

Energy infrastructure assets as a historic investment opportunity

The energy crisis is a major issue not only in Switzerland, but also globally. Beat Goetz, Global Head of Client Solutions at Energy Infrastructure Partners (EIP), explains why investments in energy infrastructure are worthwhile.

Ensuring supply security is a high priority and is currently on everyone's minds. What does this mean for pension funds?

Beat Goetz: Pension funds are the main retirement provision pillar. They represent the most important source of income for the vast majority of current and future pensioners. Due to the long-term nature of their obligations, pension funds also have a very long investment horizon, which in principle corresponds to the longevity of energy infrastructure assets. The holistic transformation and expansion of the energy sector while reducing CO2 emissions and simultaneously ensuring energy supply security is a major challenge. The current energy crisis has its origins not only in the Ukraine war, but is also due to lack of investment over the preceding decades. This has resulted in an enormous need for investment today, offering institutional investors the opportunity to contribute to the security of energy supply with long-term investments in energy infrastructure and at the same time to generate stable, partially regulated and inflation-protected returns. In Switzerland alone, the Swiss Federal Office of Energy anticipates an investment requirement of at least 1.5 trillion Swiss francs by 2050. The global need for investment in the holistic conversion and expansion of the energy sector is many times higher.

You are addressing inflation protection. Rising inflation and the associated measures taken by the central banks are putting the markets under pressure. How does energy infrastructure behave in this environment?

Beat Goetz: Thanks to their macroeconomic importance, investments in energy infrastructure tend to be more robust to economic downturns and therefore less exposed to market fluctuations than other asset classes. As the backbone of modern economies, energy infrastructure is systemically relevant and therefore has increased resilience in crises. We have observed these outstanding characteristics in our investments during the Corona pandemic as well the current energy crisis. In

addition, the returns from energy infrastructure are often secured via long-term contracts or regulatory regimes, and in some cases are directly or indirectly linked to the development of inflation. For investors, this generally leads to regular, stable real returns with good predictability.

Energy infrastructure is a complex asset class that requires substantial investment sums. How can institutional investors participate in this megatrend without cluster risks?

Beat Goetz: In view of the enormous investment requirements for the conversion and renewal of energy infrastructure, we have developed a global investment solution together with Credit Suisse Investment Foundation. Geographically, the solution is centered on Europe and OECD countries with a correspondingly high ESG rating. The focus is on the subsectors of renewable energy, energy transmission and distribution, system flexibility and energy storage. These 4 sub-sectors have low correlation with each other and also have low correlation with other infrastructure sectors and other asset classes. This gives investors access to a geographically and technologically broadly diversified investment universe. Diversification must also be required in this asset class. Due to the complexity of infrastructure investments, it is generally advisable to work with sector specialists who focus exclusively on the energy market.

What role does sustainability play in investments in energy infrastructure?

Beat Goetz: Environmental and social responsibility is a key factor for successful investments in energy infrastructure. Together with our investors, we contribute to the holistic transformation and expansion of the energy sector. Institutional investors can play an important role in this by contributing to positive economic and social development, the population's retirement provision and energy security, and a future with lower CO2 emissions. The impact is tangible: Investments made on behalf of our customers will produce enough renewable energy to power 1.5 million homes over the next 25 years. Moreover, energy infrastructure is a broadly diversified and resilient sector that spans a variety of business models, technologies, and geographic regions with different regulatory regimes. Yet these assets have one thing in common: Their critical role in today's and tomorrow's economy and society, now more than ever.

Beat Goetz is Global Head of Client Solutions at Energy Infrastructure Partners (EIP). The company is a Swiss collective asset manager with over CHF 5 billion in assets under management, specializing in long-term direct investments in high-value, renewable and system-critical energy infrastructure assets.



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