



Global investment in renewable energy projects: How the whole world is jumping on the renewables bandwagon

SPECIAL FEATURE

Martin Pickard

Martin Pickard, investment director at Low Carbon, looks at the opportunities for renewable energy investment projects at home and abroad.

The papers have certainly been peppered with headlines on the post-Brexit economy and the fluctuation of global oil prices. On the surface it would never seem like a more challenging time to invest in new energy projects or indeed to incentivise foreign investment into UK energy infrastructure projects. But this view is not necessarily matched with reality.

We are seeing a number of opportunities for energy companies across the UK to expand their portfolios into new and innovative areas such as energy storage and combined heat and power (CHP) schemes. Further to this, there are numerous development opportunities to be identified across the globe.

The UK renewable energy industry is in a strong position to pinpoint these new development opportunities to not only strengthen energy security, but to put the UK firmly on the map as an 'open for business' country in the renewable energy sector.

The state of play for oil prices

2016 has certainly been the year of oil price volatility. In such uncertain times what is certain is that institutional investors in the UK should look for new opportunities, investing into innovative renewable energy projects and new developments, to see an impressive return on investment.

Renewable energy projects such as wind and utility-scale solar have a robust proven track record of helping to improve the UK's overall energy mix, whilst also meeting the country's energy needs. Furthermore, investment into climate change solutions at home and abroad isn't just about creating a clean energy future – make no mistake that such investments can stand up for themselves financially. They are typically long-term and inflation linked.

Moreover, what many don't realise is that the vast amount of renewable energy projects are in fact, infrastructure projects. If a positive investment climate in this area is created, this could then

motivate the next generation of developers to really turn their ideas into reality, knowing that ripe opportunity for financial backing and investment.

Opportunities overseas

Whilst the UK is not short of home-grown projects, energy companies today can also look to strengthen their portfolios overseas. Investment into emerging markets need not be seen to have a negative impact on the UK renewable energy industry. Working with developer partners in different emerging markets can present strong growth opportunities in developments such as solar and onshore wind.



Wind and solar power meet many of the UK's energy needs (image courtesy of Shutterstock).



China plans to develop 350 GW of hydro power by 2020 (image courtesy of Shutterstock).

A recent World Bank¹ report found that sub-Saharan Africa has the potential to generate more than 170 gigawatts of additional power-generation capacity through biofuel production, CHP and energy efficiency. Additionally, the Renewables 2016 report by the Renewable Energy Policy Network for the 21st Century (Ren21)² highlighted that investment in renewable energy was higher in the world's poorest countries than the richest ones for the first time ever last year, which shows that this trend is not restricted to the rich few.

Two other good examples are China and India, the former of which wants to increase its 120 GW of wind capacity by 20 GW in 2016,³ as well as develop 350 GW of hydro power by 2020. India recently attracted an impressive \$14 billion in renewable energy investment in 3 years,⁴ which was mainly driven by investment in wind power. It's clear that renewable energy is something that is catching the eye of investors all over the world, to the benefit of global economies, carbon emissions levels and the environment as a whole.

In terms of benefiting the UK, there are also some schemes which are aimed at providing clean energy back to Europe, which of course includes the UK power grid. Investment into these projects overseas will enhance the UK energy mix by providing a cost-effective and scalable solution. For instance, in the Tunisian Sahara desert, the flagship TuNur solar project will pipe energy back to Europe using a dedicated cable. Similar projects will help

the UK to diversify its total energy mix, and benefit from localised weather conditions such as a high level of year-round sunshine.

Evidently the opportunities are there, should investors want to take them. And an important point to note is that the merits of the project can often also spur on investment decisions, *not* the site of the project.

The UK is open and ready for business – but what more can be done to strengthen the energy sector?

A stable policy environment will encourage investors and developers to work together to strengthen the UK energy sector. With such a breadth of opportunities out there for the taking, it's important that this is achieved, and the benefits for both parties will surely be recognised if they collaborate on such projects.

A good role model for the UK can already be found in Europe: Germany. Here the *Energiewende* movement has created a long term policy certainty that has greatly benefited the investment climate within the country. This stability has in turn meant a transfer to an auction scheme for solar where capacity deployment accelerates. If this kind of approach is adopted in the UK, then certainty in the sector will be improved, and the number of successful projects will also increase.

In summary

There is so much potential for renewable energy investment opportunities both in the UK and overseas, especially as our economy becomes increasingly global, coupled with current fluctuating oil prices and shifting domestic policies. What's important now is for energy companies to look at the most beneficial, innovative and lucrative climate solutions that can attract investment.

In the UK, we hope that support from the government will spur on a collaborative approach between energy companies, developers and investors. This will boost the whole energy market and will push it to the next step, where we decrease our reliance on fossil fuels in favour of renewable energy. This can only be strengthened by realising the potential of opportunities abroad. This is the logical way forward to create a world where companies work together to bring emissions down and contribute to mitigating the negative effects of climate change.

ABOUT THE AUTHOR

Martin Pickard is investment director at Low Carbon.

FURTHER INFORMATION

Low Carbon, <http://www.lowcarbon.com/>

¹ <http://www.worldbank.org/en/topic/climatefinance>.

² <http://www.ren21.net/>.

³ <http://www.windpowerengineering.com/featured/business-news-projects/renewable-energy-china-moving-next-great-dynasty/>.

⁴ <https://cleantechnica.com/2016/04/29/>

india-attracted-14-billion-renewable-energy-investment-3-years/.