

## Energy-transition infrastructure: Three key areas of opportunity

Why we believe mid-market platforms, rapidly emerging technologies – such as battery storage and green hydrogen – and key renewable power demand drivers will continue to drive growth in energy transition infrastructure portfolios.

### Navigating the energy transition

Renewable energy has become central to infrastructure investment activity. According to Preqin data, renewables have accounted for between 77 percent and 87 percent of energy-related infrastructure deals each year since 2020. Given that energy represents a majority of infrastructure transaction activity, this means renewables have accounted for more than half of global infrastructure deal flow overall over the same period.

This dominance reflects the continued allocation of global capital toward decarbonization, one of the defining investment themes of the modern era. It also reflects the primacy of the energy transition in government infrastructure spending across key OECD regions and a huge investment need that will require the participation of private capital to fill.

All of this means, in turn, that the energy transition is not a narrow thematic allocation but a broad, capital-intensive restructuring of the global energy system. For investors, the question should not be whether to allocate to the theme, but where can capital be most effectively deployed to capture the best risk-return opportunities while maintaining portfolio resilience.

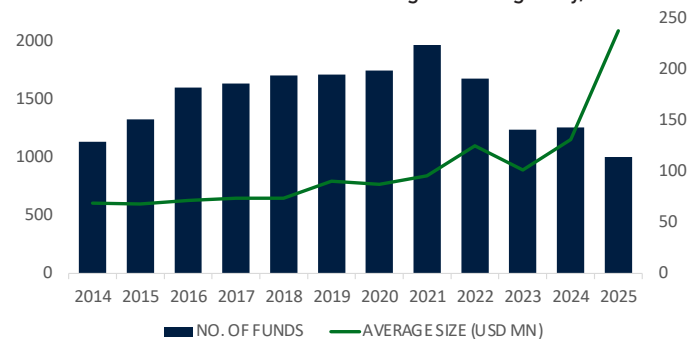
In this article, we share our perspective and conviction with respect to three complementary opportunities within energy transition infrastructure: mid-market platforms, battery storage, and key demand drivers.

### Unlocking the “missing middle”

The infrastructure fundraising market is becoming increasingly concentrated. Although the number of funds being raised in a given quarter has fluctuated with the cycle, average fund sizes have grown at an increasing rate between 2023 and 2025, and almost doubled last year, driven by a small number of very large vehicles.

These large pools of capital typically seek large, lower-risk transactions capable of absorbing substantial allocations. Meanwhile at the opposite end of the market, venture capital remains active in early-stage climate technologies.

Number of infrastructure funds raised and average fund size globally, 2014-2024



Sources: Schroders Greencoat, Preqin, February 2026.

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Between these two segments lies what is often termed the “missing middle” – mid-size infrastructure platforms with operational assets, established business models and credible growth pipelines, yet limited access to scaling capital.

For long-term investors familiar with the sector’s drivers and risks, this segment offers a differentiated route into the energy-transition infrastructure opportunity – combining elements of infrastructure defensiveness with private equity-style growth. Returns may be driven not solely by asset yield, but by operational expansion, consolidation and strategic repositioning.

### What we look for

We believe mid-market platforms offer compelling access points to energy-transition infrastructure, maximizing future return opportunities across a dynamic and rapidly evolving sector. Schroders Greencoat’s strategy involves underwriting opportunities that are characterized by:

- » **Asset backing with growth potential.** Existing operational infrastructure provides income visibility and mitigates early-stage development risk. At the same time, pipelines involving new projects or bolt-on acquisitions create scope for growth.
- » **People-led growth.** Infrastructure platforms often operate in technically complex and regulated environments. Management quality and execution track record materially influence outcomes.
- » **Exposure to structurally supported segments.** Hydrogen, biomethane, storage and low-carbon heat sit at the intersection of policy direction and commercial demand.

By targeting businesses with these attributes, we see the opportunity to construct portfolios that are resilient, diversified and positioned for long-term growth.

### Batteries included: Storage and system integration

New renewables and nuclear power accounted for more than 80 percent of the growth in electricity generation in 2024. However, the growth of renewables introduces challenges. Wind and solar output is inherently variable. Periods of high generation and low demand can result in negative pricing, while low generation coinciding with peak demand strains grids. In markets with high renewables penetration, price volatility has increased markedly.

This dynamic has implications not only for grid stability but also for renewable asset economics. If power prices collapse during periods of oversupply, project returns can be eroded. Conversely, scarcity periods can drive sharp price spikes.

Battery storage provides a mechanism to smooth this imbalance. By storing surplus electricity during periods of higher supply and discharging during periods of higher demand, batteries mitigate volatility and reduce curtailment. In doing so, they enhance grid resilience and underpin renewable project economics.

## Opportunities for investors in the battery storage revolution

Battery storage can be seen as one of the key growth technologies in the global energy transition, and there is an obvious need for private capital to partner with governments to help fund the installation of new capacity globally.

- » **Frequency restoration services:** Historically, the main income stream was generated by “frequency restoration” services, whereby the battery would earn revenues in return for being available to the grid operator to stabilize grid frequency at very short notice. Pricing is determined by auctions and prioritised so that power from the lowest bidder is drawn first.
- » **Power price arbitrage:** Battery traders seek out price spreads across half-hourly power prices (i.e., the difference between the lowest and highest power prices on that day). To maximize the income opportunity, traders buy power from the grid to store in their batteries when demand and prices are lower and sell it back when demand and prices are higher, generating an arbitrage return.
- » **Pricing evolution:** Both frequency restoration and arbitrage strategies show a high level of volatility, which battery owners may seek to mitigate through fixed-price contracts. These give the entity buying and selling the power control over the battery operation, and full flexibility to optimize the battery's revenue stack across the various markets.
- » **Government back-up schemes:** Income can be further augmented through government support schemes, such as in the U.K. where the Capacity Market Mechanism provides financial support (availability payments) to assets available to provide back-up power to the grid in the event of a near-term supply shortage.
- » **Co-location:** Finally, there are also emerging opportunities in co-location of battery storage, for example, as part of new renewables or data center developments, to provide direct power storage solutions to specific assets – and that still offer the opportunity to buy and sell power from the grid.

## Enabling the next phase: Demand drivers

While much of the discussion around the energy transition focused initially on how to expand renewable-energy generation, an equally important next step in the journey is enabling demand drivers that will utilize the green electrons generated from renewable sources.

### Green hydrogen: Linking power and industry

Hydrogen has long been cited as a potential solution for hard-to-abate sectors such as refining, chemicals and heavy industry. What distinguishes the current phase is the increasing alignment between project development and identifiable demand.

This is driving increased green hydrogen production, which in turn drives renewables demand to power new electrolyzers. According to the International Energy Agency, low-emission hydrogen production has risen by more than 50 percent since 2021. Installed electrolyzer capacity (an established technology) has expanded rapidly.

An example is the use of green hydrogen as an input to chemical processes and refineries, particularly when that is displacing grey hydrogen produced from fossil fuels such as natural gas.

Green hydrogen is also deployed in industry through derived, synthetic e-fuels that are produced by combining hydrogen with biomass or recycled carbon molecules. The e-fuel with the greatest early momentum is e-methanol, which is also used as a fuel for shipping and as an input in the plastics and chemicals sectors.

### Electrification and digitization

Other key demand drivers relate to supporting and expanding new energy-transition technologies that are driving the electrification of various sectors across the economy. The market for solutions is expected to grow by more than 15 percent per year by 2030. Even faster expansion and investment will be required in the future to meet targets implied within current net-zero assumptions.

Transport electrification continues to expand as electric vehicle adoption rises. This requires parallel investment in charging infrastructure, grid reinforcement and storage. Both of these shifts increase structural electricity demand, further reinforcing the need for flexible generation and system integration.

Then there is the acceleration in digitization of the economy – and society. Data centers have emerged as significant electricity consumers, particularly with the rapid expansion of artificial intelligence applications. The International Energy Agency estimates that data center electricity demand could double within a few years.

### Conclusion: Demand growth amid policy complexity

Renewable generation and battery storage are now cost-competitive in many markets. Corporate sustainability commitments intersect with regulatory obligations and capital market expectations. For many large energy consumers, securing clean power is, therefore, both a commercial and strategic priority.

The associated investment requirement spans generation, storage, hydrogen production, grid reinforcement, EV charging, heat networks and powered land. However, recognizing demand is insufficient; execution capability determines outcomes. Securing grid connections, negotiating power purchase agreements, managing permitting processes and controlling construction risk are critical competencies.

Investors able to operate across the energy ecosystem – linking renewable generation with emerging demand centers and integrating storage solutions – are better positioned to capture durable value.

#### CORPORATE OVERVIEW

Schroders Capital is the global private markets arm of Schroders Group, the UK-listed global investment manager with \$1 trillion in assets under management. Schroders Capital provides investors with access to a diversified range of investment strategies across private equity, private debt and credit alternatives, infrastructure, and real estate, with \$112 billion under management as of Dec. 31, 2025.

Schroders Greencoat is the specialist energy-transition infrastructure manager of Schroders Capital. Founded as Greencoat Capital in 2009, it is one of the most established and largest pure-play renewables and energy-transition managers globally.

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