

# Pottinger

PERSPECTIVES

E is for Everything





After thirty years, it’s happened: my parents have sold our family farm.

They bought the farm when I was eight years old and since then it has been the stuff of dreams. The place where I learnt to ride a horse – and a little yellow motorbike – and where I helped to mark lambs in the springtime. The place where we planted trees on family holidays and where other families joined us for even bigger family holidays for board games and dinner parties and...to help us plant more trees! The place where I put on musical productions in the living room with children from other families who were staying with us (and charged \$1 for admission).



Our farm has been the real estate constant in our family throughout my childhood, angsty teenage years, into adulthood and, in the last few years, parenthood. It is – at its core – a captivating space and place. Set on just over a thousand acres nestled between two lakes, it’s a spot of agricultural and environmental beauty. We’ve grown oats, triticale and other crops and produced various breeds of cattle. Just as importantly, the farm is built for entertaining and bringing groups of people together. Somehow, we managed to squeeze nearly 300 people into the garden for the 21st birthday party I shared with my older sister, Elizabeth, and younger brother, Will. I still find the odd bottle cap in the garden from time to time, nearly 20 years later.

As I look back nostalgically on the last thirty years, the idea that this part of my past will not be part of my future gives me great hope and inspiration for decades ahead. Not just where I will spend time with family and

friends, but also as a metaphor about where the world is heading.

When I sat down with Nigel Lake in New York during Climate Week in 2022, we both held a blank piece of paper onto which we wanted to capture the essence of what mattered to Pottinger as we shaped the future of our organisation. Amongst the noise and chaos of everything that was happening, we focused on three Es – Energy, the Environment and Equity.

**Energy**

The farm is about 30km south of Goulburn in NSW, which those familiar with the area will know to be notoriously cold in winter. Conversely, I vividly remember sweltering summers and the sun beating down across the paddocks without reprieve. When you walk from one side of the farm to the other, it’s possible to traverse all four seasons in one stroll. Wind, rain and sun... but gratefully

not too much fire (despite the perils of raging bushfires from time to time). These climactic conditions have rightly pointed some in the area towards renewable energy generation. And this is now, of course, big business in Australia and globally.

Whether you are concerned about global heating, or are more interested in economics, it is impossible to escape the seismic shift in energy generation that we are seeing around the world. The cost of energy is of fundamental importance to many industries, and eliminating carbon emissions associated with energy generation is the single most important lever to address climate change, for more, see [www.earth4all.life](http://www.earth4all.life).

Australia was one of the first countries to see widespread adoption of both behind-the-meter installations and utility scale solar energy and, as at the end of 2021, led the world as measured by watts per capita (see figure 1).

Though early investment in solar energy was encouraged by government incentives, these were wound back quite quickly – the massive increase in investment over the last decade has been driven by attractive economics (see figure 2). As Nigel highlighted to the Long-term Infrastructure Investors Association annual meeting in Germany in 2016, one critical driver is that renewable energy generation assets generate precisely the type of long-term returns sought out by infrastructure investors. As a result, the industry has attracted large amounts of capital with relatively modest return expectations.

Figure 1: global solar PV penetration – watts per capita

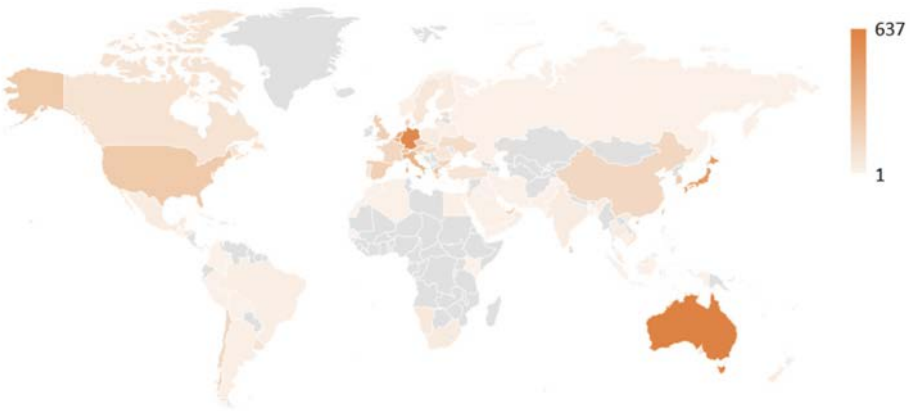


Figure 2: total solar energy capacity installed in Australia

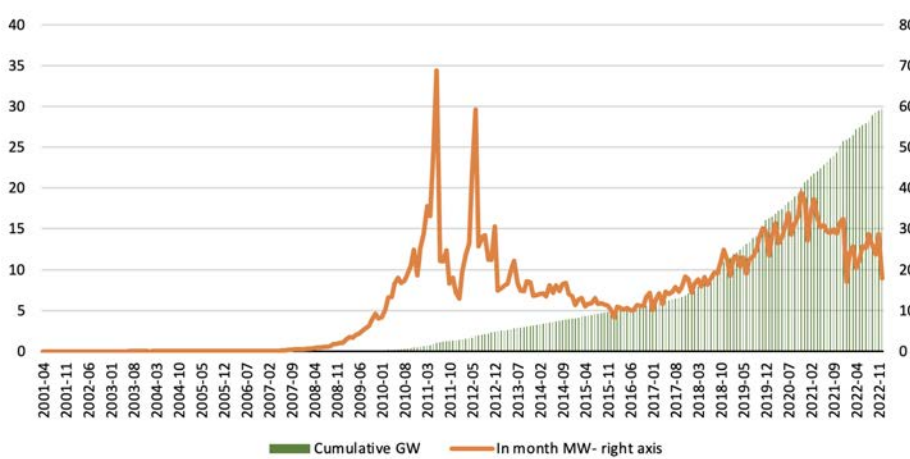
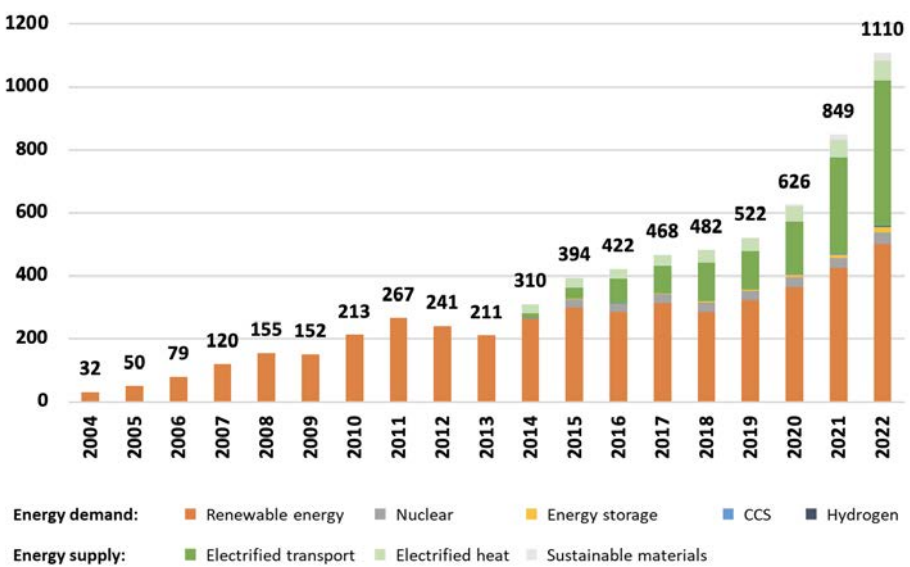


Figure 3: global energy transition investment (US\$bn) by sector



Source: [BloombergNEF: Energy Transition Investment Trends, January 2023](https://www.bloombergnef.com/en/energy-transition-investment-trends)



Figure 4:  
EU carbon price over time and Australia (green) and New Zealand (yellow) in 2023



Source: <https://tradingeconomics.com/commodity/carbon>  
Spot prices for Australia (\$38.50) and New Zealand (\$67.00) have been sourced from publicly available market data

Figure 5: Australian Threatened Species Strategy Action Plan (2021-2026)



Source: <https://www.agriculture.gov.au/sites/default/files/documents/threatened-species-strategy-action-plan-2021-2026.pdf>



Another attraction is energy independence, as has become painfully clear in a number of economies over the last year as the disruption caused by Russia's attempted invasion of Ukraine has impacted energy prices globally. Globally, investment in the decarbonisation of energy production exceeded US\$1 trillion for the first time in 2022 (see figure 3) – Bloomberg NEF put the figure at US\$1.2 trillion (over A\$1.7 trillion). Looking ahead, more and more governments are providing fiscal incentives to accelerate the energy transition (see figure 4), motivated both by the need to take action on climate change and by the recognition that renewable energy also offers very low marginal costs of energy, a critical differentiator for many industries.

Pottinger's focus on renewable energy began around fifteen years ago, and since then we have built deep technical and commercial expertise across almost every form of renewable energy generation and associated technologies. Over the last five years, our team has advised clients on project financing and M&A activity relating to over 5GW of renewable energy generation projects, and a similar amount of battery storage. We also ran the Series A cap raise for LEILAC, the leading solution for decarbonisation of lime and cement production (almost 8% of global emissions), and we are advising a range of other companies with similarly important

new technologies. We also continue to contribute answers to the burning question of how best to finance these investments globally, including our recent paper [Planetary turnaround](#): an investment banker's perspective on climate change action. Looking ahead, our involvement in the sector will continue to accelerate as businesses, governments and investors races towards their 2030 decarbonization commitments.

Environment

The cycles of drought and (in very recent times in particular) unstoppable rain are always felt so tangibly at the farm. Long-away from the concrete jungle of my usual home in Sydney, Australia, it's a multi-sensory experience to witness the cycles of land happiness, health and heartache as the years have rolled by. With these weather- and climate-based events have come man-made interventions to help the farm thrive. 'Pasture improvement' has been a phrase I have heard my dad utter with determined regularity over the years: what are the ways we can make the land the best version of itself?

We have planted about 20,000 trees since acquiring the property in 1992, with the bulk of these being seedlings planted into tree-lines which serve to punctuate paddock boundaries and create natural canopy for stock. Closer to the homestead, a dazzling array of local and international varietals made

for educational garden walks led by dad. And then there are the animals – those which come and go as the herd increases and decreases in size and those who have decided on their own accord to call the property their own – the roos, wombats, foxes, rabbits and a host of other fauna – even the snakes... You can't help but feel the vibrant living habitat. Of all the animals, it's the ones for whom there is a straight line between the commercial side of the farm as a cattle stud and the local and domestic food industries that it supports where the action will be most interesting in the next thirty years.

For the past 15 years, the farm has run as a commercial cattle stud, running a mixture of Limousin and Angus cattle. Before that, we ran a productive sheep farming operation, albeit in both cases modest in scale in relative terms. Over the full thirty-year period, we've experimented with ways to improve resilience and efficiency in our farming operations. This has largely boiled down to the quality of the land and unwavering access to water – the farm is blessed by the natural endowment of a highly effective bore water system.

Over the last year, governments, businesses and investors have become increasingly aware of the severity and immediacy of the ecological threats to our day-to-day lives. The absence of squashed bugs on your windscreen is great as a driver,

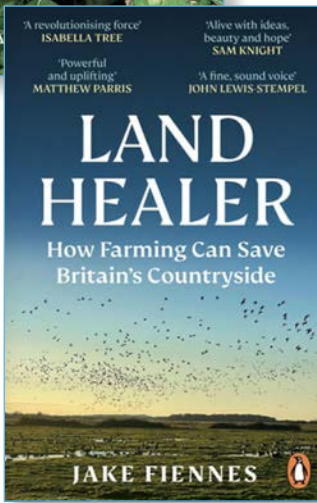
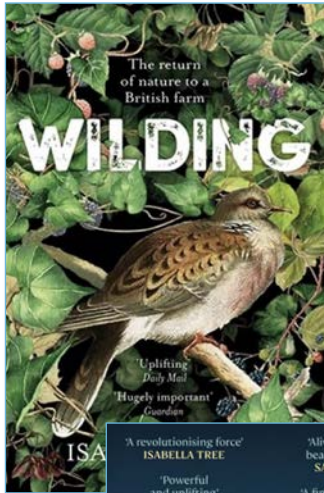
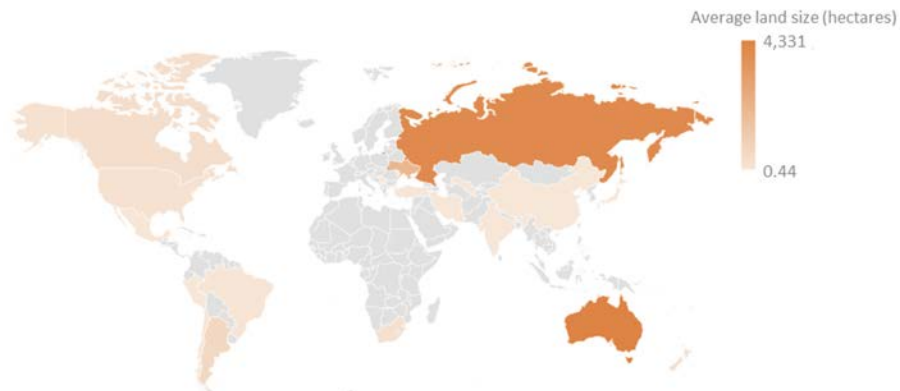




Figure 7: Examples of animal-free food companies

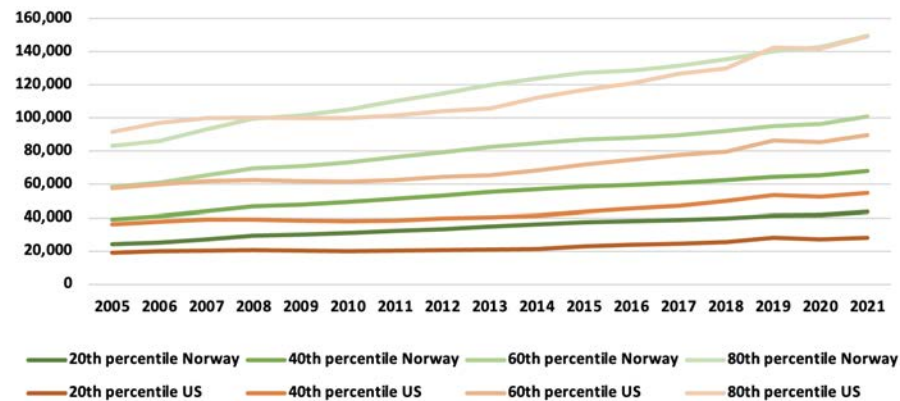


Figure 6: Average farm size across top 20 agricultural producing nations



Source: Multiple sources used for different countries including USDA, ABS, Our World In

Figure 8: USA and Norway household income (US\$ - 20th, 40th, 60th, and 80th percentile)



but terrible for crop pollination. Species loss and biodiversity collapse is everywhere (see figure 5).

In 2021, most people in the commercial world were fully aware of the significance of COP 26 in Glasgow. In 2022, for the first time rather more attention was paid to ‘the other COP’ on biodiversity, held in Montreal.

The practical implication is that we need to rethink our entire food supply chains at a world scale. This means adoption of regenerative agricultural practices – ie a system of farming principles and practices that, as defined by Climate Reality Project, seeks to rehabilitate and enhance the entire ecosystem of the farm by placing a heavy premium on soil health with attention also paid to water management, fertilizer use, and more. This thus includes eliminating the use of chemicals as far as possible, and taking proactive steps to accelerate the recovery of biodiversity.

The good news is that there is already extensive experience of how this can be implemented in practice in a commercially viable manner. In the UK, large landholders including the Cholmondeley Estate, the Duchy of Cornwall and the Holkham Estate were early adopters of organic farming and regenerative practices, and others such as Knepp Estate have demonstrated the power of rewilding.

Importantly, with the right approach, farms

can significantly increase the carbon content of their soils, which leads to enhanced crop yields and – with the right measurement and accreditation – the ability to collect meaningful additional revenues for soil carbon capture.

The bad news is that agricultural supply chains are incredibly complex, and in most countries, the typical farm is very small (see figure 6).

Lastly, revolutionising our food supply chains isn’t just about farming. More and more consumers are adopting flexitarian or vegan diets, whether for ethical, environmental or health reasons. Unsurprisingly, the investment in animal-free foods has accelerated dramatically, and encompasses everything from the plain old beef-burger to shellfish, cheese, eggs and honey (see figure 7)!

Watch these spaces – regenerative agriculture and animal-free foods are two of the most important areas for innovation globally, and not just in our food systems, and will thus become an increasingly large target for flows of institutional capital over the next 20 years, thus becoming a significant focus for Pottinger as the 2020s unfold.

Equity

When I look at the beautiful photos of the farm that surround this article, I’m of course mindful that wherever you live in the world,

it’s an extraordinary privilege to spend time at such a place, let alone be part of a family who owns the place. Which brings us to the third E – equity.

Whether you think about this in terms of your own local community or at a global level, it is hard to deny that the gap between those who are doing well and those who are not has grown wider year by year. Part of this is simple maths – as more and more of our economy is automated, more and more of the value created accrues to those who own the machines. Nations can, if they wish, apply policy levers to control how these ‘productivity gains’ are shared between shareholders and workers. At one extreme, in the USA more or less all the benefits of productivity have been taken by shareholders since 1970. At the other, countries like Norway have ensured roughly half the benefits are shared with workers (see figure 8).

Whichever approach you happen to support, consider for a moment the most profound finding from the Earth4All research programme which we’ve supported since 2020. This shows very clearly that the result of environmental degradation and increasing polarisation of wealth is a rapid increase in social tension. In short, many people in western nations have seen their quality of life begin to decline over the last ten to twenty years, and they are not happy about

it. Looking back at history, high polarisation of wealth has led to dramatic revolutionary change in country after country, with all the risks that that implies.

Pottinger thinks about equity in many ways – the Earth4All work draws out three broad areas of particular importance. From a global perspective, the most important is poverty. “... the billion richest individuals account for 72% of the consumption of overall global resources, whilst the poorest 1.2 billion consume only 1%.”

Thus, a tiny reallocation of resources from the billion richest could double or triple the resources available to the poorest in the world. Meanwhile, whilst you may think that the rich world provides financial aid to developing countries, if you check the ledger you’ll see that low-income countries make a net contribution of US\$2 trillion dollars to the rich.

This illustrates the deeper challenge: how can we support the economic and social development of low-income nations in a manner that is not economically extractive. This is a slippery problem and an important area of focus for our pro bono activities – for more on this, see [Fadhel Kaboub - \\$2 Trillion Moves from Poorest to Richest Countries Annual - June 2022](#).

The second priority is to address inequality, through measures that ensure both economic and social inclusion. At the





John, Will and Elizabeth Sheehy

simplest level, this means access to well-paid jobs, affordable housing, quality food, decent education, readily accessible healthcare and dignified care in old age, as we outlined in our 2018 paper *The Future of Society*.

At a deeper level, the measures that are needed are deeply entwined with the revolutionary changes that are under way in our energy and food systems – eg we must make sure that the benefits of low cost renewable energy are distributed widely throughout society. Over the years, we have learned that the more closely you engage with these issues, the more you will come to appreciate how many forces are at work that inhibit these shifts.

The third priority is diversity, and in particular the empowerment of women. Beyond obvious reasons for this (ordinary human decency, and making the most of our available workforce), there are other important considerations too. The challenges we face within countries and across our society are increasingly complex and intertwined. They cannot be addressed by linear problem-solving that looks to tackle issues one by one. A whole-of-system view is needed, so that we can develop and implement nuanced solutions that catalyse effective and equitable progress for all.

This third E of 'equity' has a particular

beauty that extends beyond the priorities outlined above: the world's literal proximity to the world of finance.

A significant part of our strategic and public policy work over the last decade has addressed aspects of national financial systems that ultimately have a significant impact on energy, the environment and equity. We have analysed in detail everything from risk mitigation via national insurance and reinsurance initiatives, products and structures which enable greater access to home ownership, the ability for small businesses to borrow money on appropriate terms, the power of ethical investment by citizens, companies and superannuation businesses and even the in- and outbound investment activity of Australia across the economy. We are fortunate to have advised a range of public and private sector clients on these themes, as well various industry associations and peak bodies including the Australian Banking Association and the Business Council of Australia.

Beyond democratising access to finance, for Pottinger equity is also about access to care and education. We've been working with a range of clients in the education and care sectors, covering everything from early childhood education in- and outside the context of centre-based care, school age

education, vocational training for adults, and access to care for some of the most vulnerable people in society – children and young people who fall outside the policy focus of family or 'kinship' care and the foster system.

These are big themes – and discussion about them has ricocheted around the walls of the farm's homestead, as my parents (a doctor and a nurse) and siblings (a teacher and a social worker) live and work on the forefront of the care-based economy. Equity needs finance, and finance must be delivered with equity.

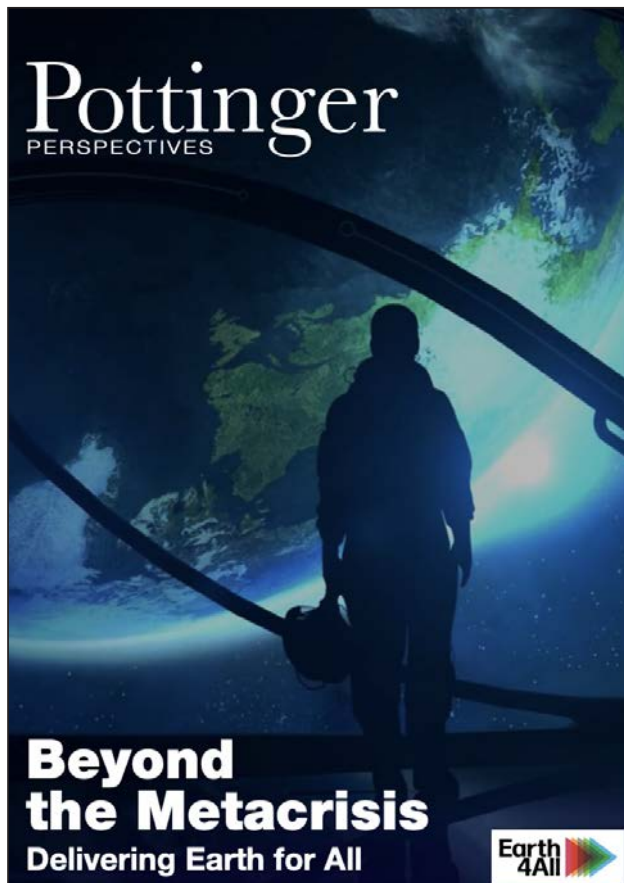
I had no idea how long my parents would own the farm when they purchased it thirty years ago, though I am confident they could see the property forming an integral part of our lives. To the many people who have helped design, plant, build, re-build, grow, populate and party at the place over the past thirty years – thank you. Creating memories is a team sport.

And so is sustainability. **P**

***John Sheehy** has been CEO of Pottinger since 2017. He is grateful for the input of **Nigel Lake**, Pottinger's co-founder and Executive Chair, on this Pottinger Perspective.*



# Latest issue from Pottinger Perspectives:



## Beyond the Metacrisis: Delivering Earth for All

"Millions of people around the world are suffering deeply as a result of climate chaos, environmental degradation and perverse inequality. For way too long, the multilateral system and civil society have defined and described those multiple crises as separate, each with their own unique set of solutions, often in competition with each other. In fact, they are different aspects of what we might understand as the metacrisis.

Earth for All shows how we address these crises together, and that's what makes it such critical reading. There is a path of possibility, infused with stubborn, urgent optimism." Christiana Figueres

Almost every month for the last two years, I've leapt out of bed in the small hours of the morning and been deep in concentration at my desk by 4am. Those that know me will appreciate that this is entirely unprecedented. At last, I can share why.

By Cassandra Kelly and Nigel Lake

[https://www.pottinger.com/uploads/1/9/5/1/19512909/pottinger\\_-\\_beyond\\_the\\_metacrisis\\_4.pdf](https://www.pottinger.com/uploads/1/9/5/1/19512909/pottinger_-_beyond_the_metacrisis_4.pdf)

## About Pottinger

Pottinger is a global advisory firm headquartered in Sydney and New York. We combine strategic, commercial, financial and transaction perspectives, and focus first on long term outcomes, to deliver commercial advice that is practical and complete. We navigate the uncertainty inherent in commercial decisions, helping our clients to identify value overlooked by others, and to avoid risks which others may not see.

Pottinger helps organisations to adapt, innovate and transform, by providing insight and advice on strategy and public policy matters, as well as the negotiation and execution of M&A and financing transactions. Our combination of strategic thinking, M&A advice and financing capabilities allow us to find innovative solutions to the challenges arising in industries facing dynamic change and disruption.

Our team has exceptionally broad and deep strategic advisory and transaction execution experience, encompassing all of the world's top thirty countries. Examples include:

- Advice on market entry, strategic repositioning, identification of new growth opportunities, spin-outs and other forms of restructuring and advice on strategic investments, using our proprietary Destination-led Strategy® methodology, together with analogous advice to governments on public policy;
- Advice in relation to large and small-scale acquisitions, divestments and takeover responses for both publicly listed and private companies;
- Capital optimisation and financing advice for large enterprises, together with advice on commercialisation planning, capital strategy and capital raising for emerging companies;
- Specialist input in relation to the design, formation, restructuring, sale and dissolution of large scale joint ventures and partnerships; and
- Identification and quantification of risk, by applying advanced statistical techniques to relevant data pools, thus simplifying decisions impacted by significant uncertainty.

Pottinger is 100% independent, owned by its employees and operates a completely conflict-free business model.



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