KEYNOTE INTERVIEW

India's energy transition gains momentum

With India pursuing an aggressive energy transition target, Actis' Abhishek Bansal explains what opportunities this is presenting investors

Growth markets are increasingly becoming a prominent part of the energy transition theme, as investors look to diversify their portfolios. Actis sees growth markets as highly diverse and not homogenous. The firm categorises economies such as India, Brazil, Mexico and South Korea as 'Big Middles' – markets that have substantial financial resources and resilience from domestic savings.

When combined with solid macro performance and fiscal discipline these markets can enable superior economic growth, as in the case of India which, thanks to its sustained and disciplined transition strategies, has become the third-largest infrastructure market in the world, with one of the largest transition programmes and ambitions around renewable energy globally.

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Actis has been operating in India for over 20 years and the firm's team in the country strives to source new and appealing investment opportunities. Abhishek Bansal, partner of energy infrastructure in India, explains the state of play.

Q Within the wider context of the energy transition, why should more investors consider the opportunities presented in growth markets?

We have been investing in infrastructure in growth markets for over 20 years, and our strategy has been very deliberate: to operate in geographies outside of the US and Western Europe. This is because growth markets hold around 85 percent of the world's population but are also relatively underserved by global infrastructure capital markets.

About two-thirds of the world's infrastructure capital actually flows to developed markets, which therefore creates a scarcity of capital elsewhere.

The other thing that makes growth markets attractive, in this context, is the possibility of superior returns. We see strong demand for energy infrastructure and they tend to offer higher risk-adjusted returns compared to developed markets, by as much as anywhere between 4 percent and 5 percent.

As mentioned, the need to invest in energy infrastructure in these markets is higher than more developed countries. India is a prime example, and many people are surprised to learn that the country currently imports almost 85 percent of its energy, which includes a substantial portion of its oil and gas supplies.

For a country like India, energy transition is, therefore, essential in terms of its economy and long-term energy security.

Transitioning its energy arrangements also makes real, financial sense to India as renewable energy is increasingly cost competitive and therefore is becoming an integral part of the country's energy mix.

Q Why is India now emerging as a country of energy transition opportunities when that wasn't always the case?

We have been investing in the country for over 20 years and as one of the largest energy investors, we understand the long-term trajectory of the sector and this area of business.

Private capital infrastructure investors need supportive governments. The Indian government understands that power demand is growing by around 6-7 percent annually and, with a lack of viable alternative sources, has set a target of achieving 500GW of renewable energy per annum by 2030. Today the country has an operating capacity of over 200GW, leaving room for substantial growth in the sector and consequently a large investment opportunity for infrastructure investors.

The Indian government has also supported the sector through a robust regulatory framework which has been in place since 2003 and paved the way for private sector investment in energy markets. This has allowed people to set up power plants and efficiently gain access to the country's national grid.

This network has stood the test of time, ensuring that private power producers are treated fairly through contracts that are typically long-term in nature.

The government actively uses PPAs, offering long-term partnerships that private investors can buy into to bring projects online. That has created an attractive enabling environment. India is one of the few large countries that is still offering long-term PPAs, which is a significant positive.

It is also welcoming investors who are addressing intermittency by allowing hybrid PPAs with wind, solar and

SOURCE: ACTIS

Local presence: boots on the ground at BluPine Energy, Actis's renewable energy platform in India

Q More investment firms are increasing their exposure to India, but what is required to make this work?

With India, a local presence is always a big strength. There are local nuances to navigate such as regulations, financing, backing the right management teams and then working with them closely to execute business plans. To build a power plant in a particular state, investors need to understand the rules and regulations of that specific region and how this fits in at a national level.

Further, an operational mindset is crucial in a growth market such as India – successful investors need a hands on approach when it comes to managing risks related to land, permits, construction and operations.

"[India] has a renewable operating capacity of over 200GW, leaving room for substantial growth and consequently a large investment opportunity for infrastructure investors"

storage to be supplied through the same contract. Our platform, BluPine Energy, is executing such PPAs.

Actis launched BluPine Energy in 2022, committing up to $800 million to the platform, with the ambition of building it up into a renewable energy leader with 4GW of capacity. Since that launch just a few years ago, we have already achieved significant progress in scaling the business, with approximately 3GW reached in contracted capacity.

"India has a very robust grid and is very good at achieving grid integration at the national level"

PPAs have played a key part in this growth, covering utilities as well as commercial and industrial customers, and creating the stable demand required to drive new renewable energy and storage projects.

Additionally, the importance of the grid cannot be overlooked. We all know how important upgraded grid systems are, but in India over the past 20 years the government has invested heavily in that infrastructure. This has enabled power plants to come online throughout the country and operate well without any significant curtailment issues. India has a very robust grid and is very good at achieving grid integration at the national level, which has been critical in preventing curtailment risk.

Q What specific sectors and opportunities within the energy transition have emerged in India as the most promising?

The most exciting investment stories in India are around renewables, largely because of the country's ambition of achieving 500GW in operational capacity by 2030.

At Actis, we invest across various technologies, including solar, wind and storage, which are all very important. We have invested more than $1.5 billion of equity capital into this market in recent years – building and operating over 7GW of renewable energy capacity throughout the country. Our strategy typically sees us create scaled businesses majority-owned by Actis, resulting in three large Indian renewable platforms – two of which we have sold to marquee strategics, ReNew Power and Shell.

One of these was Sprng Energy, a wholly owned platform focused on solar and wind projects to supply power to electricity distribution companies across India. Starting from an initial 330MW, we grew the business to encompass more than 2.1GW of operational renewable energy assets with a further 7.5GW in the pipeline. When Shell bought the business from Actis, it praised the company's ability to generate cash, its excellent team, its development track record as well as the strength of its governance and sustainability credentials.

The fact that we can build these platforms from scratch, backing strong management teams who bring with them great talent, and build them to scale to position them as attractive assets for large global and local investors, is a significant strength for Actis.

Another area we like is transmission. Although India has done a great job in creating its grid, there is substantial room for growth, especially as energy demand continues to build. With more capex required, we expect a significant proportion of this will be awarded to the private sector where we want to play a role.

Q Looking ahead, what do you see 2025 holding for Indian energy transition investments?

We are excited about India as an investment market. It is interesting in terms of the lifecycle of investment environments in our markets. India is a great case study on how a supportive regulatory and political environment can attract more capital.

There will be, in my opinion, PPAs awarded for anywhere between 30GW to 50GW per annum. This will bring ample investment opportunities. In addition, there will be an active M&A market as there are numerous small and medium-sized companies that will look for capital solutions.

Public markets opened up for Indian energy companies meaningfully last year. We are expecting more companies this year to access public markets, opening up new routes to capital for companies, and potentially a new exit route for private investors like us. ■