



EXPERT INSIGHT



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Renewable Energy – The Investment Opportunity in Asia

Over US\$530 billion was spent on new energy generation capacity in 2021, and it is expected that renewables will account for 70% of that figure – a significant increase in recent years, establishing renewable energy as an asset class in its own right.

Despite such encouraging growth, more needs to be done to help ensure this compelling market reaches its full impact potential. Significant energy investment resulting from sound, enabling policy frameworks is critical to accelerate the global energy transformation and to achieve climate and development targets.

Nowhere is this more pertinent than Asia as the continent's share of global energy consumption is set to grow from 34% today to over 50%¹ in the next twenty

years due to population and economic growth. Without drastically increased amounts of capital invested in renewable energy and sustainable infrastructure assets, progress made to date across Asia will quickly become undermined.

The latest UN Intergovernmental Panel on Climate Change ([IPCC](#)) report highlights the breadth and depth of climate change impact. The message is clear: the adverse impact on the climate is far more widespread and severe across the world than previously

documented, especially for developing regions. It explicitly states that climate change is caused by humans. In fact, the UN Secretary General, Antonio Guterres, has said “fossil fuels are a dead end”.

Case Study - India

India has witnessed unprecedented growth in the renewable sector over the past decade, rivalling capacity additions anywhere in the world. The growth has been supported by large amounts of both domestic and global capital. The Institute for Energy Economics and Financial Analysis (IEEFA)², notes critical factors for sustained financing include lenders adapting to the evolving renewable market, a dedicated infrastructure finance bank, careful evaluation and financial structuring of the technological shift towards Indian modules and inverters, and perhaps most importantly - attracting environment-focused investors. India is already nine years ahead of schedule on its COP21 (Paris Summit 2015) commitment to achieve 40% installed electricity capacity from non-fossil sources by 2030. Furthermore, the UN Environment Program's Emission Gap Report has

declared India as the only major country to be on track to achieve its targets set out in the Paris climate agreement.

At COP26, Indian Prime Minister Narendra Modi declared that India will increase its non-fossil energy capacity to 500 GW by 2030 and the country will meet 50% of its energy requirements from renewable energy by 2030. Of this 500 GW, solar installations have the lion's share of 60% (280 GW) requiring ~25 GW of solar installation per annum for the next nine years.

Renewable energy cost advantages

As well as the overarching environmental incentive, the financial benefits of renewable energy are increasingly clear. It is already significantly cheaper than any new electricity capacity based on fossil fuels, according to a recent report by IRENA³. The research shows that more than half of the renewable capacity added in 2019 achieved significantly lower power costs than the cheapest new coal plants, thanks to new technologies, economies of scale, increasingly competitive supply chains and growing developer experience.



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Without **drastically increased amounts of capital invested in renewable energy and sustainable infrastructure assets**, progress made to date across Asia will quickly become undermined.

¹ WEF - [Supercharging public-private efforts in the race to net-zero and climate resilience](#)

² IEEFA - [Renewable Energy Financing Landscape in India](#)

³ International Renewable Energy Agency - [Renewable Power Generation Costs in 2019](#)

In the decade from 2010, for example, the cost of producing utility-scale solar PV power has plummeted by 82%. Meanwhile, onshore wind (39%) and offshore wind (29%) technologies have also benefitted from significantly decreased costs.

The investment opportunity

Asia already has a big role in the renewable energy investment boom – more than US\$42 billion has been invested in India's renewable energy sector since 2014. New investment in clean energy in the country reached US\$11.1 billion in 2018⁴. Economic growth and the rapidly increasing urbanised populations across Asian countries have driven a considerable increase in demand for energy and electricity across the region. Figures from the IMF show that whilst the G7 nations collectively grew by 40% over the last 20 years, the 30 countries which together comprise 'Emerging & Developing Asia' expanded by an astonishing 325%: more than quadrupling their GDP over the period.

There are significant success stories in the energy transition. As noted, India, has shown the intent and commitment to balance growth and environmental considerations whilst developing a more resilient renewable energy infrastructure. This is not a subsidy-dependent sector, unlike the early development of European renewable energy projects.

Despite strong government backing in

many countries however, the development of renewable energy projects elsewhere in the region remains an expensive proposition. Due to their capital-intensive nature, a large funding gap is the main barrier to developing renewable energy projects.

The fact remains that Asia is already a major and growing contributor to global greenhouse gas emissions, and the region's sustainable and green development pathway is crucial for achieving the Paris Agreement objectives. As the returns and stability that government commitment brings become more recognised globally, we see this as an opportunity.

With surging oil and gas prices across the world, investors also need to find solutions to shelter their portfolios from surging inflation which is where renewable investment trusts can play a leading role. Renewable energy cash flows are usually derived from a combination of long-term fixed-price contracts and index-linked energy prices, which makes them uniquely responsive to inflation. Unlike other assets, this link is relatively direct and transparent, as well as legally-enshrined.

Investors now have an opportunity to commit capital to support emerging market countries embarking on the transition path the world desperately needs, while protecting themselves from the current headwinds traditional equity/bond portfolios are facing today.

⁴India Brand Equity Foundation - [Renewable Energy Industry in India](#)

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