

***A Conversation about Financing the Energy Transition with
John W. Geissinger and Stephen M. Liberatore***



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Mr. Geissinger: It seems to me that without significant changes to the electrical generation infrastructure, not the least of which is the grid itself, a low-carbon future hardly seems possible. How can the capital markets help facilitate the necessary transition of the energy infrastructure?

Mr. Liberatore: Through a variety of different capital and financing structures. We're seeing attractive opportunities in various markets to invest directly in projects that are helping to improve the quality of the electric grid around the world.

Mr. Geissinger: And how about the development of renewable energy sources for this improved grid?

Mr. Liberatore: A wide variety of issuers are coming to the public fixed income market with securities designed to fund the development of wind, solar, geothermal, and hydro projects.

An upgraded grid will be able to accept more of those projects, which will help to change the overall makeup of the electric transmission and generation ecosystem more quickly.

Mr. Geissinger: Doesn't a move of this sort suggest big changes can be affected with little cost to the consumer?

Mr. Liberatore: That's exactly right. One of the great things about solar and wind, specifically, is that they are technologies. There are no fuel costs associated with these renewables. As a technology, they tend to follow more of what we would call Moore's law for semiconductors — the more that you invest, the cheaper and the more efficient the product becomes for the average consumer.



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Mr. Geissinger: Can we assume that impact financing can be designed for all sorts of projects?

Mr. Liberatore: Absolutely. The key going forward is to make everything as template-like as possible in design so that the public market can scale it. This type of process will lead to continued evolution and continued improvement from an environmental perspective.

Mr. Geissinger: As part of all this, do you think the markets are finally starting to acknowledge how important the environment is to society’s well-being?

Mr. Liberatore: I can say with certainty that we’re seeing much more opportunity to make what we would call true sustainability investments, where there are both societal and environmental outcomes associated with the transaction. I believe we’re getting to a place with renewable energy where we’ll soon see positive externalities like lower price and cleaner delivery.

Mr. Geissinger: Can you share with us how some of the financing you’ve been looking at are assisting the transition in developing economies?

Mr. Liberatore: Historically, investors have tended to avoid the emerging space given concerns around governance, quality of accounting, quality of rule of law, and things of that nature. When we are looking at an impact investment, however, we’re looking specifically at the use of proceeds for that transaction and ensuring that there’s measurability around how that capital is being deployed.

I'd say there's real opportunity for the capital markets to enhance and support energy transition in the emerging markets.

Mr. Geissinger: Given they're pursuing non-economic outcomes associated with society and the environment, how can we be sure we're getting a competitive rate of return on these investments?

Mr. Liberatore: It's all about the investment thesis. When we look at these types of projects, there's an understanding that the declining costs of renewable power, coupled with a great need for additional renewable energy, should build upon itself.

The fact is, if we don't generate excess return and we don't set up these structures to generate return, we're never going to be able to finance all of the things this transition is demanding. A lot of it comes down to a willingness to look at things that are a little more complicated and a little more difficult and identify where they could work.

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