

Ridgewood Infrastructure

The energy transition

Opportunities for investment and meeting ESG goals

Drew Campbell, Institutional Real Estate, Inc.'s senior editor, *Institutional Investing in Infrastructure*, spoke recently with **Michael Albrecht**, managing partner of Ridgewood Infrastructure. Following is an excerpt of that conversation.

Will the recently passed Inflation Reduction Act (IRA) have a positive impact on the energy transition in the United States?

I believe the Inflation Reduction Act (IRA) will absolutely have a positive impact on the energy transition in the United States. It establishes several new incentive mechanisms for investors in renewable power, energy efficiency, and other related assets and businesses. It will also catalyze significant investment in state-of-the-art manufacturing and workforce development, which is constructive for the energy-transition space as a whole.

All that said, there remains significant uncertainty about how the IRA will be implemented. We are tracking this very closely. But, importantly, our investments at Ridgewood Infrastructure do not rely on subsidies or government incentives – any benefits from programs that stem from the IRA would represent upside potential in our investments.

Beyond economics, there are important societal implications of the IRA. We are seeing that the legislation has inspired many stakeholders and market participants to take hard looks at what they can be doing to make their assets and communities more sustainable. This is particularly evident in the commercial and industrial (C&I) market, where building and facilities owners are increasingly turning their attention to energy efficiency.

Can you give an example of one of Ridgewood's portfolio companies in the energy-efficiency marketplace?

Ecosave is a high-growth company that owns energy-efficiency infrastructure serving customers in the C&I market. It provides turnkey energy-efficiency solutions, including energy audits, as well as the installation, ongoing maintenance, monitoring and financing of underlying energy-efficiency infrastructure. Ecosave's customers enjoy multiple benefits, including decarbonization and material energy-consumption reduction. These benefits translate into decreases in energy spending and capital expenditure avoidance.

What makes the energy transition attractive for investment?

Energy transition is a key theme Ridgewood has focused on for some time. At a high level, we find it attractive to create value for investors through investments that are aligned with our values.

With that backdrop, we like to focus our efforts on investing in markets that are large, dynamic and highly fragmented. This describes the energy transition to a T.

“*Water infrastructure represents a huge opportunity to implement our ESG and sustainability goals given the historic underinvestment in the industry; for example, every day in the United States, more than 6 billion gallons of treated water is lost through leaks and pipes.*”

Going back to Ecosave, the C&I energy-efficiency market opportunity is greater than \$60 billion. There are millions of building and facility owners, and the U.S. Environmental Protection Agency has stated the average building in the United States wastes 30 percent of the energy it consumes. Many of these potential customers have never even considered completing an energy-efficiency audit and related infrastructure upgrades. Against this backdrop, we are scaling Ecosave to provide ESG and profit and loss benefits in key geographies across the United States.

Many of these opportunities are at the smaller end of the market, which is exactly where Ridgewood is focused. And, within the energy transition, we are focused on

investing in essential and mission-critical infrastructure under long-term agreements with escalators that provide inflation risk mitigation. That really is critical for us as we think about Ridgewood's investment strategy.

What other subsectors can benefit from Ridgewood's focus on ESG?

Water infrastructure represents a huge opportunity to implement our ESG and sustainability goals, given the historic underinvestment in the industry; for example, every day in the United States more than 6 billion gallons of treated water is lost through leaks. That is enough to fill 9,000 Olympic-size swimming pools. The underinvestment is only getting worse with federal funding for water infrastructure declining. This creates an opportunity for the private sector to contribute to the solution of rebuilding America's water infrastructure and materially enhancing ESG in the industry. Ridgewood's current water investments have benefited from our leadership, given our experience and focus on ESG and sustainability; for example, we have implemented a proactive pipe replacement program at Undine, our regulated water utility investment, which has led to a material decline in water losses. This benefits the environment and our customers by providing them with increased service levels at affordable pricing. Instead of having significant loss of water through the distribution system, our water resources are getting all the way to end users.

Can you provide an example of a recent water-focused investment?

One of our recent investments is Environmental Infrastructure Partners, or EIP. EIP installs and owns water and other sustainability infrastructure, including smart water meters, water treatment plants and water conservation infrastructure. EIP is working in the Southeast with a very large, growing city, installing approximately 50,000 smart water meters under long-term contract. This provides Ridgewood with attractive noncorrelated cash flow from an investment-grade offtaker, which is the focus of our investment strategy, while also providing that city with significant ESG benefits. These smart water meters reduce carbon dioxide emissions by changing the traditional approach of meter readers driving vehicles, and more accurately locates pipeline leaks due to their enhanced technology. They also provide customers with more timely information about water consumption, allowing them to make more informed decisions about their water usage, which ultimately benefits the environment. EIP continues to bring these solutions to communities across the country and has completed a number of similar projects. We view the combination of these ESG benefits as an attractive element of EIP's investment profile and another great example of how Ridgewood creates value for investors through investments that are aligned with our values.

CONTRIBUTOR

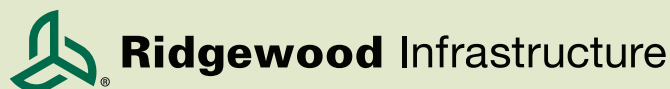


Michael Albrecht
Managing Partner
Ridgewood Infrastructure

As managing partner of Ridgewood Infrastructure, Michael Albrecht brings significant investment experience in infrastructure and real assets. Prior to Ridgewood, Albrecht served as acting global head of infrastructure and real assets for Allstate Investments, where he was also direct investments head and the sole representative of the Private Asset Group on Allstate Investments' risk management credit committee. Prior to Allstate Investments, he was a senior acquisitions officer at JPMorgan Investment Management.

CORPORATE OVERVIEW

Ridgewood Infrastructure invests in essential infrastructure in the U.S. lower-middle market. We originate investments that provide essential services to customers and employ responsible and operationally focused initiatives to enhance value. Through this strategy, Ridgewood focuses on creating beneficial outcomes for stakeholders with investments that generate long-term, high-quality, noncorrelated cash flows.



CORPORATE CONTACT

Sam Lissner | Principal | Ridgewood Infrastructure
 34 East 51st Street, 9th Floor, New York, NY 10022
 +1 (212) 867-0050 | slissner@ridgewoodinfrastructure.com

This article presents the author's opinions reflecting current market conditions. It has been written for informational and educational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product. © 2023 Institutional Real Estate, Inc.