

How Covid-19 has accelerated LP demand for renewables

The pandemic may have slowed down the economy, but Impax Asset Management, one of the longest established fund managers in the renewable energy sector, believes Covid-19 is speeding the growth of the already thriving renewables market.



IMPAX Asset Management

Ten years ago, Daniel von Preyss' children paid limited attention to his work – but the world has changed greatly in that time. “Now they are actually interested in what I am doing because they have become passionate about the impact of climate change and sustainability,” he says. “My children and their university friends reach out to me because they have realised that we at Impax are actually right in the middle of it.”

Having clocked up time in utility investment banking, von Preyss joined Impax Asset Management in 2009. Today he is Head of Private Equity/Infrastructure at the specialist asset manager, focused on renewable energy investing. He has seen the renewable energy sector transition from a niche market to a mainstream industry.

“It is no longer at the fringes, but at the heart of energy policies in Europe,” he says. “Today, in many ways, it’s the fossil fuels that are becoming marginal.”

Von Preyss is confident the ongoing pandemic won’t change that – quite the opposite, in fact. “The sector has been very resilient,” he says.

“We have been operating in a very attractive growth sector and our investors can clearly see this. On the

contrary, if you are for example in the transport sector, it has been a very difficult period.”

The research seems to back von Preyss up. A recent survey from placement agent and fund advisory firm Eaton Partners noted that, since the outbreak of Covid-19, LPs’ interest in renewables has grown alongside their interest in infrastructure and technology.

“Covid has only accelerated a trend that was already underway,” says Casey Forester, the fundraising specialist for the Private Equity/Infrastructure team at Impax. “Investors were already very focused on ESG-related matters within their portfolios, and were starting to go one step further to focus on making an impact with their investments, looking more and more at green or sustainable investments. Now, the impact of Covid is accelerating this trend.”



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Both experts from Impax admit that at the beginning the crisis created obstacles to overcome, such as

construction delays, supply line interruptions, and limited abilities to visit construction sites or meet LPs in person. But they are confident that investors and market stakeholders will be able to tackle these hurdles. In fact, both believe we're already on the other side of it now.



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Furthermore, von Preyss believes that the market slowdown has actually created opportunities for investors like Impax. For instance, developers have traditionally relied on being granted a project's permit to be able to sell it in order to be able to fund their next project. However, as lockdowns have slowed down the process for authorities issuing these permits, developers have been forced to look for funding alternatives. "They are desperately looking for experienced partners and investors like us," von Preyss says.

Forester believes that LP appetite for infrastructure investments is set to pick up speed in the second half of 2020. "Looking back at when the pandemic really kicked off around March, we did see a noticeable slowdown in investor activity throughout April and May," she says.

At the time, investors were settling into remote working, assessing their existing portfolios and getting a strategy in place to navigate the pandemic. "However, most investors were adamant that they were not going to stop investing altogether," Forester continues. "I think this is based on lessons learned from the global financial crisis when investors panicked, closed their investment programmes and stopped making investments. Then, with hindsight, they realized they ended up missing out on a lot of great vintages.

"So I think investors are going into this crisis with a different mindset whereby they need to pause for a moment, see where their portfolio stands, but then begin to assess where the opportunities are."

Forester says Impax noticed that consultant searches started to open up in June, and its own investor base began to go through due diligence processes. "We have seen investors generally looking forward at their H2 pipelines and begin working through them as they now know where their current portfolio stands," she says.

Some LPs have reached out to Impax asking the firm about the health of the renewables portfolio within their funds. But when speaking with the LPs, Impax found that they were talking with all their investment partners, and that they really weren't that concerned about the performance of renewables. "Renewables have proven to hold up strongly throughout the pandemic," Forester says.

She adds that Impax has also noticed that a lot of high-profile managers have ended up delaying their fundraises due to their inability to travel and the slowdown in their deployment of assets..



"Ultimately human risk is behaviour based, so if you can change behaviour, you can reduce that risk."

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Daniel von Preyss, Head of Private Equity/Infrastructure, Impax Asset Management

"There's likely to be a large GP pipeline coming to market," she says. "Those managers that were expecting to launch during the first half of this year or before the summer, we expect that they will now come to market either in Q4 of this year, or Q1 next year. "This could be a struggle for LPs as more and more GPs are coming into the market. However, I think LPs are well aware of this and are preparing for it. They are planning much earlier and mapping out the landscape much sooner as to who's coming to the market and when."

"From our perspective, we feel that even if we end up fundraising with more GPs in the market, we still remain a highly differentiated proposition, as we're solving a very specific gap in the market." ●