ENERGY SECURITY AND THE NEW GEOGRAPHY OF POWER

Security, Infrastructure, and the Reallocation of Global Capital

May 2026

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A PART OF GENERAL ATLANTIC

EXECUTIVE SUMMARY

The global energy system is undergoing a structural reallocation of capital, driven by a shift in how governments, corporations, and investors understand the cost of energy dependence.

Electricity demand is rising at a rate not seen in decades, propelled by artificial intelligence, industrial electrification, and population growth. At the same time, a series of geopolitical disruptions have exposed how fragile the fossil fuel supply chain can be when tested. These are not cyclical pressures. Together, they are reshaping how energy systems are built and where capital is deployed.

The response is already visible across every major region. Governments are accelerating investment in domestic generation, grid infrastructure, and supply chain resilience. Capital has followed. Global energy investment reached approximately $3.3 trillion in 2025, with roughly two-thirds now directed toward clean energy.[1] Across geographies and fuel types, the common objective is consistent: reduce exposure to external dependencies and the risks they create.

What we call the New Geography of Power is the result—a sustained shift in global energy investment toward systems that are more domestic, more resilient, and less exposed to disruption. This shift is being driven as much by economics and security as by decarbonization, and it is unfolding across both developed and emerging markets, albeit in different forms.

3.3T

approximate global energy investment in 2025

The New Geography of Power is the result—a sustained shift in global energy investment toward systems that are more domestic, more resilient, and less exposed to disruption.

Five observations define this transition and provide a roadmap for where it is creating investable opportunity:

1. THE ENERGY SYSTEM IS UNDER STRUCTURAL PRESSURE FROM BOTH DEMAND AND SUPPLY.

Successive geopolitical disruptions have exposed systemic vulnerabilities in fossil fuel supply chains, while global electricity demand is growing at the fastest sustained pace in decades, driven by artificial intelligence, industrial electrification, and population growth across both developed and emerging markets. These pressures are converging. Rising demand and constrained supply are forcing a fundamental reconfiguration of how energy is produced, delivered, and secured.

2. THE RISKS OF ENERGY DEPENDENCE ARE NOW FULLY UNDERSTOOD.

Successive shocks have exposed physical, political and economic vulnerabilities in the global energy system. Governments and corporations are responding through a revised approach that recognizes the costs of energy dependence.

3. THE TRANSITION WAS ALREADY UNDERWAY—AND IS ACCELERATING.

Renewables and storage have reached cost parity or better in most markets, with faster deployment timelines and fewer supply constraints. Recent shocks have accelerated a transition that was already economically inevitable.

4. THE OPPORTUNITY IS GLOBAL BUT NOT UNIFORM.

In developed markets, the priority is modernising and hardening existing infrastructure. In emerging markets, the opportunity is the large-scale buildout of new energy platforms where demand growth and infrastructure deficits are greatest.

5. THIS IS A STRUCTURAL SHIFT

Capital is responding to a strategic imperative of reducing dependence and improving resilience, rather than commodity price signals alone. That imperative is structural across policy environments and market cycles.

This reallocation is reshaping both the supply and demand sides of the energy system. It is creating large, differentiated investment opportunities across infrastructure, generation, and the technology layer that enables energy to be produced, managed, and consumed more efficiently.

These opportunities are not uniform. They vary by market, resource availability, infrastructure starting point, and by the nature of demand growth. Yet they are being driven by a common underlying force: the need to reduce the cost and risk of energy dependence.

1 A SYSTEM UNDER STRESS

Energy security has returned to the centre of economic and strategic planning in a way not seen since the 1970s. Three geopolitical shocks in four years have each exposed a different vulnerability in the global fossil fuel supply chain, and the cumulative effect has changed how governments, corporations, and investors think about the risk of energy dependence.

The responses are already visible. Europe has committed hundreds of billions of euros to replacing imported gas with domestic renewable generation. The United States has moved to strengthen its domestic energy position across production, export capacity, and grid infrastructure, emerging as both a more self-sufficient energy economy and a more consequential supplier to energy-dependent nations. Japan and South Korea have launched sovereign-led programmes to reduce import exposure across oil, gas, and power. Across emerging markets in Asia, Latin America, Africa, and the Middle East, governments are building domestic generation capacity at speed, driven by the fiscal and strategic cost of imported fuel dependency.

Russia, the Red Sea, Hormuz: Three Shocks, One Lesson

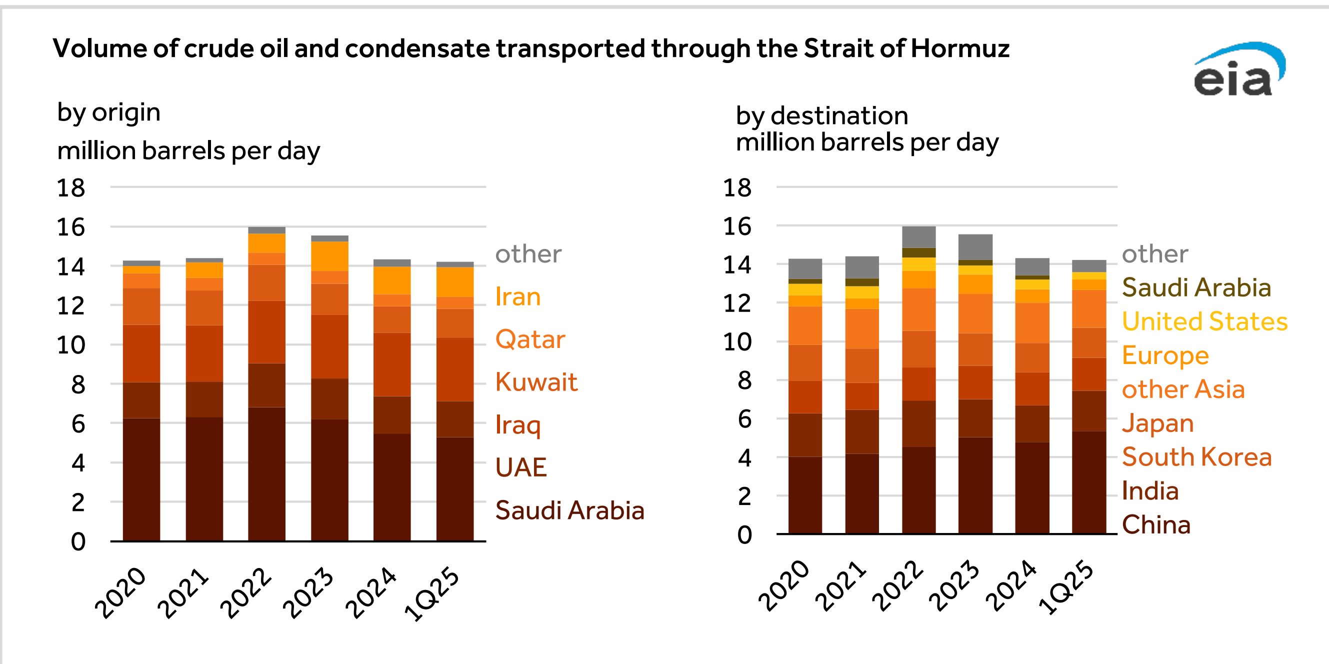
The modern global energy system was built during an era when expanding trade, stable supply relationships, and open transit corridors were often taken for granted. Three events have challenged that assumption.

Before the onset of the Russia-Ukraine war in 2022, Russia supplied roughly 40% of the EU's gas consumption. Reduction in supply and the subsequent price spike cost European governments close to EUR €800 billion in emergency support. The policy response was REPowerEU: 300 billion euros committed, with a binding renewables target of 42.5% by 2030, framed explicitly as energy security policy rather than climate policy.[2]

In late 2023, Houthi attacks on Red Sea shipping demonstrated that a non-state actor could disrupt trade routes carrying 12 to 15% of global maritime trade. Container crossings through the Suez Canal fell up to 90%. Liquefied Natural Gas (LNG) transits fell 73% in a single month.[3]

The 2026 disruption to flows through the Strait of Hormuz, the third shock, is of a different order of magnitude. The Strait typically carries 20 million barrels of oil per day and 20% of global LNG flows. Major producers including Iraq, Kuwait, Qatar, and Bahrain have no alternative export route. When the onset of the Iran conflict led to the closure of the Strait on 28 February 2026, oil prices surged from USD $70 to above USD $120 within three weeks. The IEA and other institutions have described this as the largest dislocation to global energy supply in decades. Reopening the Strait will not restore supply to pre-crisis levels without a long lag. Iranian strikes have severely damaged energy assets in nine producer countries. The IEA estimates that some sites will take six months or longer to return to full operational capacity.[4] Future supply shocks are feasible in supply chokepoints including the Panama Canal, South China Sea and Straits of Malacca.

The Strait of Hormuz is the world's most vulnerable choke point:

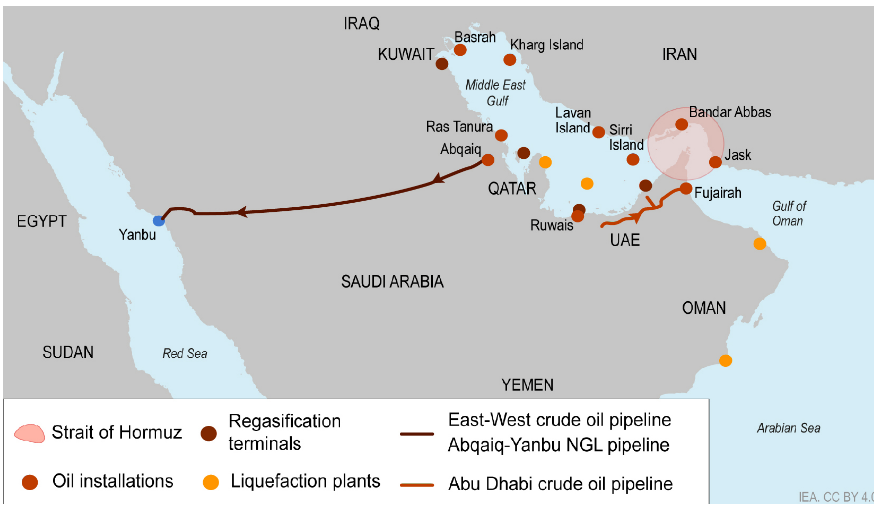


Source with data: Amid regional conflict, the Strait of Hormuz remains critical oil chokepoint - U.S. Energy Information Administration (EIA)

The economic costs have been concrete and widely distributed.

The current conflict in the Middle East reverberates through global economies through energy prices and second-order supply shocks. Modelling from the Dallas Federal Reserve estimates a single-quarter closure would reduce global GDP growth by an annualised 2.9 percentage points in that quarter.[5]

Strait Of Hormuz Alternative Pipeline Routes



Source: https://iea.blob.core.windows.net/assets/a25ddf53-cd6c-4910-ac90-16bfd28399e7/-12MAR2026_OilMarketReport.pdf

For energy-importing emerging markets, the transmission is more acute and policy options more constrained. Governments face a choice between allowing fuel prices to adjust, which drives inflation and forces central banks into a hawkish stance that suppresses growth, or absorbing the cost through subsidies, which contains inflation near-term but widens fiscal and current account deficits simultaneously. Neither path is costless, and both erode with duration as reserves deplete and fiscal space narrows.

In the United States meanwhile, the Hormuz disruption transmitted through gasoline prices, freight costs, agricultural prices and yields, and industrial energy input costs within weeks. The Federal Reserve faces a more complex policy environment as energy-driven inflation complicates the rate path. In Europe, governments that had recently unwound emergency energy support measures from the 2022 shock find themselves under renewed pressure to intervene in energy markets. The political consequences have been immediate: energy security has moved back to the top of the policy agenda.[6]

Energy security has moved back to the top of the policy agenda.

Across regions, Asia, which receives approximately 80% of all oil transiting the Strait of Hormuz, has borne the most acute supply impact. Japan depends on imported fossil fuels for 87% of total energy consumption.

India, South Korea, and Taiwan import between 20–30% of their LNG via the Strait. Attacks on Qatar's Ras Laffan Industrial City, the world's largest LNG facility, eliminated 17% of the country's LNG production for several years. Across the region, countries without adequate reserves or alternative supply routes have faced immediate economic consequences, from emergency fiscal measures to energy rationing.[7] While countries like Japan and Korea have stronger buffers to weather the shock, serious disruptions to fertilizer supply are severely impacting crop production across a wide range of countries.

What Has Changed: A New Definition of Energy Security

In this new paradigm, the countries best positioned are those that enjoy relative energy independence, and policy and investment response it demands varies. In developed markets, the priority is reinforcing and modernising existing infrastructure through grid hardening, transmission investment, and expanding the technology layer that improves resilience and efficiency. In emerging markets, the need is more fundamental: building domestic generation capacity from the ground up in economies where infrastructure deficits are widest and the cost of dependence has been most acute. For investors, both expressions of that response can offer opportunities to earn durable investment returns, rooted in the same underlying imperative.[8] Worldwide, the case for renewables has moved beyond decarbonization to diversification.

"This is the big one. This is the thing that energy security analysts have been worried about forever."

Samantha Gross, Director, Energy Security and Climate Initiative, Brookings Institution, 19 March 2026.

2 THE DEMAND IMPERATIVE

Global electricity demand is growing at the fastest sustained pace in decades. The IEA projects demand will rise at an average annual rate of 3.6% through 2030 - more than twice as fast as overall energy demand - and add the equivalent of the entire European Union's current consumption to the global power system every two years. Across both developed and emerging markets, distinct but reinforcing demand pressures are building simultaneously, and together they define the scale of the supply challenge that capital must address.[9]

2x

global electricity demand is projected to grow more than twice as fast as overall energy demand

In developed markets, the demand picture has changed structurally after nearly fifteen years of stagnation. The United States saw electricity demand rebound to 2% growth in 2024 and it is projected to grow at that pace annually through 2030, with data centres accounting for roughly half the increase. The broader drivers, including industrial re-electrification, electric vehicles, and heat pumps, are reshaping the composition of demand in ways that make it less price-elastic and more predictable than historical patterns. Europe faces a parallel dynamic: industrial energy costs have suppressed consumption in recent years, but underlying electrification of transport and buildings is creating durable baseline demand growth that grid infrastructure was not designed to serve.[10]

In emerging markets, the scale and character of demand growth is categorically different. India's electricity demand is projected to grow at an average 6.4% annually through 2030, driven by industrialization, cooling load, and the electrification of agriculture and transport. Air conditioning alone is expected to account for more than 20% of India's electricity demand growth between 2026 and 2030 as rising incomes and more frequent heatwaves converge. Southeast Asia presents a similar profile at an earlier stage. Sub-Saharan Africa, where approximately 600 million people still lack reliable electricity access, faces a demand growth trajectory the Oxford Institute for Energy Studies estimates will triple by 2040, driven by population growth, urbanization, and economic development. Across these markets, demand is not being added to an existing system but represents, in large part, populations accessing reliable electricity at scale for the first time, and that distinction changes the investment proposition fundamentally.[11]

3 THE NEW GEOGRAPHY OF POWER

A Structural Shift in Global Energy Capital

The reallocation of global energy capital was underway before the first of these shocks arrived. The economics of domestic generation had already shifted. Policy commitments were already accumulating. What the events of the last four years have done is accelerate a transition that was structurally inevitable and make the cost of delay visible in real time.

According to the IEA, total global energy investment reached USD $3.3 trillion in 2025, of which USD $2.2 trillion flowed to clean energy and USD $1.1 trillion to fossil fuels. That two-to-one ratio stood at parity as recently as 2018. The shift is not uniform across fuel types or geographies: natural gas, and particularly liquefied natural gas infrastructure, continues to attract significant capital in markets where it serves as a bridge fuel or a strategic supply alternative. The United States has emerged as the world's largest LNG exporter, with export capacity expanding rapidly as allied economies seek to diversify away from politically exposed supply relationships.[12] That capital is part of the same reallocation toward energy security.

The larger flow is toward renewable generation and the infrastructure that supports it. Net fossil fuel importing countries in emerging and developing markets have accounted for most of the 70% increase in clean energy spending since 2020. Capital has flowed to where security and infrastructure needs appear most acute. But the investment case in developed markets is equally compelling, if differently expressed. In the United States and Europe, the priority is not building new generation from scratch but modernising the grid infrastructure required to absorb new capacity, improve resilience, and meet the surge in electricity demand driven by data centres, AI infrastructure, and industrial electrification. The IEA projects that data centre electricity consumption alone will more than double by 2030, with the sector accounting for roughly half of US electricity demand growth and a material share of growth globally. This is creating a supply gap that exists independently of current or future geopolitical disruption.[13]

$3.3T

total global energy investment in 2025

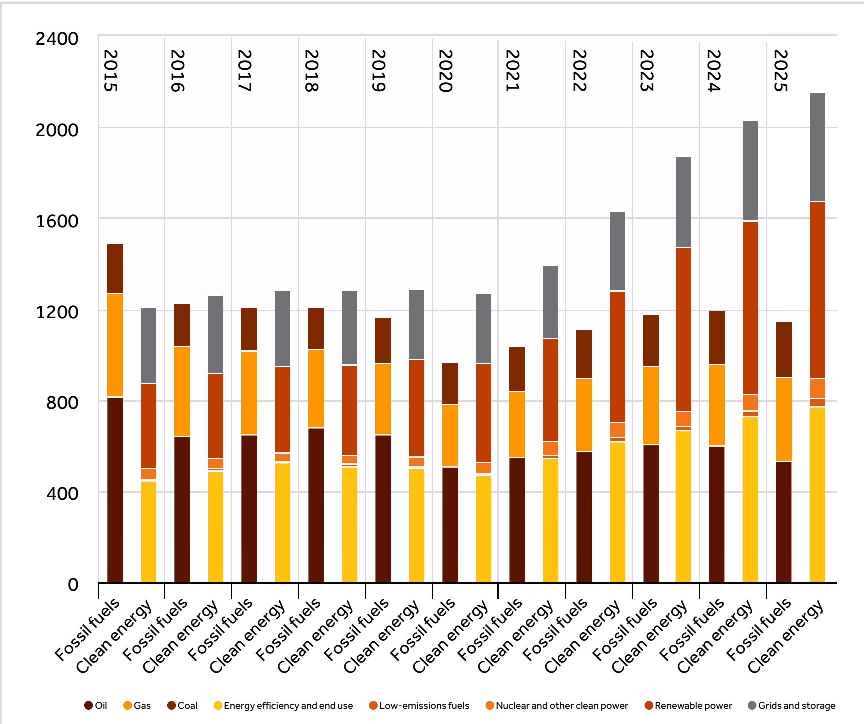
$2.2T

total global renewable energy investment in 2025

2x

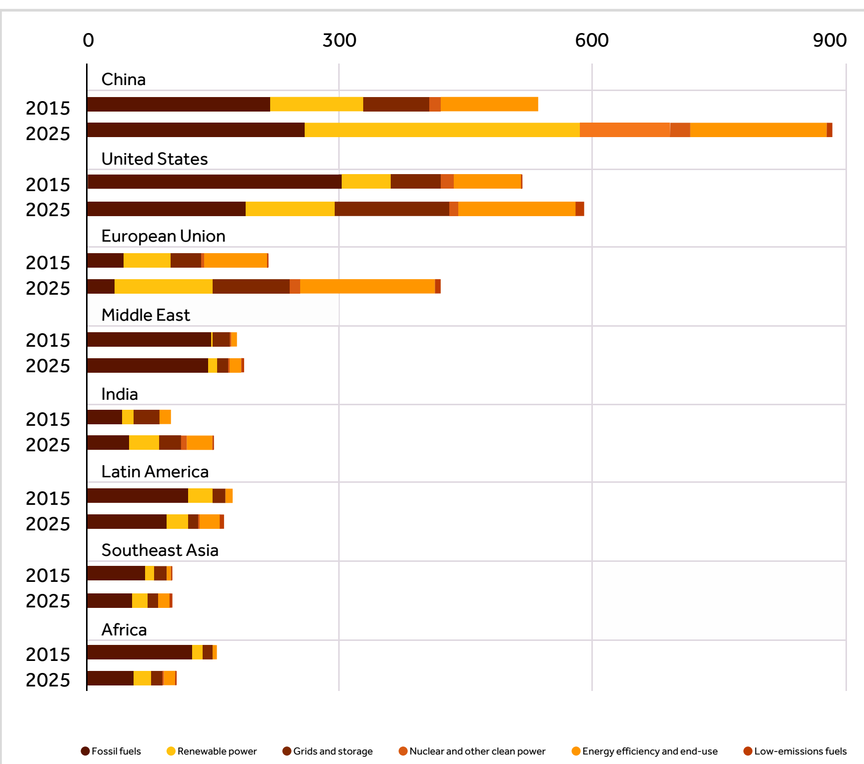
data centre energy consumption by 2030

The Great Reallocation: Global Investment in Clean Energy vs Fossil Fuels, 2015–2025 ($bn)



Source with data: Source: Global investment in clean energy and fossil fuels, 2015-2025 – Charts – Data& Statistics - IEA

Where the Capital Is Moving: Energy Investment by Region and Sector, 2015 vs 2025



Source with data: Source: Energy investment across regions and sectors, 2015 and 2025 – Charts –Data & Statistics - IEA& Statistics - IEA& Statistics - IEA

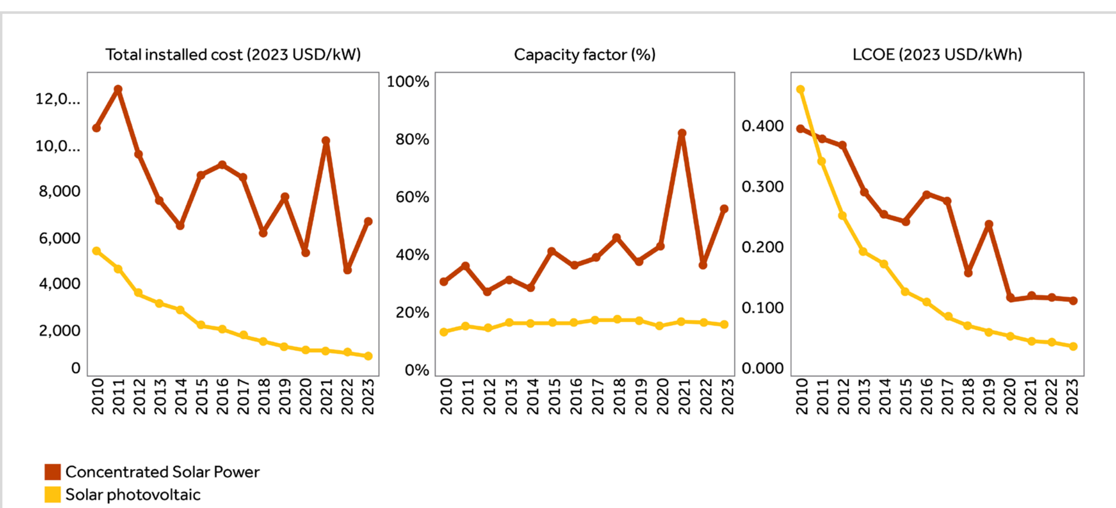
Governments Are Responding At Scale

Behind the capital flows are unprecedented policy commitments. REPowerEU mobilised EUR €300billion with a binding renewables target. Japan, which imports 95% of its crude from the Middle East, instituted its Green Transformation programme that commits one trillion dollars over ten years. India expanded its solar base from less than 3 gigawatts in 2014 to approximately 130 gigawatts in late 2025, a more than fortyfold increase. The European Commission adopted a Clean Energy Investment Strategy on 10 March 2026, which estimates the EU will require EUR €660 billion per year in energy sector investment through 2030, backed by EUR €75 billion euros in EIB financing. In the United States, federal and state-level infrastructure investment has prioritised grid modernisation, transmission capacity, and domestic energy production. Historically, energy security programmes of this scale have largely withstood political transitions due to the strategic importance of domestic production to governments of all political orientations.[14]

The Economics Have Already Shifted

These policy commitments come as the economic fundamentals of renewable energy have outpaced those of fossil fuels. Solar PV's levelised cost of energy fell from USD $417 per megawatt hour in 2010 to USD $43 in 2024, a 90% decline. Onshore wind fell from USD $108 to USD $34. Ninety-one percent of renewable capacity commissioned in 2024 was cheaper than the cheapest fossil fuel alternative. Pakistan's domestic solar capacity has pre-empted an estimated USD $12 billion in fossil fuel imports. Analysts estimate that each additional gigawatt could displace USD $3 billion at elevated price levels during supply disruptions.[15]

The Cost Revolution: Levelised Cost of Renewable Electricity, 2010–2024 ($/MWh)



Source: BloombergNEF

Speed and Scalability: Why Deployment Is Accelerating

Renewable capacity is also faster to deliver than conventional alternatives. Utility-scale solar farms can be completed in as little as three to twenty-four months, while onshore wind typically takes six months to three years. By contrast, gas turbines—sourced from only three global manufacturers—now carry lead times of five or more years. Nuclear projects are longer still, with a median construction period of nine to ten years. The global solar manufacturing supply chain has no equivalent bottleneck: annual production capacity reached 1 terawatt in 2024, three times actual deployment.[16]

The economics of renewables are now established globally, but the deployment gap — the difference between what exists and what is needed — is global in scope.

Storage Solves Intermittency

The most common objection to a renewable-heavy energy system is intermittency. Battery energy storage is now a commercial scale solution. The global cost of a four-hour utility-scale battery storage project fell 27% year-on-year to USD $78 per megawatt hour in 2025. At these prices, utility-scale solar paired with battery storage is a reliable, cost-competitive alternative to gas peaking capacity in most countries. The economics continue to improve: the energy storage market is projected to grow at a 23% compound annual rate through 2035, with utility-scale applications expanding twelvefold. While lithium iron phosphate batteries dominate current deployment, the technology pipeline is advancing rapidly. Sodium-ion batteries, which substitute abundant sodium for lithium at comparable efficiency, are approaching commercial readiness. Solid-state, iron-air, and redox flow batteries offer pathways to long-duration storage beyond eight hours, demonstrating that intermittency is an engineering problem that capital and manufacturing scale are solving in real time. The economics of renewables are now established globally, but the deployment gap — the difference between what exists and what is needed — is global in scope.[17]

China's Strategic Calculus

China's energy transformation is perhaps the clearest example to date of the global reallocation to domestic sources of energy. While media and political narratives often frame the country's policy shift as environmental ambition or industrial strategy, concerns over energy dependence are its main catalyst. China imports 11.1 million barrels of oil per day, representing 74% of its consumption. The majority transits the Strait of Malacca, a passage it does not control. Former President Hu Jintao named this the Malacca Dilemma in 2003. Current President Xi Jinping referenced energy security in at least 180 speeches and official activities between 2013 and 2024.[18] In 2024 alone, China added 277 gigawatts of solar and 80 gigawatts of wind capacity, more than the rest of the world combined. The same year, its cumulative wind and solar capacity achieved the country's 2030 target six years early by reaching 1.4 terawatts, representing nearly half of global capacity. China's comparative insulation from the Hormuz disruption is the product of deliberate substitution of domestic energy for imported fuel alongside prudent stockpiling of strategic reserves.[19]

Who Follows China

If this disruption comes to be remembered as a pivotal moment in the shift toward an electrostate era, China's renewables strategy of the last decade will be emblematic of this shift. Countries now experiencing the acute impact of Hormuz-dependent energy supply chains such as India, Indonesia and the Philippines will be asking whether they have the tools, the capital, and the partners to follow in China's footsteps at an accelerated pace.[20]

4 THE GEOGRAPHY OF OPPORTUNITY

The Deployment Gap is Global

The imperative to reduce energy dependence is driving investment across developed and emerging economies. The form that investment takes differs but the scale of the opportunity does not.

Developed Markets: Modernization and Resilience

In developed markets, the investment case rests on three converging pressures: resilience, capacity, and affordability. In the United States, electricity demand is rising at a rate not seen in decades, driven by data centres, AI infrastructure, and industrial electrification.[21] That demand is structural and independent of any policy environment. The grid as currently configured cannot meet it: transmission constraints, ageing infrastructure, and insufficient storage capacity are already producing reliability problems in key markets.[22] High energy costs are simultaneously exerting real pressure on industrial competitiveness and household affordability, creating economic incentives for efficiency and domestic generation investment that exist regardless of the regulatory backdrop.[23] Europe faces an equivalent set of pressures. Industrial energy costs have materially weakened the continent's competitive position, and the investment requirement to address generation capacity, grid modernisation, and storage is estimated at EUR €660 billion per year through 2030.[24] The opportunity in these markets is the technology, services, and infrastructure layer that makes generation capacity deliverable, dispatchable, resilient, and affordable: grid software, transmission infrastructure, demand management, and storage integration. The drivers are economic and structural. Policy accelerates them but does not create them.

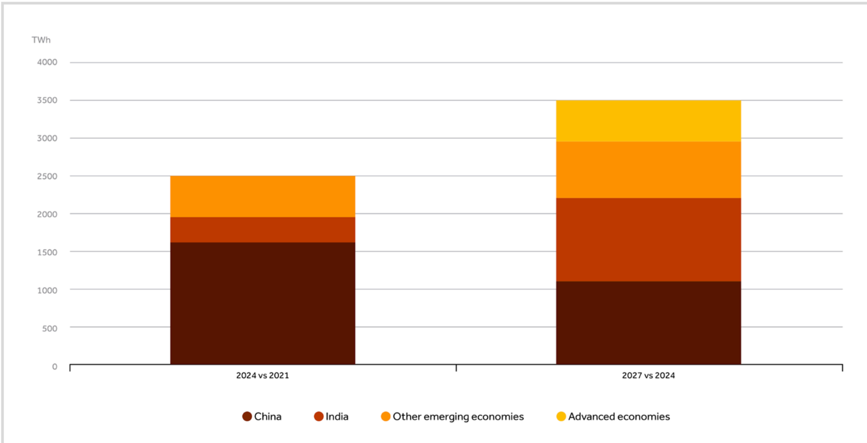
€660B

estimated investment requirement per year through 2030 to address European generation capacity, grid modernisation, and storage requirements

Emerging Markets: De Novo Platform Buildout

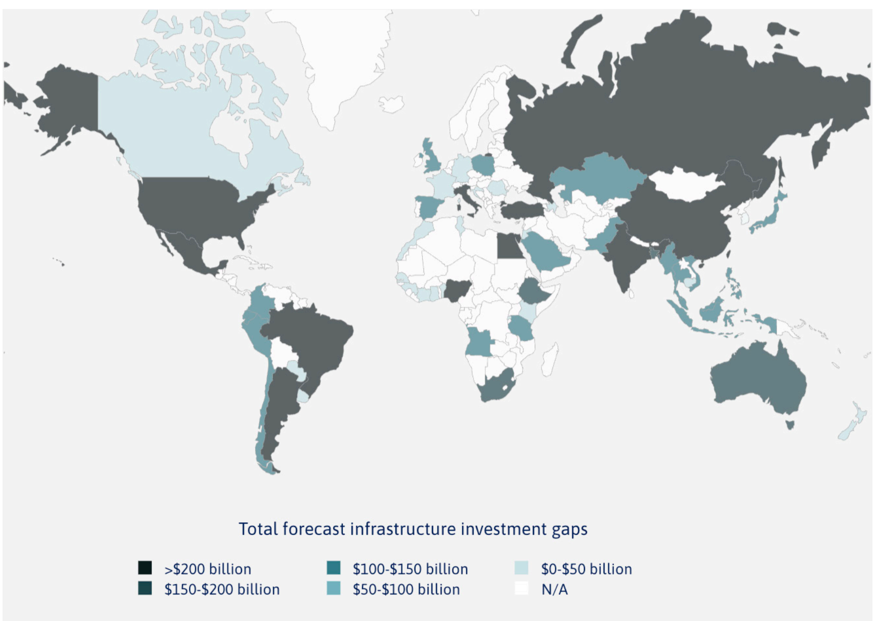
The most significant de novo platform building opportunities are in emerging markets, where the need is greatest, the economics most compelling, and the deployment potential most substantial. What these markets tend to share is a dependence on imported energy, rapidly-growing demand, abundant renewable resources, and an infrastructure investment gap.

Where Demand Is Growing: Emerging Market Share of Global Electricity Demand Growth, 2024–2027



Source: https://www.iea.org/reports/electricity-2025/executive-summaryinvestment across regions and sectors, 2015 and 2025 – Charts –Data & Statistics - IEA& Statistics - IEA& Statistics - IEA

Total Forecast Infrastructure Investment Gaps



Source with data: Global Infrastructure Outlook - A G20 INITIATIVEStatistics - IEA& Statistics - IEA& Statistics - IEA

Asia

ASIA is where we see the two layers of the domestic energy transition converging most powerfully. The region contains the world's fastest-growing electricity markets, the deepest fossil fuel import dependencies, and the largest gap between existing infrastructure and projected demand. The IEA projects that emerging and developing economies will account for around 85% of global electricity demand growth through 2027, with China, India, and Southeast Asia the principal drivers. In our view, the Hormuz disruption has converted a long-term planning consideration into an immediate strategic priority.[25]

85%

of global electricity demand growth through 2027 will come from emerging and developing economies, according to the IEA

INDIA will likely see an immediate impact. The country imports approximately 85% of its oil. When the Hormuz disruption struck, it had approximately 25 days of strategic crude reserves. Prior to this, India had committed itself to building domestic generation at scale. It added 45 gigawatts of solar in 2025, crossed 150 gigawatts of cumulative installed solar capacity in early 2026, and has targeted 500 gigawatts of non-fossil fuel capacity by 2030.[26]


Nagercoil, India


Bangkok, Thailand


Hokkaido, Japan

SOUTHEAST ASIA presents a similar backdrop but at an earlier stage in development. Indonesia's Ministry of Energy estimates it has a technical solar potential of more than 3 terawatts compared to its roughly 90 gigawatts of total installed generation capacity, and the government has launched a 100-gigawatt solar programme to begin closing the gap. Vietnam's Amended Power Development Plan 8, approved in April 2025, raised its offshore wind target to 6–17 gigawatts by 2030–2035, up from the original 6 gigawatts by 2030. Thailand is accelerating utility-scale solar and storage deployment. These are markets where the gap between what exists and what is needed is vast, the policy direction is increasingly clear, and the capital required to close the gap represents a generational infrastructure opportunity.

JAPAN AND SOUTH KOREA, among the world's most energy-import-dependent advanced economies, are accelerating their transitions in direct response to the Hormuz disruption. Japan's Green Transformation programme commits USD $1 trillion over ten years. South Korea's emergency energy contingency measures have reopened a national debate about the pace of renewable deployment. Both countries' policy shifts are creating spillover demand for renewable capacity, supply chain investment, and grid infrastructure across the broader Asian region.

Central and Eastern Europe

Central and Eastern Europe (CEE) is one of the fastest-moving renewable deployment markets on the continent. The policy response has been decisive: REPowerEU's binding target of 42.5% renewables by 2030, backed by the European Commission's Clean Energy Investment Strategy requiring EUR €660 billion per year in energy sector investment, has created a regulatory framework explicitly designed to replace imported fossil fuel dependency with domestic generation. CEE markets combine strong onshore wind and solar resources with EU-backed procurement structures, grid modernisation needs, and a political urgency that has survived multiple election cycles.

Latin America

Latin America combines outstanding solar and wind resources with increasingly mature regulatory frameworks. Brazil, Chile, and Colombia have among the world's most developed renewable auction systems. Chile's Atacama Desert can deliver in excess of 2.5 megawatt hours of solar power per square metre annually, among the highest irradiation recorded anywhere.[27] Meanwhile, Mexico and Peru face energy security pressures sharpened by the Hormuz disruption.[28]

Middle East

Gulf producers are simultaneously the world's largest fossil fuel exporters and increasingly significant renewable investors. Every megawatt-hour generated domestically from solar is a barrel exported at world prices rather than consumed at subsidised domestic rates. Saudi Arabia's auction prices have reached USD $10.4 per megawatt hour; the UAE's USD $13.5.[29]

Africa

Africa holds 60% of the world's best solar resources but has received just 2% of global renewable investment over the last twenty years. Approximately 580 million people in Sub-Saharan Africa lack electricity access. Solar power is already structurally cheaper than the off-grid diesel-powered solutions still ubiquitous today across the region. The combination of population growth, severe generation deficit, and the fiscal pressure of imported diesel creates what we see as a demand expansion opportunity that is truly global in significance.[30]

5 WHAT THIS MEANS FOR CAPITAL

The Reallocation is Structural

The convergence of security, economic, and structural demand pressures across both developed and emerging markets defines an investment environment that is, in our view, qualitatively different from prior eras. While the Hormuz disruption has brought these existing dynamics into sharp relief, we believe they will outlast it.

The convergence of security, economic, and structural demand pressures across both developed and emerging markets defines an investment environment that is, in our view, qualitatively different from prior eras.

We expect the Strait to eventually reopen and oil prices to moderate. But the cumulative experience of three major supply disruptions, each targeting a different vulnerability in the global fossil fuel supply chain, has produced something more durable than a price cycle. Unlike 1973 or 1979, alternatives to fossil fuel dependence now exist at cost parity, at sufficient scale, and with deployment timelines that make them immediately actionable. The question governments and investors are asking is no longer whether to act. It is how quickly capital and expertise can be mobilised.

The opportunity this creates is global but takes distinct forms. In developed markets, it is expressed through grid modernisation, transmission investment, storage integration, and the technology and services layer that makes existing infrastructure more resilient, more efficient, and more affordable. The demand drivers are structural and the investment requirement is large. In emerging markets, the opportunity is de novo platform buildout: new generation capacity in economies where the infrastructure deficit is widest, demand growth is fastest, and the strategic motivation to build domestic generation has rarely been more acute. Both expressions require patient, operationally capable capital with deep market knowledge. Neither is well served by capital that is simply following the policy signal.

The conventional framework for energy risk focuses on political and regulatory uncertainty. That framework remains relevant but now sits alongside a different calculation. Where domestic energy production has become an economic imperative, a government's motivation to honour long-term energy contracts is reinforced by its strategic dependence on the energy those assets produce. That dynamic applies in emerging markets where energy security is existential, and increasingly in developed markets where affordability and reliability have become politically non-negotiable.

The firms best positioned to capture this opportunity are those that can operate across the full complexity it presents: building infrastructure in markets with idiosyncratic regulatory frameworks, navigating financing structures designed for specific risk profiles, and bringing the operational expertise required to translate policy intent into working infrastructure at speed. But supply-side expertise alone is not sufficient.

The energy transition is also reshaping the demand side of the equation, producing a new layer of software, analytics, and technology businesses that determine how energy is consumed, optimised, and managed across industrial, commercial, and digital infrastructure. Understanding how that demand evolves, what technologies are winning, and how the supply and demand sides interact is increasingly what separates capital that can underwrite the full opportunity from capital that can only see part of it. The energy security imperative has expanded the addressable market for that combined capability and redefined where and how value will be created.[31]

ABOUT ACTIS: LOCALS, NOT TOURISTS

Actis, the sustainable infrastructure business of General Atlantic, has operated in the markets at the centre of this paper, across Asia, Latin America, Central and Eastern Europe, the Middle East, and Africa, for over two decades. In that time, the firm has built or operated 42 gigawatts of power generation across 39 countries.

These are the markets that have felt the cost of fossil fuel dependence most acutely across each successive crisis. They are also the markets with the greatest renewable resource endowments, the most acute demand growth, and the largest gap between what the energy system provides and what a growing economy needs. The firm's competitive position rests on the depth of the relationships, regulatory knowledge, and institutional experience that two decades of on-the-ground presence has built, through multiple political cycles, commodity cycles, and crises. Those relationships cannot be replicated quickly by investors arriving in the wake of a crisis.

The world is looking for partners who can turn the energy security imperative into operating infrastructure. That is not a new capability to build. It is what Actis has been doing since before the imperative was this urgent.

This paper is for informational purposes only and does not constitute investment advice or a solicitation to invest.

Actis is one of the world's largest and longest-standing sustainable infrastructure investors. Transforming infrastructure for a better tomorrow.

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Endnotes

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