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## Climate Change Capital plans China deals

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By Leonora Walet

HONG KONG (Reuters) - London-based alternative investment manager Climate Change Capital plans to invest 5 billion yuan (\$732 million) in environmental projects in China including industrial waste management and clean technology over the next two to three years.

The firm, which has not yet put its capital to work in China, is also looking to expand its investment in the world's fourth-largest economy by setting up a yuan-denominated fund in the next two to three years.

Ka Keung Chan, managing director and head of China investments for the fund, said the financial crisis offers great opportunity for Climate Change Capital to boost its presence in the mainland as assets are cheaper and company owners have a harder time securing capital.

"There are a lot of cheap assets lying out there. If you see the right company, this is the best time to negotiate," said Chan, who joined the firm in February after serving as managing director for renewable energy at Hong Kong electric utility CLP Holdings.

Climate Change Capital, which manages \$1.6 billion globally, is in talks with 16 Chinese companies engaged in various green-related initiatives, Chan told Reuters in an interview.

China's surging economic growth in recent years has come at the expense of severe environmental damage, ranging from industrial waste and shortages of drinking water to heavily polluted air in cities.

By one estimate, China may need about 1 trillion yuan to rehabilitate its water resources over a five-year period through 2010.

Beijing, however, has been increasing its investment in improving the country's environment, and China has spawned a wave of entrepreneurs developing new green technologies.

Of the 5 billion yuan the company is investing in China, half will be sourced overseas and half will come from local partners, Chan said.

Chan declined to identify target companies, but said that they are key local players in China's environment sector and are engaged in industrial waste water management, renewable energy projects, clean coal technology and energy efficiency projects, such as turning waste heat to energy.

He also said Climate Change Capital may eventually set up a local-currency denominated fund in China to enable the firm to be more opportunistic in sourcing deals.

"The fund should give us lots of flexibility to chase deals," he said.

(Editing by Kim Coghill)

(US\$=6.8265 yuan)

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