

Transformation of the energy industry needs rapid investment

Luxembourg, 7 April 2022 – The war in Ukraine has caused huge leaps in energy prices. Tight supply is meeting steady demand, and as a result, prices are rising. In the medium term, relief is only possible through equally rapid investment. “This requires mobilising private capital quickly”, said Daniel Knoblach, Board Member at FAIR ALPHA. But there are limits, of course – and new opportunities.

Not only is an expansion of renewable energies necessary but “the entire energy industry, including infrastructure, needs to be transformed”, according to Knoblach. “This requires enormous amounts of money, but above all fast decision-making.” In fact, on two fronts: permit procedures for the construction of wind farms and solar parks must be accelerated, but also for power lines. “The ‘Easter package’ presented by the Ministry of Economics is a good start in this direction”, said Knoblach.

In addition, however, funding for the planned and eventually more rapidly approved projects must be made available quickly as well. “To date, we have experienced situations where funding had been waiting for projects”, Knoblach pointed out. “Soon, we may well see projects that are waiting for funding.” In addition, particularly institutional investors are looking for investment opportunities that will generate a solid return over the long term but frequently, even approved projects do not translate into investable securities as quickly as desired. “The permit procedures continue to take a very long time”, said Knoblach. To avoid running into shortages, all avenues should be pursued early on.

“We are currently seeing strong demand for energy investments”, Knoblach highlighted. “Be it as a Luxembourg fund or a Luxembourg securitisation, both options are in high demand right now.” In terms of launching speed, securitisations have the edge.

On the other hand, the market ensures that existing resources are optimally distributed. “Buying energy on the stock exchange independently or even trading with energy is a key task for many companies at the moment”, according to Knoblach. Energy supply is important as is the aspect of distribution: “Many businesses with long-running supply contracts or future energy supplies are now selling off parts of them at a profit. Such trading strategies, aiming to balance the interests between supply and demand, are also frequently securitised at present”, Knoblach said. Overall, the energy market has become a new focus for investment.

More at www.fair-alpha.org.

About FAIR ALPHA

FAIR ALPHA offers financial market solutions for (semi-)institutional investors and asset managers through its subsidiaries. Investment ideas and trading strategies are implemented in investable and custodial securities. In addition, the company pursues digital approaches, which focus on creating and issuing crypto assets (tokens) that are held in specific wallets. With the help of customised issuance vehicles, structures are created that exclude issuer risk.

In each case, FAIR ALPHA assumes the entire value creation process ranging from product set-up to administration and ongoing life cycle management.

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