

CASE STUDY:

Investing to Mitigate Environmental Impact

A conversation with Elliott Bouillion
of RES and Robert Antablin of KKR

With commentary by Dan Mistler of EY



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Founded in Louisiana, Resource Environmental Solutions (RES) is dedicated to offsetting the environmental impacts that usually occur in large-scale infrastructure and commercial developmental projects such as roads, rail, pipelines, and manufacturing and power plants.

RES acts as a steward for sustainable development. The company has planted 11 million trees; it preserves and conserves habitats and restores streams and wetlands, among other ecological solutions. RES helps to streamline the permitting process, saving developers time and money by tapping a highly credible ecological team.

The company found an eager partner in KKR, which has several companies in its portfolio dedicated to providing solutions to ESG-related challenges and where consideration of these issues is core to its business plan.

At Privcap's Private Equity ESG Summit, KKR's Elizabeth Seeger sat down with Elliott Bouillion, CEO and President of RES, and KKR's Robert Antablin, who leads energy investment for the firm, for a conversation about the trends that are fueling RES's growth.

Elizabeth Seeger, KKR: Before KKR had the opportunity to invest in RES, what was the firm's view on the ecological services opportunity?

Robert Antablin, KKR: We are focused on ESG issues when we make investments. The energy sector, obviously, deploys large assets on sites, which have an impact. And so we spend a lot of time thinking about different ways in which

we can deliver better environmental performance. Ecological services are basically premised on facilitating economic development in a responsible way.

Anytime development happens in protected ecosystems, permits and mitigation strategies are required, and they need to be approved by the relevant regulatory bodies.

Roughly half of the demand in this market relates to mitigation that is required to facilitate new or [replacement] road and highway construction in the United States. And so there's a very, very robust demand outlook.

Seeger: Elliott, why did you think private equity would be a good partner to help your business grow?

Elliott Bouillion, RES: We were looking for a way to scale up our company for the future. We had spent almost eight years proving out our business model, and understanding how to manage and grow with new solutions and new geographies. To scale it up nationwide or serve our clients globally, we really had to reach out and find a partner. We spent about three years getting prepared to attract someone that could help us grow globally. Through an extensive process, we found that partner in KKR. We've leveraged KKR Capstone [consulting] resources for insights, guidance, and best practices. It's not all about capital—it's about people who can understand your business, people who help your business.

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The Business Case for ESG



Dan Mistler
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Mistler explains why businesses are now proactively building ESG strategies

“There is a sense in the business community that now ESG is evolving quickly into a hot issue. On the practitioner level, the ability to draw a business case for ESG is going to continue to get better.

“There are value-creation opportunities, and there are better stakeholder relations around having an ESG policy—looking at impacts and disclosing or reporting what they mean to your stakeholders. In the past, a lot of businesses did this on their back foot, because they were responding to stakeholder pressure. Now businesses are interested in ESG more, because they see that there can be a risk-management or value-creation opportunity.

“The identity of ESG is changing from something that felt fluffy before to something that businesses can really make money with. And that’s about the ability to draw a business case between interventions and business outcomes.

“One of the things that is needed is a bit more standardization, particularly with KPIs. The more agreement and standardization relevant to specific businesses, the better. Due diligence will be easier. From an analyst standpoint, they’ll know right away what to ask for.”

Seeger: Why would a big company think about hiring RES to do ecological work instead of hiring a team to do this internally?

Bouillion: Most of the big corporations we work for want to focus on their competencies. Regulation is changing every day, and it’s been that way for a long time. And the problem is, it’s not about just knowing federal regulation. It’s about understanding state and local regulations and how they are implemented. We have more experience about the transactions that are going on in the ground. The impact of developing a site in Louisiana is fundamentally different than the impact of developing a site in western Pennsylvania. Therefore, the type of mitigation that’s required is different. The methodology for determining impact is different. The regulator that you have to negotiate with is different. So it’s a complex, highly nuanced business that takes a team of professionals known for responsible environmental stewardship in all aspects of ecological solution delivery.

Seeger: What trends are you seeing that make you optimistic about the future growth of your business?

Bouillion: Take coastal restoration, for instance—we’re seeing a lot of capital set aside for this. Most of our coastal communities along the East Coast and the Gulf Coast have done a lot of planning over the last 10 years, and it’s now time to get projects in the ground. Our country has many infrastructure challenges, and there are a lot of new projects out there, including rail, bridges, roads, ports, and terminals. We’re planning to provide solutions in those areas as well.

Antablin: Another key area of focus is water quality. We have a number of issues with legacy infrastructure. One good example is the Chesapeake Bay, which receives storm water runoff containing the contaminating pollutants nitrogen and phosphorus from agricultural fertilizers. So there are opportunities to provide green infrastructure to essentially eliminate or create catch basin areas for storm water runoff before the nutrients are conveyed from urban areas. ■