

An aerial photograph of a wind farm in a hilly, green landscape. A dirt road winds through the center of the image, with several white wind turbines positioned along its path. The turbines are spaced out, and their shadows are cast on the ground. In the background, more turbines are visible on a ridge, and the terrain continues to rise and fall under a clear sky.

actis

Atlantic Energias
Renováveis
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With some of the best wind resources in the world, a supportive regulatory framework and a growing need for alternative energy sources to its large hydro-electric power generation capacity, Brazil is a highly attractive market for renewable energy investments. Building on the firm's expertise in the energy sector and using its local presence and strong reputation for creating strong, sustainable businesses, Actis invested in Atlantic in 2013. Over the last few years, the company has been transformed into a world-class developer and operator of renewable energy assets.

The opportunity

As the largest energy market in Latin America, Brazil offers an attractive opportunity for renewables investing, particularly given the country's need to address fluctuations in the supply of hydro-electric power. Hydropower currently accounts for around two-thirds of Brazil's energy generation, yet seasonal rainfall patterns present challenges for grid stabilisation. While thermal power has historically been used to supplement hydro sources, wind is increasing in importance, supported by government initiatives to encourage renewable power generation. Wind is highly complementary to hydropower in Brazil because winds are strongest in dry seasons when hydro generation is weakest.

Leveraging our strong local presence and years of experience in the energy sector, in 2013 Actis identified an opportunity to invest in Atlantic, a Brazilian wind energy business. With a proven, replicable strategy of aggregating energy assets into scalable regional platforms, we were able to spot the attractiveness of a business that had 220MW in development and a land bank with 1.4GW of capacity potential but that also faced a number of financial and technical difficulties in moving assets from development stage into operation.

What did we do?

With our investment in 2013, Actis provided much needed capital to fund further development. Our rigorous due diligence process also highlighted a number of priority areas that needed immediate attention. Governance was key among these. Following the investment, Actis put in place a new board of directors, including new senior non-executive directors and established a clear business plan. We also brought senior project management, tax, legal and financial expertise to the company, applying a careful, methodological approach to project development and business improvement. The result was that a year after our investment, 220MW of contracted projects became operational.

Expertise in auction processes was also a key factor in ensuring the development of Atlantic. Within weeks of the initial investment Actis had helped the business secure further growth by winning a power auction, with further wins secured in the intervening period. By early 2017, Atlantic had 650MW of fully operational assets supplying wind power across Brazil.

Environmental, social and governance improvements (ESG) are an integral part of the Actis value creation strategy. In common with all our energy investments, we appointed a Head of ESG at Atlantic shortly after the initial investment and established an ESG sub-committee that reported to the board. The company invests in specialist training for employees and now adheres to more stringent health, safety and environmental standards than those mandated by Brazilian regulators and development finance institutions. Importantly, these extend beyond Atlantic, with contractors and any sub-contractors used by the company required to commit to best practice. Atlantic has also introduced a company-wide balanced scorecard system and an incentive scheme for management to ensure standards are monitored and upheld.

Support from employees and local communities is an important factor in creating sustainable, resilient businesses. At Atlantic, employees receive financial assistance to fund higher education and the local community benefits through a number of engagement programmes, including education for local school children around sustainability and renewable energy, investment to improve access to clean, safe water and healthcare and sponsorship of a number of initiatives designed to help disadvantaged members of the community, such as the Joao Paulo II Child Care Centre.

The business today

Following the acquisition of the company's remaining shares in 2016, Actis now owns 100% of Atlantic. Since our investment, the company has transformed to become one of Brazil's most productive wind power generators with 652MW of fully contracted assets and a reputation for operational excellence and an ability to deliver projects on time. Described as "a jewel" by a leading European investment bank, it has a large inventory of new projects either planned or underway, with many of them adjacent to existing facilities, which will significantly expedite their development.