

# INFRASTRUCTURE INVESTOR



## Asia Pacific a magnet for energy investors

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By: **Andy Thomson**

*While the oil price drop has put pressure on renewable energy in developed markets, the story is different in emerging markets where demand is huge and growing.*

Emerging markets, and particularly Asia Pacific, are catching the eye of energy investors according to a panel on energy investment at Infrastructure Investor's Berlin Summit 2015.

Steve Bickerton, managing partner at Prostar Capital, quoted an International Energy Agency statistic revealing that 65 percent of the growth in energy demand is coming from Asia Pacific. "Many Asian countries are completely dependent on imported energy," said Bickerton, referencing South Korea as a prime example of a market with a strong manufacturing base that is dependent on an imported, long-term, reliable supply of energy.

Bickerton added that South Korea was an example of a country in the region where investment is actively encouraged. However, in somewhere like China you need to be "very selective" in how you go about gaining exposure.

Paul Hanrahan, co-founder and chief executive of American Capital Infrastructure, endorsed Bickerton's view. "People have tended to stick with markets with which they are familiar," he said. "But that's changing due to policies that are encouraging investment and due to investors now having the expertise to look at new markets."

Hanrahan cited an investment by his firm in Nigeria as an example of how risk in emerging markets can be overestimated, saying that the investment has backstops from the government and from the World Bank, meaning that it has a "quite attractive" risk profile.

He also referred to an investment in a Caribbean wind farm which required no tax incentives or subsidies and was thus based on "fundamentals" as the government sought to lessen its reliance on diesel through the development of wind energy. He said this was an example of how investment models are becoming increasingly investor-friendly, with the Caribbean having borrowed from existing investment models in places such as Chile and Colombia. He stressed the importance of identifying "the right country with the right structures".

Despite the falling oil price putting pressure on renewable energy in developed markets, the hunger for all types of energy source in many emerging markets means that renewables will continue to gather momentum. MK Sinha, managing partner and chief executive of IDFC Alternatives, said the commitment to wind and solar programmes in India would continue - not least because price was only one factor among others that include transmission constraints and energy security.

Marc-Philippe Botte, investment director at Omnes Capital, pointed out that attractive opportunities still remain in European renewable energy markets, especially where you operate "below the radar" by aggregating small assets into a larger portfolio. This strategy, he revealed, had delivered his firm an internal rate of return of 16 percent on a Belgian renewables portfolio.