

Financial investors stick to renewables

Private equity manager Helmut Vorndran is certain: The renewable energy sector remain a good investment field, despite the setbacks in the solar business. Offshore wind farms will have a key role in this.

hpa. FRANKFURT 22, August. Everybody is talking about the energy turnaround – also private equity investors. Even horror stories from the solar industry and all the difficulties with the construction of German offshore wind farms do not change this. “I am firmly convinced that renewable energy is an attractive investment and will remain so“, says Helmut Vorndran, who has been investing in the sector for years with his own private equity firm Vorndran Mannheims Capital (formerly Ventizz). This also applies to German offshore wind farms, whose development Vorndran has recently started to promote together with Hochtief, the construction group.

Since February this year, they run the joint venture Hochtief Offshore Development Solutions, a project development company, which is supposed to develop several North Sea Park to the construction phase. Five fields are so far indentified, on which wind turbines with a total capacity of 2 gigawatts are to be built. Vorndran certainly knows the great difficulties: the financial problems of grid operator Tennet, the unresolved liability issues and the lack of networks for the transmission of electricity to southern Germany. “But off-shore power is fundamental to the success of the energy turnaround“, he says. “Therefore, it cannot be that the whole thing fails because Tennet lacks 15 billion Euro in capital“. Either the state or private investors have to provide the capital, he says. "Such start-up mechanisms must be in place in order to build an industry.“

The joint venture with Hochtief will be very profitable, he announces - even by the standards of financial investors. Hochtief currently has a key position in the offshore business - the group has two of the coveted installer ships in service, a third is to be added soon. However, the sale of finished developed offshore wind farms is not to taken for granted. As the tedious sale the three Gode wind farms by PNE Wind has recently shown. "The fact that Dong Energy Group now has bought these parks is good news for the entire wind industry," says Vorndran.

Renewable energy, but also environmental technologies (clean tech) are currently in high favor of financial investors and its funders. Between desire and reality there remains a gap in the private equity world as well. Fewer than 3 percent of total investments of financial investors in Germany in the first half were in the clean tech sector - corresponding to just 42 million Euro. There is still a lack of big takeover targets compared to the established industries. In addition the failure of the German solar industry which meant losses even for experienced financial investors has made people more careful.

Vorndran had sold the solar cell manufacturer Ersol to Bosch realizing a high return. The solar panel company Sovello on other hand filed for insolvency in May. “Sovello has disappointed us,“ Vorndran admits. “But who would have thought that the solar industry

would reach a point when the Chinese bring their huge overcapacity to our market at dumping prices.” The performance of other companies in the portfolio has more than made up for the Sovello losses. But Vorndran won't invest in the photovoltaic industry until “the competitive environment functions according to market rules again.”

But that is unlikely to happen soon. Nevertheless solar energy remains interesting elsewhere. Vorndran is convinced, that large solar thermal power plants, as seen in Spain and America, and increasingly also in India and South Africa will be a future market. Crucial for the investor, also in the field of renewable energy to diversify the portfolio, said Vorndran. His most recent fund has a volume of 475 million Euro.

A similar view is taken by former Olivetti Manager Nino Tronchetti Provera who started to invest into the environmental and renewable energy sector four years ago with his investment company Ambienta and a 217 million Euro fund. He argues that the rapid growth of the world's population and their consumption needs has lead to a massive increase in the usage of raw materials. 'This can only be compensated through significantly higher resource productivity as well as the increased usage of renewable energies', Provera is convinced. Eight investments have been done with his first fund already, the next fund shall become significantly larger. “We invest in really good businesses that are successful internationally', he said.