

Prospering on the Right Path

An Interview with Murray Clay, President, Ulupono Initiative

EDITORS' NOTE Murray Clay oversees and manages all aspects of Ulupono Initiative. He guides the team on overall strategy and process, focusing on the best way to achieve the firm's mission-driven goals using due diligence and analysis. He is also one of Hawaii's leading proponents in the area of performance-based regulation (PBR) as a means to accelerate progress toward the State's ambitious renewable energy goals. Prior to his current role, Clay served as the



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Initiative's Managing Director and Managing Partner. Before joining Ulupono Initiative, Clay served as Deputy Chief Investment Officer of SDS Management LLC in Connecticut. He has more than 15 years of experience in managing hedge fund and private equity portfolios, and he has led due diligence, negotiated, and structured direct investments in many industries including energy, natural resources, and biotechnology. Prior to his finance career, he served as an intelligence officer for U.S. Air Force special operations forces for five years. He serves on the board of directors for the U.S.S. Missouri Memorial Association, Inc. and the Oahu Economic Development Board. A graduate of the U.S. Air Force Academy, Clay holds a BS degree in international affairs with a minor in Japanese. He earned his MBA with high honors from the University of Chicago Booth School of Business.

Will you highlight the history of Ulupono Initiative and how you define its mission?

Ulupono Initiative is a mission-driven venture of The Omidyar Group, founded in 2009 by Pierre and Pam Omidyar, to help realize a more sustainable, resilient Hawaii. Our focus areas are local food production, renewable energy, clean transportation, and better management of freshwater and waste. Loosely translated, Ulupono means to prosper on the right path. We believe our role is to help catalyze projects to find large-scale solutions that benefit Hawaii in a meaningful way.

Ulupono's business model began focused solely on investments and grants to increase local food and renewable energy production while also reducing waste. Given the state's heavy reliance on imports – estimated at 90 percent of food and energy – our founders identified these as critical issues for Hawaii. Without

food, we can't eat. Without power, we can't do many things we rely on each day. As an island community, we have limited landmass to manage our waste. They hypothesized that we could catalyze more sustainability in these areas by providing access to financing and drawing in other funding partners while creating replicable, scalable models that could deploy statewide. The same team worked on both investments and grants to ensure even nonprofit work was thoroughly thought through and vetted and used

many of the same metrics for measuring results. Over the years, we found that truly catalyzing change in these systems required more than just a checkbook. We learned that enacting real systems change requires engaging in the policy and regulatory arenas to change the rules to create the conditions for private markets and businesses to succeed more broadly and modernize systems for a more sustainable future. By working directly with policymakers and civil servants, we are helping redefine and shape how the government looks at Hawaii's self-sufficiency and resilience in our sector areas. This work began at the state level and has since expanded to include county governments and now nascent talks at the federal level. It is also critical to use strategic communications to enhance our overall effectiveness. By synthesizing the various aspects and technicalities of our work and our partners' efforts into digestible and effective messaging, we shine a bright light on relevant sector issues and gain greater awareness, understanding, and support.

This evolution focuses our work on the interventions that can achieve the most significant impact in the most efficient way possible; for example, the greatest impact with the fewest resources and funding utilized. While investments and grants are still vital tools, they are no longer the primary tools we seek to employ.

Will you discuss Ulupono Initiative's approach to improving the quality of life for the people of Hawaii by working toward sustainable solutions that support and promote locally produced food, renewable energy, clean transportation, and better management of water and waste?

To our team, "sustainable" means not only environmentally sustainable, but also socially sustainable, requiring support from community

and key stakeholders – and financially sustainable, meaning it can continue even after the period of Ulupono funding comes to an end. To this end, we value community and stakeholder engagement combined with independent data and analysis.

In addition, Ulupono views our focus areas with a systems approach. We continually work to identify the key partners, leverage points and linkages to determine where the most impact can occur. Our goal is to infuse investment capital, or grants, along with the human capital of our team and commissioned research to help our partner organizations find success. We seek knowledgeable partners with relevant experience, a proven management team and record, and the ability to challenge the status quo. We look for those who are finding innovative, catalytic approaches that can help to transform our community by creating more independence in food, energy and waste systems.

Is Ulupono Initiative investing in both the for-profit and nonprofit sectors in its effort to reach its goal of creating greater self-sufficiency for Hawaii and will you highlight some of these investments and projects?

Having the same team work on investments and grants helps ensure both are thoroughly vetted and are measured by outcomes – not efforts.

On the for-profit side, the expectation that investments should generate a profit is not based on a desire to accumulate wealth, but rather to prove that profits are achievable in sustainable businesses so that others follow our lead and magnify the impact. In doing so, we de-risk so that others can follow at less cost or risk. Profits also ensure the venture can continue having impact after our period of funding comes to an end. In addition, we generally roll over or reinvest profits into more impact work.

On the grant side, there are a number of interventions that cannot make a profit but are essential components or precursors to success, such as informing and educating the public, capacity building, improving transparency and accountability of our government partners, and so forth.

For example, DA BUX Double Up Food Bucks (nonprofit) – An excellent, high-impact example is the Supplemental Nutrition Assistance Program (SNAP) "DA BUX" Double

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Up Food Bucks program in partnership with nonprofit The Food Basket on Hawaii Island. Through both our financial contributions and bringing philanthropic partners to the table, combined with effective advocacy, Ulupono has helped this program secure more than \$2.5 million in philanthropic funds, \$500,000 in state funding, and \$9.5 million in federal funds. The combined \$12.5 million goes directly to fund the purchase of fresh, healthy, locally grown produce by SNAP participants statewide. Overall, this effort will drive more than \$20 million toward purchasing local food and ideally secure a long-term funding commitment for continued impact.

Grant/Loan Writer Programs (nonprofit) – We know that we can’t fund every farmer in the state, so we also leverage our capital by supporting those who help farmers as a class. Our grantmaking to a few grant and loan writer programs, such as The Kohala Center and the Oahu Agriculture & Conservation Association, have provided significant leverage and access to capital that might not have otherwise been obtained. Over the past five years, we’ve funded \$685,000 to support these programs, which have secured more than \$23 million in funding (34 times leverage) that directly supports large and small local producers and value-added processors. We also continue to identify and support other pathways to financing for local producers, whether through government funding, foundation partners, or other financial markets. Additionally, we fund farmer training programs such as GoFarm Hawaii, the Ag Leadership Foundation, and others working to create a pipeline of future and current farmers who will become leading producers and bring vitality to the aging workforce of this essential industry.

Bikeshare Hawaii (nonprofit) – An example of our impact in transportation relates to our support of Bikeshare Hawaii (Biki), which began as an effort to seed the market with low-cost, accessible, active transportation. Ulupono provided initial capacity building, bridging capital, and seed funding to launch the system. Biki is currently the sixth-most utilized program in the country (only behind five much larger metropolitan areas), completing more than 1.3 million trips annually for both locals and visitors. We are now working with government partners at the City & County of Honolulu Department of Transportation Services to subsume the program

to ensure its long-term viability as an essential public transportation service.

Volta Industries (investment) – Former Hawaii startup and current industry leader in commerce-centric electric vehicle (EV) charging networks, Volta Industries achieved an exciting and significant milestone in August 2021, beginning trading on the New York Stock Exchange under the symbol VLTA. Ulupono Initiative was an early investor in Volta Industries in 2013 with follow-on investments in 2014 and 2017 toward the expansion of the startup’s Hawaii network of EV charging stations. The Ulupono team is excited to have witnessed the now San Francisco-based Volta’s advancements in the industry. With its public share offering, Volta will now be able to fully realize its focus on and mission of creating a massive charging infrastructure network underpinning the country’s transition to electrification of transportation. Electric vehicle (EV) charging networks like Volta are crucial for the mass adoption of EVs in Hawaii. Increasing the number of stations statewide means more consumers will be able to easily charge their vehicles and avoid “range anxiety.”

Carbon Lighthouse (investment) – Ulupono provided financial capital and local support to enable Carbon Lighthouse, a San Francisco-based company committed to reducing carbon emissions while increasing revenue for commercial property owners, to provide energy savings as a service. Carbon Lighthouse is working nationwide with building-owners on increasing energy efficiency and reducing carbon emissions at facilities, which eliminates thousands of barrels of oil throughout the life of the projects through energy-efficiency solutions.

How important are metrics to measure the impact of Ulupono Initiative’s work and will you highlight the impact since its founding in 2009?

We’ve put a lot of time into developing meaningful metrics while still understanding that not all of our work can be captured in a number. That said, we try to hold ourselves accountable to the reality of the denominator – the share of the pie or problem we’re impacting – and not be distracted by the illusion of the numerator – just counting number of interventions, dollars spent, or other top-line numbers. We want to know that we’re moving the needle and not just doing something that is generally positive.

For example, Ulupono’s involvement in local food can contribute 1.3 percentage points toward our 2030 goal of 30 percent locally produced food. We estimate that to be a 10 percent increase versus status quo with no Ulupono involvement.

Ulupono’s actions in both completed and active projects are estimated to result in a reduction of 1.52 MMBOE of fossil fuels by 2030 (21 percent of total incremental renewable projects), an equivalent to a 436 MW solar PV system or 251 MW wind project. However, the largest share of our impact is estimated to be from policy/regulation (34 percent), with our efforts on various regulatory dockets expected to help facilitate renewable energy adoption, including utility incentives in performance-based regulation and community-based solar. Our involvement in the energy sector could contribute a 3.7 percent decrease of fossil fuel consumption by 2030 versus status quo with no Ulupono involvement.

What interested you in leading Ulupono Initiative and made you feel it was the right fit?

I had been working at a combination hedge fund/private equity fund that invested in both public and private companies for eight years when I came across the opportunity at Ulupono Initiative. Though I had enjoyed my position at that fund, the idea of performing a similar role – private equity investing – but for the purpose of doing good and benefitting the people of Hawaii was intriguing. I must admit at the time I was rather new to the growth of impact investing as a type of investing – for-profit but with a philanthropic objective. The idea of combining the technical rigor of my prior work with the people and place focus of Ulupono was simply fascinating enough that I pursued it wholeheartedly.

For the first day of interviews, I made the mistake of showing up in a suit, but that evening I corrected that by buying a local aloha shirt for the second day of interviews. I found the people here to be very warm and welcoming, and I was delighted to discover that “aloha” was not a marketing motto, but a real way of life here. Due to the diversity of our sectors and toolset, work is always interesting and constantly provides new opportunities to learn and grow. There’s no resting on your laurels here. ●