

# Ramping up renewables in Europe

**Chase McWhorter**, Institutional Real Estate, Inc.'s managing director, Americas, recently spoke with **Benjamin Kennedy**, managing director, renewables, with Ardian, about the investment opportunity for renewables in Europe. Following is an excerpt of that conversation.

*What does the investment environment look like for renewables right now?*

In Europe, the renewables environment has remained robust, and the outlook is still very strong. The war in Ukraine, and the consequential rise in power prices, has accelerated the pace of renewables build-out across the continent and has made energy security a key driver of continued support for renewables – in addition to environmental and decarbonization drivers. The result of this is that subsidies, which people have generally assumed were going to disappear, could reappear in Europe. For example, the European Union is considering a set of policies in response to the U.S. Inflation Reduction Act. Governments are evaluating responses to lower energy costs to keep Europe an attractive industrial investment destination, and renewables is a key part of the E.U. solution set.

*What is the investment need for renewables in Europe?*

There continues to be an attractive backdrop for investors interested in renewables. The sheer scale of renewables deployment needed in Europe to aid in the energy transition is very large, which means demand for renewables is high and hundreds of billions of euros will be invested in renewable energy generation during the coming decade. As a sector, renewables are generally perceived to be low risk, with continuous streams of revenue either on a contracted basis or sold into the liquid power markets on predictable and attractive pricing terms. Investors are also seeking to participate in renewables to bolster green credentials in ESG, as these investments are critical to meeting societal goals of decarbonizing the energy system.

*What are the biggest challenges and opportunities you anticipate will dominate the renewables space in the years ahead?*

Two big challenges we are seeing in the renewables space today are grid congestion and connecting new projects. Many projects are facing increasing delays in connecting to the grid, which means fewer renewables are being built than the market demands. Additionally, the costs of these grid interconnections are going up, as the grid itself needs to be reinforced to accommodate renewables. This has several implications:

1. Transmission and distribution operators are going to need substantial sources of capital in the future.
2. Projects are going to increasingly become differentiated by the quality of the grid connection and the ability to monetize that grid connection.
3. Investment in renewables development, which has become very widespread, is going to increasingly require the ability to analyze power grids to achieve success.

This creates significant opportunities in areas such as distributed energy, which bypasses grid constraints and focuses on behind-the-meter solutions. That's why in 2022, Ardian acquired GreenYellow, a global leader in decentralized energy. GreenYellow offers a complete range of services to help companies make

the transition to greener and more efficient energy solutions. It provides access to low-cost green energy and helps companies across the globe optimize their energy consumption.

*Which silos within the renewables space do you view as having the most potential?*

The sheer volume of wind and solar investments required for the energy transition will continue to create large investment opportunities in these assets. At Ardian, the key is focusing on situations where we can add value. Ardian manages three European industrial renewable energy platforms – AGR-AM, eNordic and EMS – which allow us to bring engineering and financial know-how to bear when evaluating projects and find levers to unlock value during project development, construction, revenue contracting and operations. In addition, as supply chains become constrained given the volume of ongoing energy-transition investment, Ardian has strong relationships with original equipment manufacturers and suppliers, which is a key value-creation lever for our investment cases.

To maximize the value of the scarce grid connection, we also see tremendous opportunity in hybridizing or adding new technologies to existing renewable projects. For example, we may start with a wind plant and install solar panels on it. Or, we could start with a wind or a solar plant and add a storage asset, such as a battery storage project, to it. When we are thinking of investing in renewable projects, we consider not just what that project or asset looks like today, but what it could look like five or 10 years from now, and how we may be able to optimize or increase the value of our investment over time.



## CONTRIBUTOR

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## ABOUT ARDIAN

Ardian is a world-leading private investment house, managing or advising \$150 billion of assets on behalf of more than 1,400 clients globally. Our broad expertise, spanning private equity, real assets and credit, enables us to offer a wide range of investment opportunities and respond flexibly to our clients' differing needs. Through Ardian Customized Solutions, we create bespoke portfolios that allow institutional clients to specify the precise mix of assets they require and to gain access to funds managed by leading third-party sponsors. Private Wealth Solutions offers dedicated services and access solutions for private banks, family offices and private institutional investors worldwide. Ardian is majority-owned by its employees and places great emphasis on developing its people and fostering a collaborative culture based on collective intelligence. Our 1,050-plus employees, spread across 16 offices in Europe, the Americas, Asia and the Middle East, are strongly committed to the Principles of Responsible Investment and are determined to make finance a force for good in society. Our goal is to deliver excellent investment performance, combined with high ethical standards and social responsibility. At Ardian, we invest all of ourselves in building companies that last.

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