



## State of New Jersey

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July 17, 2020

MEMORANDUM TO: The State Investment Council

FROM: Corey Amon  
Director

SUBJECT: **Proposed Investment in Stonepeak Global Renewables Fund LP**

The Division of Investment (the “Division”) is proposing an investment of up to \$100 million in Stonepeak Global Renewables Fund LP (the “Fund”). This memorandum is presented to the State Investment Council (the “Council”) pursuant to N.J.A.C. 17:16-69.9.

The Division is recommending this investment based on the following factors:

**Experienced management team built on an existing manager relationship:** Stonepeak Partners LP (the “Firm”) has sponsored four diversified infrastructure funds since its founding in 2011. The Division committed \$125 million to Stonepeak Infrastructure Fund III LP in 2017. Prior to initiating a dedicated renewable energy fund, the Firm built a senior management team comprised of principals with 20 years of infrastructure experience on a global scale, including renewable power infrastructure.

**Pure-play renewable energy focus with a targeted investment strategy and seed assets:** The Firm’s renewable energy team is dedicated to executing renewable energy investments and focused on originating assets that can be led from late-stage development/construction through operational phases to maximize value. The team has already sourced two seed assets and platforms: a commercial and industrial (C&I) solar investment platform in the US and offshore wind assets in Taiwan.

**Compelling market opportunity:** Renewable energy production is competitive with conventional power production. The demand for renewable energy is supported by both increasing overall demand for power and by the transition from conventional to renewable power generation. Governments across the Fund’s target markets have instituted mandates/policies to transition from conventional power generation to renewable energy.

**Downside protection:** The Firm’s investment philosophy is focused heavily on downside protection and preservation of invested capital. The Fund will focus on investments that rely on contracted cash flows and avoid merchant cash flows reliant on market prices. Development projects will be late-stage in order to de-risk regulatory approval and construction cost exposure.

A report of the Investment Policy Committee (“IPC”) summarizing the details of the proposed investment is attached.

Division Staff and its consultant, Aksia TorreyCove, undertook extensive due diligence on the proposed investment in accordance with the Division’s Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that the Fund has engaged a third-party solicitor (“placement agent”) in the fundraising of the Fund, but no placement agent was engaged or paid in connection with the Pension Fund’s potential investment.

The Firm incorporates ESG considerations into its investment selection, underwriting, management, and reporting activities. The Firm believes worker safety and environmentally sensitive operations are critically important for large-scale construction projects. The Firm has a formal ESG Policy as well as a Responsible Contractor Policy. The Firm’s ESG Officer participates on all Investment Committee meetings and sits on the firm-wide Operations Committee. The Firm uses its hands-on board positions at portfolio companies to monitor and assist with the development and execution of ESG-related policies and procedures. The Firm continues to refine and enhance its ESG program.

Staff will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. A preliminary Disclosure Report of Political Contributions has been obtained in accordance with the Council’s regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. An updated Disclosure Report will be obtained at the time of closing.

Note that the investment is authorized pursuant to Articles 69 and 71 of the Council’s regulations. Stonepeak Global Renewables Fund LP is considered a real asset investment, as defined under N.J.A.C. 17:16-71.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the Committee was held on July 17, 2020. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council’s July 22, 2020 meeting.

Attachment

**Fund Name: Stonepeak Global Renewables Fund LP (the "Fund")** **July 17, 2020**

**Contact Info:** Michael Dorrell, 55 Hudson Yards, 550 West 34th Street, 48th Floor, New York, NY 10001

<b>Fund Details:</b>		<b>Key Investment Professionals:</b> <b>Michael Dorrell</b> – (Co-Founder, Chairman and CEO) Prior to co-founding Stonepeak in 2011, Mr. Dorrell worked as a Senior Managing Director in Private Equity and co-head of the infrastructure investment group at The Blackstone Group L.P. (“Blackstone”). Prior to Blackstone, Mr. Dorrell worked for over a decade at Macquarie Group (“Macquarie”), where he started his career and ultimately held the title of Senior Managing Director. He relocated to New York in 2000 and helped build Macquarie’s North America infrastructure platform. Mr. Dorrell has been involved in all phases of the Firm’s development since its founding. <b>Trent Vichie</b> – (Co-Founder, Executive Vice Chairman) Prior to co-founding Stonepeak Partners LP (“Stonepeak” and together with its affiliates (but excluding portfolio companies) the “Firm”), Mr. Vichie formerly worked as a Senior Managing Director in Private Equity and co-head of the infrastructure investment group at Blackstone. Prior to Blackstone, Mr. Vichie was a Managing Director with Macquarie in New York. Mr. Vichie joined Macquarie’s infrastructure division in 1999 based out of Sydney and transferred to the New York office in 2000 where he helped build and grow one of the leading infrastructure platforms in North America. <b>Hajir Naghdy</b> - (Senior Managing Director) Joined Stonepeak in 2018 after a successful career at Macquarie Capital, where he was a Senior Managing Director and Head of Asia and the Middle East. While at Macquarie, Mr. Naghdy led the team executing the development and investment in Taiwan’s first and second offshore wind farms with generation capacity of 128-MW, and 376-MW respectively. He was also involved in the acquisition of the Tokyo-based subsidiary of a UK-headquartered company involved in the development of wind projects. Mr. Naghdy, who is based in Hong Kong, is responsible for the day-to-day activities of the Fund and the Asia investment team. <b>Michael Allison</b> - (Senior Managing Director) Mr. Allison leads the investment team in New York and leverages the existing power and renewables investment professionals based in New York. Prior to joining Stonepeak in 2016, Mr. Allison was a Senior Managing Director and Head of Renewable Energy and Infrastructure Development at Macquarie Capital North America, having joined Macquarie from Bankers Trust Australia. Since joining the Firm, he has led the power and renewables efforts in North America. Most recently he has been involved in the investment of a 521-MW operating wind project, the development of 300-MW solar farm, and the investment in a 100-MW solar project.
Total Firm Assets <sup>1</sup> (\$bil.):	\$25.2 billion	
Strategy:	Infrastructure	
Year Founded:	2011	
Headquarters:	New York	
GP Commitment:	\$50,000,000	

**Investment Summary**

The Fund will pursue renewable energy assets in developed markets globally, primarily in developed economies in North America and Asia. Europe and Australia will be a secondary focus as those markets already have highly developed renewable energy sectors. The Fund will deploy capital in countries with an established rule of law, deep liquid capital markets, stable currency outlooks, and strong regulatory regimes that support renewable energy. Target Assets are anticipated to be: (1) mature assets with stable revenue streams backed by long-term contracts with creditworthy counterparties, and (2) de-risked build-to-core projects that have achieved significant development milestones and are in the process of being constructed. The Fund will aim to invest in projects the Late-Stage Development phase where they can harness their expertise across their platform. Target sectors comprise solar, wind (off-shore and on-shore), hydroelectric, and energy storage.

**Existing and Prior Funds**

Funds	Vintage Year	Strategy	Returns as of 03/31/2020
Infrastructure Fund I	2013	Infrastructure	11.4% Net IRR; 1.5x Net MOIC
Infrastructure Fund II	2016	Infrastructure	12.1% Net IRR; 1.2x Net MOIC
Infrastructure Fund III	2017	Infrastructure	16.7% Net IRR; 1.1x Net MOIC

Source of Returns - Aksia TorreyCove

IRR = Internal Rate of Return; MOIC = Multiple on Invested Capital

**Vehicle Information:**

Inception:	2020	Auditor:	E&Y
Fund Size:	\$1.25 billion; \$2 billion (expected hard cap)	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	1% of capital commitments during investment period; thereafter, 1% of net asset value		
Carry:	10%		
Hurdle Rate:	6%		
Additional Expenses:	100% management fee offset		

**NJ AIP Program**

Recommended Allocation (\$mil.):	up to \$100 million	LP Advisory Board Membership:	YES
% of Fund:	8.0% (5.7% expected hard cap)	Consultant Recommendation:	YES
		Placement Agent:	NO
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	YES

<sup>1</sup>Stonepeak’s assets under management (“AUM”) calculation provided herein is determined by taking into account (i) unfunded capital commitments of Stonepeak Infrastructure Fund LP (“Infrastructure Fund I”), Stonepeak Infrastructure Fund II LP (“Infrastructure Fund II”), Stonepeak Infrastructure Fund III LP (“Infrastructure Fund III”) and together with Infrastructure Fund I and Infrastructure Fund II, the “Infrastructure Funds”), the Fund, and Stonepeak Infrastructure Credit Fund I LP, (ii) the gross asset value of such funds and co-invest vehicles, plus any feeder fund level cash with respect to such funds and co-invest vehicles as of March 31, 2020, (iii) accepted capital commitments of Stonepeak Infrastructure Fund IV as of June 16, 2020, and (iv) capital commitments of the Fund accepted between March 31, 2020 and June 30, 2020. The AUM figure differs from the amount of assets under management reported for regulatory purposes and is based on gross asset values that are estimated and unaudited.

\*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.