KEYNOTE INTERVIEW

Focusing on the fundamentals

The future of the energy transition will be shaped by economics as much as by policy, says Ridgewood Infrastructure's Sam Lissner

The uncertainty created by President Donald Trump's policy stance on the energy transition means it is more important than ever that infrastructure investors focus on the fundamentals, underwriting businesses based on economic viability, essentiality and contractual or recurring revenues, not just on regulatory support.

Viewed through this lens, energy transition investment in the US remains extremely attractive. Demand for power is growing, reversing historical trends, and customers are increasingly prioritising resiliency and cost. Companies within the broadest definition of the energy transition that can lower costs, while providing flexible and reliable access to energy, will succeed regardless of the wider political or macro environment, explains Sam Lissner, partner at Ridgewood Infrastructure.

SPONSOR
RIDGEWOOD INFRASTRUCTURE

Q How would you define energy transition and how does it fit within a broader infrastructure investment framework?

Energy transition includes the infrastructure that supports cleaner, more efficient and more resilient energy systems, including but not limited to distributed generation, storage, energy management, electrification and efficiency solutions, as well as the technologies that help businesses and consumers use power more intelligently.

Within our investment framework, energy transition is one of several sectors we focus on as part of a diversified infrastructure portfolio. That's an important distinction because we're not approaching the theme in isolation. Rather, we're looking at it through the same lens we apply across the infrastructure asset class more broadly: essential service provision, inelastic demand, downside protection and opportunities for operationally driven value creation.

That framework matters because many of the most compelling

opportunities that exist within the energy transition are tied to essential needs. Businesses and communities need reliable power, they need lower energy costs and they need more resilient systems. We therefore focus on opportunities where the energy transition intersects with critical infrastructure and where the value proposition is grounded in economics and service quality.

Q Where are you seeing the most interesting opportunities to invest in the energy transition in terms of sector?

We're particularly interested in those sectors where the customer value proposition is both immediate and measurable. That includes renewable power generation and storage, smart metering, micro-grids and energy efficiency infrastructure. What ties these areas together is the fact that they help end users to reduce costs, improve reliability and better manage their energy usage.

For example, energy efficiency has the potential to deliver immediate economic benefit to customers. Investments in building automation, lighting, HVAC optimisation and related solutions can reduce operating expenses while also improving the quality and performance of underlying assets. In that sense, efficiency is one of the most practical expressions of the energy transition.

We also see attractive opportunities in infrastructure that supports decentralisation and resiliency. As power demand increases and grid pressures become more visible, customers are looking for solutions that provide greater control over their energy usage and continuity of service. That creates a strong backdrop for distributed infrastructure such as micro-grids and other on-site or localised energy solutions.

Q How is the current policy environment in the US impacting the energy transition and how are infrastructure investors able to respond?

There's clearly been a shift in the policy environment in the US, including efforts by the Trump administration to roll back or create uncertainty around parts of the Inflation Reduction Act as well as a more critical posture towards some renewable sectors, most notably offshore wind. At the same time, electricity prices have continued to rise.

As infrastructure investors, we remain anchored in fundamentals. We underwrite businesses based on economic viability, customer need and contractual or recurring revenue characteristics, not on the assumption of a supportive policy regime.

In that respect, the current environment reinforces the importance of selectivity. The most resilient businesses are the ones helping customers reduce energy costs, improve efficiency and secure more reliable energy solutions. Importantly, that demand can remain strong even when policy support becomes less predictable.

We're seeing that play out in practice. Businesses focused on efficiency, distributed infrastructure and long-term contracted energy solutions continue to have strong underlying demand because they address practical customer needs in a higher-cost power environment.

Q Where are you seeing the most interesting opportunities in terms of investment strategy or style?

We see the most attractive opportunities as platforms with contracted or recurring revenue, mission-critical offerings and clear operational levers for value creation.

That means we look for companies where demand is underpinned by necessity and where customers are buying a solution because it makes economic and operational sense. We also look for opportunities where there's room to professionalise the business, improve processes, expand commercial capabilities and create scale.

Q What does this look like in practice in different areas of the energy transition?

MN8 Energy, for example, is a renewable energy and storage company with a substantial base of long-term contracted assets, as well as a significant growth pipeline. The investment reflects our preference for platforms that combine essential infrastructure characteristics with predictable cash flows and opportunities to scale over time.

Another example is Environmental Infrastructure Partners. The company owns long-term contracted smart water meters, micro-grids and EV chargers, among other sustainable infrastructure assets. What's attractive about that model is the combination of contractual visibility, essential functionality and exposure to multiple areas of demand including municipalities, universities, schools and hospitals, within the broader energy transition.

There's huge need within this so-called MUSH market to replace, renew and enhance infrastructure that provides essential services, while helping these organisations to meet their sustainable infrastructure goals.

Finally, I would point to Ecosave, which represents a different, but equally important, part of the energy transition opportunity set. The business focuses on energy efficiency infrastructure, including building automation, lighting and HVAC-related solutions. Its customers are seeking lower energy costs and improved operational performance, which makes the value proposition highly tangible.

Across all three of these examples, the businesses that we've invested in are providing infrastructure solutions that support reliability, efficiency and cost reduction.

Q What role does the energy transition play in infrastructure assets that are not directly involved in the transition itself?

This is a very important point, because the energy transition is relevant well beyond assets that would be explicitly categorised as energy transition investments.

In our view, every infrastructure business should be evaluating energy consumption, efficiency and resiliency as part of its operating model. We systematically assess energy conservation opportunities across our portfolio, including in businesses that aren't directly involved in the energy transition. The goal is straightforward. We seek to identify ways to reduce energy usage, lower operating costs and thereby improve asset performance.

That can take many forms, from equipment upgrades and controls optimisation to process changes and broader efficiency initiatives. These efforts can drive greater profitability in the short term by reducing cost structures, while also enhancing long-term value through improved sustainability, better asset quality and stronger competitive positioning.

"We see the most attractive opportunities as platforms with contracted or recurring revenue, mission-critical offerings and clear operational levers for value creation"

"When companies can lower costs, improve reliability and create more flexible energy systems, adoption tends to persist even through shifts in the political or macro environment"

Q How optimistic are you about the future of the energy transition and the role of infrastructure investors in it?

We remain constructive on the long-term outlook for the energy transition. The path may not be linear, and the pace will inevitably vary by sector and geography, but the underlying drivers remain compelling. Power demand is growing. Customers are also increasingly focused on resiliency and cost control, while businesses continue to look for practical ways to operate more efficiently.

That's why we think the future of the energy transition will be shaped as much by economics as by policy. When companies can lower costs, improve reliability and create more flexible energy systems, adoption tends to persist even through shifts in the political or macro environment.

Infrastructure investors have an important role to play because many of these opportunities require targeted capital, operational expertise and a focus on building durable businesses. The opportunity is not simply to finance the transition, but to help professionalise and scale companies while providing critical solutions within it.

From our perspective, that's where the greatest value lies: investing in essential infrastructure businesses that can perform today, while also contributing to a more efficient and resilient energy system over the long term.■