IJInvestor Awards 2020 – Market Innovations Shortlist

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29/10/2020

IJInvestor – the IJGlobal sister title focused on infrastructure fund activity and global infra/energy M&A – is delighted to announce the shortlist for the Market Innovations category in our annual awards.

Launched last year, IJInvestor Awards was created to celebrate global activity in this space, and this year's awards recognise developments that occurred from the start of April 2019 to the end of March 2020.

In this piece – a follow up from Friday's Editorial – we enter interesting territory, seeking to recognise shifts in the market, celebrating innovation in the global infrastructure industry.

This category – we recognise – will not be to the taste of infra purists… but this is a dying breed so they can stick it in their pipes and smoke it.

To read about the other shortlisted categories for *IJInvestor Awards 2020*:

- Global Acquisitions
- Refinancing
- Restructuring
- Company Awards

As with the IJGlobal Awards – launched next month (November) for submissions, planning physical events in June 2021 (usually staged March) – these awards are judged by an independent panel of industry experts. It should be noted that these award categories have been stripped out of the IJGlobal Awards.

There are a couple more awards that have not been included in these articles. These were single entries for a category that we believe merited a salute in spite of them being one-horse races… but all will be revealed in the mid-December issue of the *IJGlobal Magazine*.

Market Innovations

There was a healthy – and varied – response to our request for submissions on the market innovations category, but we hope next year to crack this a bit wider

This is especially important as we have every intention of launching a separate awards for the Americas, to be followed by one for APAC.

Infracapital

In 2019, Infracapital market its 50th investment since being founded nearly 2 decades ago – an investment in Novos, a

60MW wind portfolio in Finland. In December 2019, it launched a successor strategy to Infracapital Greenfield Partners I (IGP I), to continue to invest and deliver on the opportunity to build new infrastructure across Europe. The Greenfield successor strategy closed 80% of its target during its first close.

As to market innovation, Infracapital is one of a limited number of fund managers offering dedicated access to building, rather than buying, a diverse portfolio of essential economic infrastructure in Europe. It views the greenfield space as relatively less competed than the brownfield arena, with an estimated €16.8 billion of greenfield funds currently being raised to invest in Europe in comparison to an estimated new infrastructure requirement of €270 billion annually.

Infracapital believes its diversified greenfield strategy is relatively unique in the European market and offers a unique approach to accessing and delivering a premium return from investing in essential infrastructure at the greenfield stage, being one of the first movers in the space.

The fund manager's greenfield strategy combines the following pillars, believing that – combined – they provide an opportunity to deliver premium returns for investors:

- engaging with industrials and developers to access and create investable opportunities supported by government policy or stimulation, rather than targeting deals via heavily-competed public procurement processes. This is evidenced by the high proportion of bilateral off-market deals acquired in Infracapital Greenfield Partners I
- using the firm's extensive greenfield experience – in particular its dedicated greenfield team – which plays a significant role in bidding, financing and construction of greenfield projects with a total of more than £41 billion capex, to manage construction and "build to core"
- creating partnerships with a range of counterparties, from entrepreneurs, developers and industrials – typically in exclusivity – to grow projects into platforms and to gain early access to greenfield infrastructure opportunities, delivering deal flow which is typically on an uncompleted basis
- building sizeable, best-in-class operational businesses to drive synergies and value across the platforms

The Greenfield strategy seeks to invest in the later stage development, construction and/or expansion of essential infrastructure projects. The objective is to construct a portfolio that will ultimately develop into a diversified portfolio of operational essential infrastructure businesses.

The firm believes the ability to deliver a premium return from building essential infrastructure in the European market is predicated on two key requirements:

- accessing opportunities early by being able to respond to government policy and incentives to structure an investable asset
- having the specialist experience and expertise to manage construction

Amber Infrastructure

The Amber team has been making infrastructure investments since before infrastructure became an established asset class, having started investing together in 1998. The team has evolved in response to the changing market conditions, and remained consistently active, focused on investment in essential infrastructure assets that provide robust cash flows and attractive risk-adjusted returns.

Amber has a proven track record in identifying new sub-sectors and asset classes within infrastructure and successfully positioned itself as first mover into those areas… and the team fully expects to continue to do so.

For many years, the Amber team has been investing across the infrastructure risk spectrum, from what could today be known as super core infrastructure, to more core and value-add strategies.

Since June 2009, more than €1.5 billion of additional capital has been raised and invested for INPP.

Amber has been successful in winning many new infrastructure opportunities including in new areas such as electricity transmission, the iconic Tideway transaction (a 25km tunnel being built under the River Thames) and regulated gas distribution.

Since 2009, Amber has expanded its funds under management into the private fund space. This includes the launch of five other unlisted funds, greater management of public sector monies for institutions such as the European Investment Bank, UK government and Scottish government alongside private sector capital, and a number of separate managed accounts.

Several of these funds are specialist funds which were “first movers” at the time of inception. This includes the London Energy Efficiency Fund (LEEF), one of the first specialist energy efficiency funds and the National Digital Infrastructure Fund (NDIF), one of the first dedicated digital infrastructure funds in Europe. Following the success of LEEF, Amber was appointed manager for the successor fund, MEEF.

In the last year, Amber has continued to demonstrate examples of pursuing new strategies across new and existing mandates. One of these examples is the Three Seas Initiative Investment Fund (3SIIF) which is one of the first dedicated commercial infrastructure funds focused in Central and Eastern Europe.

In addition, Amber itself is a developer and investor in infrastructure and has developed more than €3.5 billion of assets, which have then either been transferred to long-term capital or continue to be managed by Amber.

Amber has the inhouse ability to identify, structure, diligence, manage and deliver often complex construction projects. This allows Amber to demonstrate ‘proof of concept’ to investors, particularly in new technologies and sectors.

An example of this is the Plessey ‘Behind the Meter’ Energy Storage project, one of the UK’s first batteries deployed behind the meter of a high energy user. Amber developed, constructed and funded the 2MW Tesla Powerpack battery with a large manufacturing facility under a Lease and Energy Services Agreement.

Atlas Renewable Energy

With a sole focus on accelerating Latin America's transformation towards 100% clean energy. In 2018, the company had already secured 1.2GW in solar projects that were developed, built, and are now operated by Atlas.

In 2019 alone, the Atlas Renewable Energy was able to double that amount with new projects within its core markets of Chile, Brazil and Mexico. At the time of writing the submission, it had 2.4GW of solar capacity under contract across Latin America.

Atlas created a ground-breaking commercial structure to address intermittency in solar energy by offering an innovative approach that guarantees renewable energy 24-hour through a contract based on Jacaranda's Solar Plant generation.

This is the first time this has been done in Latin America and serves as a model to enable more solar energy investments and capacity in Brazil, while also dealing with intermittency issues. This was a key element of its deal with DOW Chemical when it signed a 15-year corporate PPA to provide clean energy to its ARATU Production Plant.

This unique deal structure involves a novel solution to address the solar intermittency by swapping surplus energy produced by the Jacaranda Solar Plant with other renewable sources that then provide clean energy during the night, guaranteeing 24-hour supply.

Atlas was also an early adopter of bifacial module technology, deploying them on the Jacaranda solar plant. This, the fund believes serves to accelerate the adoption and implementation of this technology in the Brazilian market.

Jacaranda will have an installed capacity of 187MWp with more than 450,000 modules, generating enough energy to supply a sizable part of the Aratu site’s energy needs.

According to the average consumption of a Brazilian family, the amount of energy generated will be equivalent to supply enough power to a city of +750,000 inhabitants.

This contract to secure renewable power capacity contributes to achieving one of Dow’s 2025 Sustainability Goals, a commitment to obtain 750MW of its power demand from renewable sources by 2025.

Natixis

In addition to the other infrastructure financings that Natixis closed in Latin America and North America, Natixis acted as sole lead arranger on 4 financings of PMGD portfolios in 2020. This represents total PMGD financings of around $340 million across an expected 400MW.

Natixis provided a 100% underwriting for each of these transactions. Each portfolio consists of around 15 separate projects that operate under Chile's special regime for distributed generation projects (the PMGD regime).

PMGD projects are entitled to be remunerated for their generation at a regulated stabilized price that is derived from a complex formula.

The PMGD regime was created in 2005 with the goal of facilitating access to small distributed generation with units of up to 9MW, however not a single PMGD project had been financed and distributed by an international bank under a non-recourse, PF structure until 2019.

Since 1 April 2020, Natixis has now closed and disbursed on another 2 PMGD transactions, also as sole lead arranger, bringing the total of closed PMGDs to 6.

Natixis is in the process of closing its No 7 & 8 of such financings, and the bank has sole lead arranger mandates for a further 2 PMGDs beyond this.

Natixis' sole-led warehousing structures with pre-determined eligibility criteria combine brownfield assets, identified greenfield assets, and unidentified development assets.

This innovative structure has provided a solution that guaranteed sponsors with certainty of funds even during the portfolio development stage, a stage from which many PF lenders shy away.

Further, the structuring was done amid regulatory changes in Chile which required a constant follow up with authorities and market participants to adapt the structure to the evolving requirements, demonstrating again Natixis' ability to take views on market changes and to be a trusted partner for the bank's clients.

The rationale for this nomination is 3-fold:

- development of a niche financing market that supports the supply of greener and more distributed generation to Chile
- steadily serving this new niche market that the bank created across 4 transactions during the judgment period (now a total six transactions to date, and an expected 10 by Q1 2021)
- bringing new liquidity to renewable transactions in Latin America

Natixis is proud to be supporting this vital sector of the economy via the delivery of greener and more distributed energy generation to the Chileangrid, building on Natixis' past successes supporting renewables in Chile.

Worldwide, Natixis views the energy transition as an imperative, and is committed to supporting this macro trend. PMGDs are a recent example of this.