Schroders capital

Schroders greencoat

Building diversification into an energy-transition portfolio

As the energy transition expands across technologies and markets, a dedicated allocation need not mean concentrated investment risk

Investment diversification has traditionally been characterized as the simple principle of spreading allocations across different asset classes and segments, with the aim of avoiding concentration and gaining exposure to different risk profiles and return drivers.

In infrastructure, that has typically meant investing across sectors such as transport, utilities, digital infrastructure and energy.

By contrast, energy-transition infrastructure is a conceptually more concentrated allocation option that invests behind long-term global mega-themes related to decarbonization and, more crucially in the current geopolitical context, energy security and affordability.

But the investment universe is broadening. Rather than viewing energy-transition infrastructure simply as a thematic allocation, investors are increasingly considering the role it can play in portfolio construction, and whether a specialist allocation can itself provide meaningful diversification.

Sean Maguire, partner at Schroders Greencoat and lead on the firm's global value-add energy-transition infrastructure strategy, discusses what this means for investors.

What are you hearing from North American investors about the role of energy-transition infrastructure in portfolios?

I've spent a lot of time travelling across the United States and Canada recently, and my key takeaway is that the conversation has evolved. Investors are familiar with the structural drivers behind the energy transition but increasingly want to know what an allocation can add to the wider portfolio.

One important point that we make here is that energy-transition infrastructure should not be viewed as a single exposure. There are very different technologies, at different stages of maturity and with different revenue models and market structures.

To give a simple example, an operational solar asset selling its output under a long-term power purchase agreement clearly has a very different revenue and risk profile from a battery storage asset that generates returns at least in part through pricing arbitrage that takes advantage of power-market volatility.

That has profound implications from a portfolio construction perspective. Exposure to factors such as weather, technology, regulation and specific policy can also vary significantly between investments, creating different sources of risk and return.

Our analysis, based on simulated returns between March 2016 and March 2026, found that energy-transition infrastructure is negatively correlated with public equities and bonds, with low correlations to private asset classes, including wider infrastructure.

Diversified infrastructure, despite its broader sector focus, was much more correlated with all other asset classes. While simulated performance is no guarantee of future returns, the analysis helps illustrate the potential diversification benefits of energy-transition infrastructure within a broader portfolio.

Energy-transition infrastructure diversification potential

	Equity (listed)	Fixed-Income (listed)	Private Equity	Real Estate	Private Debt	Diversified Infra	Energy Transition Infra
Equity (listed)	1.00						
Fixed-Income (listed)	0.74	1.00					
Private Equity	–0.06	–0.27	1.00				
Real Estate	0.36	0.14	0.51	1.00			
Private Debt	0.80	0.60	0.07	0.64	1.00		
Diversified Infra	0.71	0.59	0.06	0.66	0.88	1.00	
Energy Transition Infra	–0.26	–0.22	0.18	0.28	0.01	0.18	1.00

Simulated performance is no guarantee of future returns. Source: Schroders Capital, 2026. For illustrative purposes only. There can be no assurance that any objective or intended outcome will be achieved. No strategy can guarantee future results. The views shared are those of Schroders Capital and may not be verified. Based on simulated performance. Returns are based off quarterly prices, covering the period from March 31, 2016–March 31, 2026. Simulated energy-transition returns are constructed using a combined Net Asset Value (including dividend) performance of Schroders Greencoat listed vehicles. All other private asset classes are sourced from pitchbook benchmarks for private assets. Public assets are sourced from Refinitiv, March 2026. Global equities returns is calculated from MSCI World Gross USD prices. Source: Refinitiv, March 2026. Fixed income returns are calculated from Bloomberg Global Aggregate Credit Total Return Index.

As a manager, how do you think about diversification within a dedicated energy-transition portfolio?

There are several dimensions. Technology is the obvious one, but geography, revenue model and the stage of an asset's development can be just as important.

Wind and solar have different generation profiles. Battery storage introduces another set of revenue drivers, while areas such as biomethane, renewable heat and powered land bring different underlying economics again.

Some assets have long-term contracted or regulated revenues; others have greater exposure to merchant power prices. Some are operational and generating cash flows; others offer value creation through construction or development.

The result is that a portfolio can remain concentrated around one long-term structural theme, without necessarily being dependent on one source of return.

For example, our global energy infrastructure portfolio includes U.S. solar alongside select wind and solar exposures in specific European markets, U.K. renewable heat, Dutch biomethane, and powered land in Ireland to enable AI infrastructure. The U.S. solar portfolio has 15 to 20 years of contracted cash flows, while the U.K. renewable heat assets have explicitly inflation-linked cash flows backed by the U.K. government.

That is a very different form of diversification from simply owning more projects. What matters is understanding what ultimately drives the revenues and risks of each asset.

How does this approach change when you look across the U.S. and Europe?

This is where a market-by-market approach becomes particularly important. There is no single global energy-transition market.

In the U.S., solar is a particularly important part of the opportunity set at a time when growing electricity demand, including from data centers, is putting greater pressure on the power system. In August 2026, solar generated more U.S. electricity than coal for the first month on record, according to energy think tank Ember.

But opportunities vary across U.S. power markets. Texas, for example, has historically been a major wind market, accounting for around 28 percent of U.S. wind generation in 2024. As such, transmission congestion can lead to substantial differences in power prices between wind-rich areas and urban demand centers. Markets such as Texas and California also have been at the forefront of rapid battery deployment, as storage becomes increasingly important in managing periods of high renewable generation.

Europe presents a different picture. Its energy transition has developed across a wider range of technologies and regulatory frameworks, bringing a high degree of complexity, diversity and opportunity. Alongside wind and solar, the opportunity set increasingly includes battery storage, biomethane, hydrogen, heat networks and other infrastructure supporting electrification, with different markets offering more or less attractive and supported access points.

The point is not that one region or technology is inherently preferable. It is that the relative attractiveness of technologies changes according to local power prices, regulation, grid conditions, routes to market and the maturity of the technology.

How do you decide which technologies and markets should make it into a portfolio?

Diversification does not mean owning everything. In fact, as the market becomes broader, selectivity becomes more important.

Solar illustrates this well. The economics of the technology can look very different from one market to another. In some European markets, high levels of solar generation can result in power being produced at similar times, depressing the price generators capture and increasing curtailment risk. That can materially impact the investment case.

Battery storage can benefit from this dynamic because it can store electricity when supply is abundant and release it when demand and prices are higher. Revenue models also vary from floor-based structures that provide a degree of revenue protection to more merchant-based models with greater exposure to movements in power prices.

Biomethane provides another example of diversity in revenue models. We recently announced the acquisition of a Dutch biomethane platform spanning operating projects, projects under construction and a pipeline expected to move into construction over the next 18 months. This brings together existing cash flows in the near term, with the opportunity for value creation and future growth.

We are also seeing interesting opportunities in areas such as powered land, including in Ireland, where our presence and experience in power and grid infrastructure can provide us with an edge in a market Greencoat knows very well.

These are all very different business models. From a portfolio perspective, those differences deliver a distinct sort of stability. By looking across technologies and markets, we can combine assets with different revenue drivers, maturity profiles and sensitivities to deliver an aggregate return profile that doesn't rely on a single source of return.

How important is a specialist approach to delivering this approach?

The broader the market becomes, the less useful it is to make decisions based purely on labels such as "wind," "solar" or "storage," or even "contracted" versus "merchant" revenues. Specialist knowledge and experience gives managers like us a real edge in navigating this complex landscape to deliver for our investors.

You need to understand the local markets, ideally by having "experienced boots on the ground." This helps us answer essential diligence questions such as: Why does onshore wind work from an investment perspective in one geography but not another? What happens to a solar project's revenues as more solar enters the same market? How exposed is a battery to merchant power prices? What regulatory support sits behind an emerging technology?

The answers to those questions ultimately determine outcomes. We tend to focus on the mid-market, where we can work with specialist management teams and platforms in markets we know well, taking advantage of attractive entry points rather than simply seeking exposure to the largest assets. This provides access to opportunities with greater scope to create value through capital, operational expertise and growth.

The aim is not to create diversification for its own sake. It is to combine assets whose underlying sources of revenue, volatility and risk are sufficiently different to play complementary roles within a portfolio and, ultimately, to provide diversification from investors' other infrastructure exposures.

CONTRIBUTOR



Sean McGuire
Partner
Schroders Greencoat

CORPORATE OVERVIEW

Schroders Capital is the global private markets arm of Schroders Group, the 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 $113.7 billion under management as of June 30, 2026.
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.

CORPORATE CONTACT

Hillary Ripley, Head of Business Development, North America
Hillary.Ripley@schrodersgreencoat.com | +1 347-200-2730 | www.schroderscapital.com

This article presents the author's opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product.
Copyright © 2026 by Institutional Real Estate, Inc. Material may not be reproduced in whole or in part without the express written permission of the publisher.