARBON HEATING

LGIM Real Assets announces that it has provided debt finance to HeatRHlight, a renewables funding scheme that supports the delivery of air source heat pump technology to the social housing sector, on behalf of institutional clients. This long-term financing will accelerate HeatRHlight's delivery of low carbon heating to Housing Associations across the UK, further demonstrating Legal & General's commitment to its ESG and decarbonisation agenda.

As an investor, house builder and long term owner, Legal & General is taking action to play its part in addressing the challenge of reducing emissions from the built environment. So whilst the UK recovery gets underway, it is crucial that the opportunity to 'build back better' is not lost. The housing sector is a major contributor to carbon emissions, with heating and hot water for UK homes accounting for 25%¹ of total energy use and 15%² of the UK's greenhouse gas emissions. If the UK is to meet its climate targets, the housing sector requires some of the most radical and comprehensive overhauls of any industry.

With this long-term financing in HeatRHlight, alongside Legal & General Capital's corporate investment in ground source heat pump firm Kensa¹, Legal & General has invested in two of the most efficient forms of heating technology using electricity. This presents an immediate opportunity to enable positive change, reducing running costs as well as carbon emissions.

Today, over 23 million homes in Great Britain are using carbon intensive gas as their heating fuel; two million homes electrically heated; and the remaining two million using heating oil or other fossil fuel systems³. In their 'Ten Point Plan', the UK Government set a target to install 600,000 heat pumps every year by 2028, as part of a bid to ensure homes are greener, warmer and more energy efficient⁴. Both air and ground source heat technology will play a vital role in the UK's journey to a 'Green Industrial Revolution'.

Matthew Taylor, Head of Alternative Debt, LGIM Real Assets said: "As the UK navigates its way through the fall out of the coronavirus pandemic, future-proofing our society has never been more important. Legal & General is delighted to have made another investment in the low carbon heating space, an area where we intend to increase our exposure in the coming months.

"As we continue to invest in businesses where we can deliver social and economic good, whilst driving value and offer secure returns, clean energy technology has become an increasingly attractive match for our clients long-term pension commitments."

1(a) On 17 April 2020, Legal & General Capital announced that it had taken a 36% stake in The Kensa Group, one of the UK's largest players in the ground source heat pump technology sector.

1(b) The % of energy can be calculated from data provided in the ECUK release:
<https://www.gov.uk/government/statistics/energy-consumption-in-the-uk>

2 The % of carbon can be calculated from data provided in the UK GHG release here: <https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2018>

3 <https://www.theccc.org.uk/wp-content/uploads/2017/01/Annex-2-Heat-in-UK-Buildings-Today-Committee-on-Climate-Change-October-2016.pdf>

4 <https://www.gov.uk/government/news/pm-outlines-his-ten-point-plan-for-a-green-industrial-revolution-for-250000-jobs>

Bill Hughes, Head of Real Assets, LGIM said: “Climate resilience must be embedded into the heart of investment decision making, which under the challenges presented by Covid-19 resonates strongly with the emphasis on “Building Back Better”.

“As one of the largest managers of real assets in the UK, we have a duty to invest in a more resilient and responsible future. With heating representing such a significant proportion of the UK’s total energy use, investment in the delivery of low carbon heating solutions will play a vital role in how we future proof our society and progress to a net zero carbon future.”

Daniel Gardner, Managing Director of HeatRHlight, said: "We are delighted to have the backing of Legal & General and to be working with such a prominent investor in the social housing sector. Legal & General’s meaningful facility for our renewables funding solution provides capital payments to Registered Providers and Registered Social Landlords, to enable improvements in energy efficiency and a reduction in fuel poverty. Partnering with Legal & General significantly assists our mission to become a leading energy efficiency finance provider to the social housing sector.”

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 international businesses in the US, Europe, Middle East and Asia. With over £1.1 trillion in total assets under management, we are the UK’s largest investment manager for corporate pension schemes and a UK market leader in pension risk transfer, life insurance, workplace pensions and retirement income.

LGIM Real Assets

LGIM Real Assets is a division of Legal & General Investment Management (LGIM), one of Europe’s largest institutional asset managers and a major global investor. LGIM manages £1.24tn in assets (as at 30 June 2020), working with a range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors. LGIM Real Assets has AUM of £35.9bn (as 30 June 2020) and is one of the largest private markets investment managers in the UK.

Investing in both debt and equity and across the risk/return spectrum, LGIM Real Assets actively invests in and manages assets across commercial, operational and residential property sectors, as well as infrastructure, real estate, corporate and alternative debt. Taking a long term view in order to future proof our investments, LGIM Real Assets continues to lead the industry in ESG performance, considering all environmental, social and governance issues at asset level as well as portfolio level. During 2020, we are developing a strategy as part of our commitment to net zero carbon emissions across the real estate equity business by 2050, and have also committed to measuring social value across 20% of our platform by the end of the year.

Heat RHlight Limited

HeatRHlight, registered with OFGEM, is a specialist finance provider that provides innovative funding solutions for the social housing sector. The renewables funding scheme, backed by Legal & General, promotes the installation of low carbon heating: a Registered Provider of social housing assigns the Domestic Renewable Heat Incentive ‘RHI’ to HeatRHlight in exchange for a capital payment. Visit www.heatrhlight.com.

The Domestic Renewable Heat Incentive

The Domestic Renewable Heat Incentive (Domestic RHI) is a government financial incentive to promote the use of renewable heat. Switching to heating systems that use eligible energy sources can help the UK reduce its carbon emissions and meet its renewable energy targets.

Further information

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