

A one-stop shop for investments in Europe's energy transition

While often considered two separate investment models, French firm Omnes Capital sees no contradiction between private equity and infrastructure. Managing partner **Serge Savasta** explains the group's unique approach

Q How has Omnes Capital approached infrastructure investment?

SS: We were a pioneer in the European energy transition sector with the launch of our first €109 million renewable energy fund in 2006. Twelve years later, we have become a leader in this field managing €1.2 billion across a number of vehicles that invest in renewable energy throughout Europe. In 2015, we expanded our investment scope to real estate through the launch of a €100m fund dedicated to public and private sector green buildings.

If there is one thing that makes us stand out from other managers in the infrastructure space, it is that, instead of searching for specific assets, we try first and foremost to create partnerships with entrepreneurs who are leading players in their field. Over the years, these partnerships have taken the forms of joint ventures, infrastructure platforms or equity investments in developers and power producers themselves.

For example, we were there at the very beginning when Neoen started out as a developer in 2009. Today, the company has become one of the world's leading IPPs with more than 1GW operating across four continents. We also manage a 1.3GW wind and solar PV portfolio on behalf of an institutional investor in partnership with Engie, one of the largest util-

ity companies worldwide and particularly active in the energy transition.

At the end of the day, the aim is always to help our partners to build up new installed capacity and establish themselves as leaders in the energy transition. A quality partnership leads to quality assets.

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Q Omnes's wider private equity business has invested in several non-renewable energy assets that could be classed as infrastructure, such as telecoms and data storage. Why has Omnes not pursued a more general infrastructure approach?

SS: Omnes is a €3.6 billion platform with multi-sector venture- and growth-capital

franchises which are complementary to our infrastructure business.

As far as our infrastructure investment team is concerned, we have always believed there is an advantage in being a pure player and to focus on what we know best: being a one-stop shop for both entrepreneurs and investors in the European energy transition. In addition to renewable energy and green building, we believe there are plenty of investment opportunities left to address in the energy transition. We are only at the beginning.

Q What precipitated Omnes's decision to begin investing in green buildings in 2015?

SS: Just a few years ago, the market was not yet ready for this type of investment. In 2014, we began to see there could be a way to build energy-efficient buildings with competitive economics and a real attractiveness in comparison with traditional buildings. As we realised there would be a path towards the development of a very promising business model which would not be reliant on subsidies, we decided, together with the fund's sponsor Pro BTP, to create Construction Energie Plus, a fund dedicated to energy-efficient public and private real estate. To us, it does not matter if a building is publicly or privately owned. The asset is similar and has the same effect on energy transition.

Q Omnes's renewable energy portfolio covers assets across the onshore wind, solar, hydropower and heating sectors and is situated in several European countries. What does the company look for before deciding to invest in an asset?

SS: As mentioned, we first look at the partner and then at the asset. In our view, the partnership needs to have a potential for a medium- to long-term build-up strategy and be resilient enough to weather changing market conditions.



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This requires a certain amount of trust in the partner and flexibility concerning the investment strategy.

In terms of long-term value creation, we believe that the project needs to count and be accepted on a local level – in the cities and territories we work in. If our investors benefit from an infrastructure asset, so should local stakeholders. In this respect, investing in greenfield assets obviously has several advantages – since you can be involved in this process from the very beginning and create value locally for decades. We also believe that we have only scratched the surface of value creation in terms of improving assets' industrial performance and taking advantage of economies of scale. In the green buildings sector, reconstruction of old buildings is also a way to accelerate the emergence of sustainable cities and create value and quality of life at the local level.

Q As a manager, what risks are you prepared to take?

SS: In our view, the key to risk management is to think in terms of portfolio diversification. We want our partnerships, our investments to be complementary in terms of geography, technology and maturity. We think these considerations are much more important than making relatively artificial distinctions between “private equity” or “pure infrastructure” investments.

We also know that no investor is able to anticipate every single risk factor in a fast-changing market. Our partnership approach has a real benefit in that our industrial partners help us to constantly challenge old assumptions about where the real risks and sources of value creation lie.

Q How have you seen the market change since Omnes began investing in 2006?

SS: We have seen many changes but in our view, three stand out.

First, the European market is experi-



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encing a historical shift due to the competitiveness of renewables. This is leading to the phasing out of subsidies, which in turn puts a premium on industrial excellence when developing and operating assets. Hence, we focus on the quality of the industrial partner. This shift is a real opportunity because the only way to succeed in the long run is to be free of government support.

Second, European renewable energy developers have started to expand their activities to other continents. Our portfolio company Neoen is a good example. While European subsidies were plentiful, this was not necessary. Now, in a more mature and crowded market, succeeding abroad in new markets is the key for many such players to remain independent. We

aim to accompany our European partners into other markets even more actively in future.

Third, the European energy transition is deepening and shifting to the local level. The decentralisation of energy production through competitive solar PV, storage, heat applications and energy efficiency is now a reality and is accelerating. Similar trends are occurring in mobility. This is going to generate massive investments. It also provides a real opportunity for Europe's regions, territories and cities to move to the forefront of the energy transition. And our private and public partners are going to play a real role in this.

We think this paradigm change will open up numerous venues for institutional investors to get actively involved in supporting the energy transition.

Q ESG is very complementary to your strategy, in addition to being in high demand in the investment community. What role does it play in Omnes's private equity and infrastructure strategy?

SS: ESG is inherent to our business and is something we have always been active in, in particular through our focus on local stakeholders and our investment strategy based on long-term partnerships. But we understood a few years ago that we needed to more actively emphasise what we were doing in terms of ESG. To us, ESG is more about investment ethics rather than communication. In 2016, our Capenergie 3 fund received the new Energy and Ecological Transition for the Climate label from the French government, due to a systematic measurement of the environmental performance of its investments. ■

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