

Renewable Energy: uncorrelated systems in demand

Düsseldorf, March 17, 2020 - While stocks and bonds are rapidly losing value in the wake of the pandemic crisis, investments in renewable energies remain stable in value and continue to provide ongoing distributions. "We observe an enormously increased demand", says Markus W. Voigt, managing director of aream GmbH. "Especially institutional investors are looking for opportunities to generate ongoing income."

Even before the pandemic crisis, many institutional investors had been more cautious in their actions on the markets. "A lot of liquidity has been created that is now to be invested," says Voigt. Investments in renewable energies are on the top of the wish list. "The obvious advantage is that renewables do not correlate with other asset classes", says Voigt. "In addition, they provide regular distributions, which is particularly important for offsetting falling equity profits." However, there are other advantages as well, which ensure an increased demand.

For example, investments in renewable energies are given favorable Solvency II treatment by the regulator for institutional investors. "The risk class is lower, which is why lower capital backing is required," says Voigt. This is 30 percent compared to 39 percent for equities and 49 percent for private equity investments. "In this way, the available risk capital can be better used," says Voigt.

Another advantage is the attractive risk/return profile, which is supported by stable, highly predictable, long-term cash flows based on real assets. "The returns of renewables depend on wind and sun and are generally rather conservatively assessed," says Voigt. "Windy months, as we experienced twice in 2020, ensure above-average yields."

It should be noted, however, that the advantages of renewables can be exploited primarily by investing in portfolios. "It's all about the mix of wind and sun, but also different locations as well as differently designed supply contracts," says Voigt. Of course, it makes sense to combine sun and wind at different locations in order to be prepared for regional differences. But perhaps even more decisive in a situation like the current one is the management of the plants: "The more distributed the plants are, the less likely they are to be affected by lockdowns or quarantine measures. The teams responsible are usually granted special permits because the infrastructure is critical," says Voigt.

However, managing electricity revenues is also important: "When the economy is doing well, it is of course attractive to negotiate direct purchase contracts exclusively with large

consumers," says Voigt. The margins are higher because intermediaries are bypassed. "However, these consumers can be absent in an economic downturn, even if it is due to quarantine measures. In this case, feed-in under the EEG stabilizes the revenues, all the more so because there is also a feed-in priority, i.e. electricity from renewable sources is always taken.

Overall, this means that asset managers in the renewable energy sector can build up an optimal portfolio of different types of energy, locations and purchase agreements. "These portfolio solutions are also the ones that are currently in high demand," says Voigt. "Compared to owning and operating individual plants, the risk is again significantly lower".

More information: www.aream.de

About aream

aream is an owner-managed, fully integrated investment and asset manager for institutional investors with a focus on renewable energies. With a transaction volume of EUR 1.5 billion and a managed investment of EUR 1 billion, aream has been providing the entire spectrum of asset management services for 15 years, thus ensuring the commercial and technical optimisation of assets. Comprehensive services enable investments to be implemented from the planning and construction phase through to operation in line with investors' specifications.

As a signatory to the UN Principles for Responsible Investment (UN PRI), aream actively includes ESG issues in its investment analysis.

Contact

aream GmbH
Kaistraße 2
D-40221 Düsseldorf
Tel.: +49 (0)211 30 20 60 42
E-Mail: info@aream.de
Web: www.aream.de

Press contact

news & numbers GmbH
Bodo Scheffels
Tel.: +49 (0)40 80 60 194 34
M: +49 (0)178 / 49 80 733
E-Mail: bodo.scheffels@news-and-numbers.de
Web: www.news-and-numbers.de