FIERA INFRASTRUCTURE

Fiera Infrastructure Inc.

Energy transition

Investment opportunities abound in the progress toward carbon neutrality

Recently, **Chase McWhorter,** Institutional Real Estate, Inc.'s managing director, real estate and infrastructure, spoke with **Brooks Kaufman,** managing director at Fiera Infrastructure Inc. (Fiera Infrastructure), about investment opportunities that advance energy transition. The following is an excerpt of that conversation.

Tell us about Fiera Infrastructure's investments in energy infrastructure.

Fiera Infrastructure has investments in both energy-from-waste and renewable-energy platforms and individual assets. Here in North America, we have wind and solar assets in our Desert Sky portfolio, and we have investments in hydro projects. We also completed an acquisition at the end of last year of a landfill gas-to-energy platform, Captis Energy, where we provide baseload renewable power by capturing and repurposing methane emitted by landfills, and which is expanding into renewable natural gas (RNG) while exploring other biogas opportunities. In Europe, we are an owner of Cory Riverside Energy, which is one of the largest energy-from-waste facilities in the United Kingdom. The company processes household and commercial waste from London into heat and electricity, while recovering and recycling metals and plastics. Also, in the United Kingdom, we have the Aegletes platform, which is a portfolio of residential and commercial rooftop and ground-mounted solar projects. We are expanding our footprint there through acquisitions and new project development.

What are the key drivers of the energy transition?

Energy transition is a global mandate. Climate impacts are not contained within political borders. While net-zero carbon emissions and carbon neutrality are key objectives, the paths and timelines to achieve these goals can be very different. Ultimately, the solution will be a patchwork of various resources, which provide energy security, safety and reliability in the short term, while transitioning to a cleaner global economy in the medium to long term.

In the United States, the broad topic of energy and power infrastructure investment has been discussed for years, with the recognition that a combination of federal, state and local efforts will be required to overcome inertia and support new investment. Recent legislative actions have moved this conversation forward with unprecedented federal government support, including from the Inflation Reduction Act, which will provide project developers and investors the runway needed for new investments. These actions, combined with state and local government initiatives and support from the public and private sectors, will accelerate the movement toward a cleaner economy, not only increasing mainstream renewables investment, but also improving and expanding storage capacity and supporting energy initiatives, such as hydrogen or carbon storage solutions.

Where do you see investment opportunities going forward in energy transition?

Generally speaking, there are significant opportunities for investment in energy and climate infrastructure, and these will come in the form of research and development, manufacturing, services, project development, and asset ownership and operation. With solar, for instance, there is distributed generation for residential, commercial and industrial customers; there is utility-scale solar; and there are community solar programs. Nearshoring will bring opportunities to invest in new local manufacturing to support equipment, such as solar panels, being produced in North America. Meanwhile, with wind, the expanding market is offshore wind.

Storage will accelerate energy transition by providing around-the-clock power from otherwise intermittent renewable resources. Storage is a game changer. It is where energy transition happens. Power is created on demand, so when you turn on a light switch, there are signals throughout the grid that say we need to increase power output by a little more. You can do that with a dispatchable power asset, but not with wind and solar. Storage comes into play by balancing the time scale of when you have abundant wind or solar with the demand peaks for power.

Other opportunities include hydro, renewable fuels, energy-from-waste and carbon sequestration. Hydro has been around for a long time, but there are new technologies emerging to better manage water resources. Renewable fuels include biogas, whether from landfills, agricultural operations or wastewater treatment, where you capture methane and repurpose it for baseload renewable power or RNG, which can be used in transportation, manufacturing and the utility sector. Energy-from-waste is an alternative to landfills, providing power, heat and steam. Carbon capture and sequestration can provide solutions to address carbon emissions, especially from assets that are more challenged to achieve a cleaner footprint.

Finally, with improving technology, continued R&D and investment, you will eventually see lower costs and increasing uses for hydrogen. Separately, a significant amount of investment still has to be made in electric vehicle infrastructure to develop networks of charging stations to facilitate the transition from gas-powered transportation. And then there is electric transmission and distribution, which involves hardening the network to provide grid reliability and expanding the network to support new wind and solar projects. One of the key aspects there, again, will be battery storage, which will increase reliability and provide on-demand power much closer to the customer.

How do you see technology improvements accelerating the energy transition?

We are seeing significant investment across all the energy verticals to improve output and performance, enhance durability and reliability, and ultimately bring overall capital and operating costs lower. Solar is a great example where we have seen solar panel costs come down over time. In battery storage, advancement in materials and material use will drive the timeline. As storage capacity increases, costs will decline, which will accelerate the transition to renewables, especially solar-plus-storage for distributed generation. Improvements in battery technology will also accelerate the transition to electric vehicles, allowing for longer distances between charges and faster charging. Capital being invested in the research and development of hydrogen and carbon sequestration is expanding their use case and bringing the energy-transition timeline forward.

Does the current economic environment affect how investors will think about energy transition?

We are in a challenging economic environment, but there is clear momentum, with economic incentives and an abundance of opportunities to continue to progress efforts that support energy transition. For Fiera Infrastructure, energy and climate infrastructure is a key sector for investment. Rising interest rates and inflation will have an impact on project costs and financing; however, many investments will have contracts or revenue structures that we believe can provide some inflation protection. We continue to see investment opportunities across all energy verticals, and we have a slightly differentiated lens as a long-term investor. We feel our investment approach is well placed to support these types of platforms as they continue to grow. That said, we remain disciplined in this challenging economic environment, with a focus on the fundamentals that drive the risk-return characteristics of these investments. Generally speaking, energy transition is under way, and it is a question of our individual timelines to achieve certain targets with respect to net-zero emissions and carbon neutrality. We believe Fiera Infrastructure is well positioned to continue to accelerate energy transition and to look for appropriate investments at the right time to spur that process along.

So, you're really investing with a long-term view about energy.

These are generational investments. Our power grid exists because generations before us made investments during their lifetimes to support the energy infrastructure we all benefit from today. We have to ask ourselves, "What is reasonable to achieve in a five-year time frame, a 10-year time frame and a 15-year time frame? What technologies may evolve during that time span now that there is a significant amount of capital and focus being applied to different energy verticals?" Then you have to think about energy security, affordability and reliability. We are likely to have more conversations around power and energy in the next decade than in the past 20 or 30 years. We also have to take a multi-dimensional approach to thinking about how to invest in energy transition, and how we get from where we are today to where we all want to be. The answer will be different by country and by region, and by the nature of the resources available. There is no single approach to moving toward a net-zero, carbon-neutral energy footprint. The solution, we believe, will be a combination of strategies together – a patchwork that allows for the diversification you want to have in your energy supply.

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Past performance is not indicative of future results. Inherent in any investment is the risk of loss.

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Brooks Kaufman leads the origination and execution of new investment opportunities and contributes to portfolio and asset management at Fiera Infrastructure. He is based in the United States, where he heads the New York office. Kaufman has more than 25 years of experience in infrastructure investing across various roles in industry, investment banking and principal investment. He has extensive experience in mergers and acquisitions, investment origination, valuation, structuring and execution, along with asset management, board leadership and fundraising.

CORPORATE OVERVIEW

Fiera Infrastructure is a leading global mid-market direct infrastructure investor operating across all subsectors of the infrastructure asset class. Led by a team of highly experienced and specialized professionals, the firm leverages strong global relationships with a local presence in Toronto, London and New York. Its rigorous approach to investment and asset management aligns with its long-term approach. Fiera Infrastructure has assets under management and commitments of C$3.9 billion (US$2.8 billion) as of Sept. 30, 2022. Fiera Infrastructure has invested in more than 50 infrastructure assets across utilities, telecommunications, transportation, renewables and PPPs.

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