

Scaling Real Solutions: A Conversation with Reed's Julien Touati

How can investors accelerate the transition by scaling real, existing solutions: not just betting on future technologies? Blunomy's co-founder Vincent KIENTZ (VK) recently caught up with Julien Touati (JT), CEO of Reed - Societe Generale Group, to talk about how the convergence of technology and infrastructure is reshaping investment, the importance of measurable impact, and how quantifying that impact can be a powerful advantage.

VK: Well, Julien, happy to be here. It's a pleasure to talk a bit more about Reed and what you do – what we do together. What are, viewed from your perspective, the main challenges that you see on energy, climate and environmental transition?

JT: I think there is one big word for the energy transition, which is scaling. Basically addressing the situation where you have many investments that have to be made using new technologies, new business models. And it's a lot to deal with for financial investors, in particular when the underlying assets are scattered, new, and long dated. So you have to take a long term view on assets which didn't exist, let's say 20 years ago. That's what we are trying to do at Reed: basically, be an instrument to bundle all these small assets, gather expertise, make sure we make the right technological choices to make these investments bankable.

There is another element, which is convergence between tech and infrastructure. We think the infrastructure that is to be developed, built, maintained in the years to come has to fully integrate the technological dimension. And if you simply do as if this is not a risk, you basically miss the opportunity to not only capture the value that will be created by this new technology but to mitigate the risk that come with your investments. So that's what we are trying to do, and we say that if you want to deliver these scattered assets in a profitable way, to scale them without overspending, you need expertise, you need people basically, so you need to invest in corporate entities alongside investing in the assets.

VK: Talking with the markets, there's a question from infrastructure investors, which is what's the new definition of infra? And one of the key components of that question is, can we consider contracts like energy efficiency contracts, 10-year offtakes, and so on as a guarantee that qualifies for infrastructure kind of investments?

JT: I think the premise of infrastructure investment is downside protection. That's really what we are supposed to deliver as infrastructure investors, this resiliency across economic cycles: predictability of revenues. And it's a bit of an oxymoron when you compare it to what we are trying to do, which is this change in the energy system that is unprecedented. It's our job to demonstrate as asset owners – people managing the savings of the population – that we can do it in a very, I would say, cautious way and still be able to finance what the economy needs.

So in a way our role is to “trier le bon grain de l'ivraie” [separate the wheat from the chaff], which is much easier after, [in hindsight] – but we bring some tools, we use for instance a very systematic infrastructure qualification assessment where we have six criteria that have to be met. And the question is not only what it is today, it's with some hard work how can you transform the situation which may not be infra at all into something investable from an infrastructure investment perspective.

VK: One thing that characterizes you is that you want to go deeper than what the usual market players do on ESG. And you want to prove impact, which is something that is extremely important for us as well.

JT: Yes, the methodology that we have built with your support is a very good illustration. I'm pretty sure many investors today are looking for differentiation in relation with ESG impact. It's a very crowded place. I'm very convinced that there is nowadays a sort of fatigue in relation to the myriad of indicators, assessments, tick-the-box exercises that investors are going through.

We are investors. We invest euros, we are supposed to get euros from these euros that we have invested, hopefully more. So this concept of social return on investment – a return for society of the investments we are making – was particularly palatable to us because eventually you translate into euros. You aggregate everything and you can say, okay, for each euro I invest, I will create this value for society.

When we went to [the recycling company] Loop and we showed them that for every kilogram of plastics they were recycling they were saving basically 2 euros, if not 3 euros, of value for society. For them it has a lot of value because to be viable their solution requires a premium [for recycled plastic] over virgin PET, virgin plastics. The [social] value is bigger than the premium, much bigger. It becomes a big advantage in their commercial negotiations.

VK: So maybe as a conclusion, both Reed and Blunomy try to focus on the right solutions. You can bring capital, operating partners, financial structuring, and an ability to back these companies in the long term, and we can of course bring expertise, help them grow, and help them prove their impact.

JT: That's a very good summary. Our job is to take what exists today, to try to improve it a little bit by mobilizing expertise and then deploy these solutions.

This interview transcript has been edited for length.