Investments in renewables can help kick-start economies following Covid-19, says Glennmont

Elisângela Mendonça

Infrastructure investments, particularly in renewables, are likely to be the backbone of governments' efforts to restart economies in the wake of the Covid-19 outbreak, says Peter Dickson, founding partner at European fund manager Glennmont Partners.

The firm was set up in 2007 and later spun out from French bank BNP Paribas. It focuses on renewable energy in Europe and has since raised three funds targeting such investments.

"I think infrastructure is one of the areas where governments have an ability to generate new economic activity," Dickson said. "They can give tax concessions, they can make direct investments, they can give support in many ways. So, infrastructure is where governments can make a difference more than in other sectors."

Key part

He said he expects the deployment of renewable technologies to continue to grow globally, which he argues will play a key part in the financial recovery after the coronavirus pandemic.

"We do believe that there is a strong willingness in practice [for a green recovery]. A strong desire to create not only a simple recovery but a much more sustainable one."

Dickson added: "None of us would have chosen to go into this economic crisis, but given that this is where we are, it presents an opportunity to have sustainable infrastructure."

While the coronavirus pandemic has put many deals in Europe on hold, Glennmont has managed to exit three assets this year. Dickson said valuations were not impacted over the period and the team was "fairly comfortable with where" they were in these deals.

Last week, the firm offloaded the final asset in its €437m debut fund, Clean Energy Fund I, which closed in 2010. It sold renewable energy plant Sleaford to UK-based specialist asset manager Greencoat Capital for an undisclosed sum. The sale comes three years after Glennmont completed a £150m refinancing of the business.

"We were one of the first investors to come into this market and now we are excited to demonstrate strong results in the full life cycle. In 10 years, our fund went from one massive global crisis to another," Dickson told *Private Equity News*.

In March, the firm sold a 30 MW Portuguese solar photovoltaic portfolio to local renewable power company Finerge, owned by Australian asset manager First State Investments, for an undisclosed sum. This was the first divestment from Glennmont's €500m second fund, which closed in 2013. A month later, the firm sold a 15% minority stake in a Finnish wind project it acquired in September 2019.

Currently, the firm manages approximately €2bn of assets across companies in offshore and onshore wind, solar and biomass segments. It is investing out of its third fund which raised €850m in 2019, above its original €600m target.

Dickson expects investor appetite for renewable energy investments to continue to rise, in response to the chronic problem of climate change.

Others have recently called on governments to invest in renewable energy and move away from fossil fuels to kickstart economic growth and meet climate targets following Covid-19.

The International Renewable Energy Agency found that accelerated investment in renewable energy could spur global GDP gains of almost £80tn by 2050 and quadruple the number of jobs in the sector to 42 million.

Clean energy

Last month, the International Energy Agency also highlighted the need to increase clean energy investments. The group said that investment in global energy will fall by $400bn this year, due to a reduction in electricity demand by 20% or more in several countries following on from the pandemic and the resulting lockdown measures.

Output from renewable sources is set to increase over the year as a whole and global CO_2 emissions are expected to decline by 8% to the levels of 10 years ago, according to the *World Energy Investment 2020* report released by the IEA.

"If we are to achieve a lasting reduction in global emissions, then we will need to see a rapid increase in clean energy investment," said Fatih Birol, IEA executive director. "The slowdown in spending on key clean energy technologies also risks undermining the much-needed transition to more resilient and sustainable energy systems. The crisis has brought lower emissions but for all the wrong reasons."

"There is a strong willingness in practice [for a green recovery]. A strong desire to create not only a simple recovery but a much more sustainable recovery"
Peter Dickson,
Glennmont Partners

COMPANY PHOTOGRAPH

Actis sees investors 'doubling down' on ESG after pandemic

Luis Garcia

Actis is betting the coronavirus pandemic will increase investor focus on the environmental, social and governance aspects of businesses and boost interest in infrastructure sectors where the private equity firm invests.

The rapid spread of the coronavirus across the globe highlights how tightly the world is interconnected as well as the importance of promoting sustainable development, said Shami Nissan, the firm's head of responsible investment. The pandemic is likely to make investors more concerned about finding socially responsible and resilient businesses to back, she added.

"I feel like it's just going to be an acceleration of existing trends," said Nissan, who was recently appointed to the London firm's executive committee. "There will be a greater focus, almost like a doubling down, on…sustainability, social and climate."

A heightened emphasis on sustainability promises to raise investor appetite for the types of deals where Actis is active, such as investing in renewable energy and data centres, Nissan said. The emerging market-focused firm backs businesses in Africa, Asia and Latin America through private equity, energy infrastructure and real estate strategies.

At the same time, the pandemic has weakened local currencies in many emerging markets, lowering asset prices and creating investment opportunities for the firm, as other Actis executives have pointed out recently.

"I think [clean energy] continues to be a really attractive destination for any investor, whether they're simply seeking competitive commercial returns or whether they're also seeking that as a dual objective alongside sustainability or impact outcome," Nissan said.

Actis early this year acquired a controlling stake in Rack Centre in Nigeria. It is the first data centre deal through a platform Actis created to buy and expand such operations across Africa and which is backed by a $250m commitment. The firm is betting that demand for data centre services will rise as the world transitions to more virtual ways of working, shopping and consuming, Nissan said. "The need for that infrastructure is even greater than it was before the pandemic," she said.

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