EXPERT COMMENTARY

The energy transition in growth markets is all about rapidly adding cheap, reliable power to boost security, drive competitiveness and meet surging demand, writes Actis's Alberto Estefan

Prioritising energy security, addition and competitiveness

In developed markets, the phrase "energy transition" is often framed as a substitution story: old molecules out, new electrons in. In growth markets, the reality is more urgent and more practical. It is not principally about replacing one stable system with another and then decarbonising. Rather, it is about building enough power, quickly enough, cheaply enough and reliably enough to meet fast-rising demand – as well as decarbonising. In that context, energy transition often means energy security, addition and competitiveness before it means anything else.

That distinction matters. Growth markets are where most of the world's energy demand growth is taking place, yet they remain underallocated by global infrastructure capital. These economies account for 85 percent of global electricity demand growth through 2027, while attracting only a fraction of global clean energy investment. That mismatch is not simply a capital-markets curiosity. It is the reason some of the most consequential energy infrastructure opportunities in the world now sit in renewables outside developed markets.

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Why renewables in growth markets matter

Growth markets need more power. Demand is being lifted simultaneously by industrialisation, urbanisation, digitalisation and rising incomes and development. Across Asia, Latin America, Central and Eastern Europe, the Middle East and Africa, the challenge is whether supply can keep pace. And the truth is that in many of these markets, clean power is increasingly the most economical way to meet that demand. This is the real strategic inflection point.

Renewables are no longer compelling only because they produce lower carbon. We believe they are compelling because they are often the cheapest, fastest and most scalable form of new generation.

This is what we call the "Power 1.0" thesis: once renewables, battery

storage and ancillary services become system-scale and bankable, the energy transition stops being aspirational and becomes investable. The economics begin to lead the politics, not the other way around.

And this is particularly the case now that the levelised cost of electricity is cheaper than fossil fuel alternatives for over 90 percent of new renewable projects and with BESS costs having fallen 93 percent since 2010.

This matters even more when oil and gas markets are volatile. Growth markets can find themselves more exposed to fuel-price shocks, dependence on imported hydrocarbons and foreign-exchange pressure than mature economies. That means domestic renewable generation does more than lower emissions. It reduces import dependence, improves resilience and gives governments and industrial customers greater visibility over future power costs.

In other words, renewables are not only a climate solution. They are a sovereignty and competitiveness solution, and are increasingly being seen as such. Our view is that domestic renewable power is the most viable energy security solution available in many growth markets.

This is why growth markets are so central to the next phase of the global energy transition – they are where the marginal unit of demand is being created. In these markets, "transition" means expanding power systems in a smarter way: adding generation that is cleaner, lower-cost and better aligned with long-term industrial growth. That makes the opportunity structurally different from much of the developed world.

For investors, that creates a particularly attractive dynamic. The supply-demand gap is large. The need is essential. The service provided is non-discretionary. And where policy frameworks are credible and routes to market are bankable, the result can be highly durable, contracted cashflow.

"Renewables are not only a climate solution. They are a sovereignty and competitiveness solution"

This latter point is crucial because growth markets should not be treated as a homogeneous risk bucket. There are 80-plus growth markets, but Actis does not invest just anywhere. We are careful about market selection and choose to go to markets with strong records of private investment, where structural demand growth, supply scarcity, and supportive regulatory and legal frameworks create the conditions to build scaled, resilient and quality platforms.

Actis's recent Orygen investment and exit, in Peru, offers an instructive case study as to what this looks like in practice and the role that renewables play in a real-world growth market context.

A case study from Peru

Actis's investment in Orygen demonstrates how value creation in growth markets increasingly sits at the intersection of energy security, commercial optimisation and renewables-led growth.

Actis launched Orygen in 2024 following the acquisition of Enel's stake in Enel Generación Perú, carving out and repositioning the business as an independent power producer focused on delivering reliable and cleaner power to Peru's growing economy. The seller engaged bilaterally with Actis given our knowledge and credibility in these markets and, therefore, our ability to move fast.

The platform that Actis exited in March 2026 was Peru's second-largest power generation business, with 2.3GW of installed capacity diversified across wind and solar, hydro and thermal gas assets. That diversity matters. In growth markets, reliability is not optional. Dispatchability, hydro variability and industrial load requirements should not be ignored – they are key to energy security.

Orygen's portfolio shows the opposite approach: renewables scaled within a broader generation mix able to serve the market's need for dependable power. This is what a practical transition and energy security can look like – it is system-aware.

What made Orygen particularly compelling was not only the scale of its installed base, but the strategic role of renewables within it. During Actis's ownership, Orygen delivered Wayra 2, a 177MW wind farm. The company also began construction of the 100MWp Wayra Solar project and advanced its development pipeline, while establishing itself as the largest renewables portfolio in Peru.

That leadership was not cosmetic. It became a source of commercial strength in a market where cleaner power is increasingly relevant to customer demand.

Orygen also illustrates an important but sometimes overlooked point about energy value creation: generation ownership is only part of the story. Commercial capability matters just as much.

Over the 12 months prior to exit, Orygen sourced more than 1.7TWh of renewable power from third-party developers. That strengthened its offering to commercial and industrial

customers, while supporting offtakes and re-contracting in a way that could facilitate greater renewable penetration in Peru for years to come. In markets where corporate buyers increasingly want cleaner, more price-stable power, that kind of commercial architecture helps accelerate the transition beyond the company's own balance sheet.

This is especially significant in Peru, where wind and solar accounted for less than 6 percent of Peru's electricity generation sources as of 2023. At the same time, Peru's electricity demand is expected to keep growing, driven in large part by industrial and mining activity. That combination makes renewable build-out commercially and strategically important.

In a market where mining is economically central and power-intensive, cleaner electricity is not just a sustainability preference; it is becoming part of industrial competitiveness in a context where decarbonisation increasingly matters, especially for mineral export markets like the EU (which has introduced the EU Carbon Border Adjustment Mechanism).

We think that helps explain why Orygen was well positioned with commercial and industrial clients. Peru's industrial base, particularly mining, needs reliable power at scale. A platform with a diversified generation fleet, growing renewable capacity, strong contracting capability and a visible renewables pipeline is naturally attractive in that environment.

Orygen also advanced a development pipeline of around 1GW under Actis's ownership. In a market starting from relatively low non-conventional renewable penetration, that pipeline is not just future option value; it is strategic relevance. It gives the business growth visibility, enhances customer proposition and underpins scarcity value at exit.

Just as importantly, the Orygen story demonstrates that sophisticated investors can move quickly in growth markets, create value and exit with conviction. Actis held the business for less than two years but delivered its business plan in full. The firm wasn't intending to sell but was approached by Grupo Romero and an exit agreement was signed in six weeks.

Over our ownership period, we completed the carve-out, repositioned the business, strengthened management, delivered renewable projects, sourced additional renewable power, optimised the capital structure (by issuing a $1.2 billion 10-year investment-grade bond in international capital markets with a 5.746 percent yield) and crystallised value through an accelerated exit. That is a powerful proof point.

Where the market is deep enough and the platform is built properly, realised capital can be returned at speed. The right renewables platforms in the right growth markets offer just this possibility.

> *"In many of these markets, clean power is increasingly the most economical way to meet demand"*

Lessons to draw

In growth markets, we believe renewables increasingly win not just because they are "green", but because they are useful. They add capacity, lower costs and can be scaled rapidly. This has been made all the more obvious by events this year that have restricted natural gas supplies and resulted in significant price increases.

But it was also true beforehand. Solar paired with storage, for example, has emerged as the most scalable alternative precisely because it bypasses the gas turbine supply bottleneck (which has been ongoing for a number of years now) and can be delivered faster.

Moreover, these clean power technologies support industrial customers seeking cleaner electricity. And in the case of Orygen, when combined with hydro, flexible gas and increasingly BESS, they can form part of a firm, resilient and commercially bankable power system.

Battery storage is rapidly changing the transition equation. Solar plus storage is already becoming one of the cheapest and most available technology combinations in many growth markets. Battery storage addresses intermittency, improves load matching and makes hybrid contracting more viable. For many countries, that means the pathway is no longer from coal to gas to renewables in neat sequence. It is increasingly possible to move more directly towards integrated renewable-and-storage systems capable of delivering cleaner firm power.

That is the real significance of the energy transition and security in growth markets. It is not an abstract narrative. It is a practical build-out story rooted in economics, reliability and growth. The markets driving the world's future electricity demand are looking for abundant, affordable and secure power. Increasingly, renewables, backed by storage and intelligent system design, are the best answer to that need.

The transition, in other words, is not slowing growth markets down. It is powering them forward. ■

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