PE Hub

By: Craig McGlashan
PUBLISHED: 17 Janaury, 2023

FEATURED

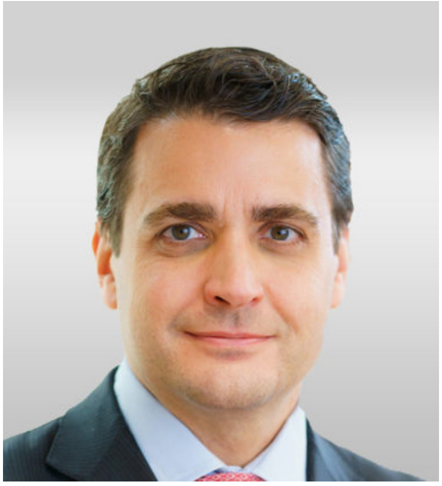
Blackstone's Juergen Pinker: Opportunity to invest $100bn in energy transition in next decade

As the largest owner of commercial real estate globally, we see huge synergy potential with Esdec to drive business and develop value,' said Pinker of the rooftop solar mounting system provider.

Blackstone is the latest private equity firm to take part in PE Hub Europe's Q&A series on the outlook for 2023 and look back at the year just gone.

Juergen Pinker, senior managing director, talks specifically about the energy transition, including his firm's strategic investment in Esdec, a provider of mounting systems for rooftop solar.

New York-headquartered Blackstone has $951 billion of assets under management, with $283 billion of that in its private equity strategy.



Juergen Pinker, Blackstone

Q What were the highlights of your dealmaking in 2022?

We're focused on the decarbonisation of the global economy and believe it represents a strong opportunity for investors because of the sheer breadth and scale of capital required to address the challenge. We've spent considerable time thinking about how to invest behind solar growth since it's commercially viable to generate clean, affordable energy at scale through rooftop solar. That's why our strategic investment in Esdec – a leading global Netherlands-based provider of the mission-critical mounting systems for rooftop solar, the equipment securing solar panels in place – most definitely stands out as a highlight.

Global penetration remains low across the US and European markets, with rooftop solar only powering around 6 percent of European residential, commercial and industrial buildings. Increasing uptake won't be possible without ramping up production of the mounting systems and so in Esdec we saw an industry leader with decades of future growth potential.

Q What was the biggest challenge to completing deals in 2022?

Last year was challenging across the board, given market turbulence. In the second half of 2022, financial sponsor M&A activity fell to its lowest six-monthly total since the first half of 2013, caused by volatility in the financing markets as well as a mis-match between buyers' and sellers' expectations. When financing is generally tougher, it makes transactions harder.

At times, it takes creativity to get a deal done in an uncertain environment – take Blackstone's acquisition of Emerson's climate technologies business as an example. This was a landmark transaction for the firm and testament to our ability to deliver capital solutions to business even in difficult economic environments.

Q How has private equity adapted to the increased demand for sustainable investments in recent years?

The energy transition presents a huge opportunity for investors – flexible capital and the ability to deploy it at scale are essential to funding decarbonisation, which is now top of mind for many businesses all over the globe.

2022's legacy as the year of the energy crisis, combined with supply chain issues and the fragility it exposed, continues to act as a catalyst for further investment in low-carbon energy sources. The need for energy security means countries all over the world are looking to increase sustainable domestic energy production – which in turn creates investing opportunities.

Blackstone's portfolio company Transmission Developers, which is working to deliver clean energy to New York City from Canada via a 339-mile underground electric transmission line, is a case in point. In the process, the new line is expected to reduce New York City's CO_2 emissions by an average of about 3.9 million tons per year. This is equivalent to removing about 44 percent of passenger vehicles from New York City.

Q What will be the most important trends affecting your dealmaking in 2023?

We are currently experiencing the realignment of valuations away from peak market levels back to historical norm, so the deal environment will remain slower, and we expect a somewhat choppy first half – but even with this dislocated M&A backdrop, there will be opportunities to get things done. Blackstone has navigated multiple periods of dislocation and our business model is made for times like this, with long-term, locked up capital and scale advantage.

Climate change and energy consumption are both megatrends that can't be ignored. As a firm, we see an opportunity to invest $100 billion in energy transition and climate change solutions over the next decade. Advances in technology – combined with broad levels of stakeholder support on a global scale – will ensure momentum around this continues to build.

We search for businesses with mission-critical customer propositions and pricing power, which is particularly important in this inflationary environment. We also thoroughly analyse the resilience of a target's supply chain in due diligence given the ongoing disruptions to global trade flows.

Q What's keeping you up at night?

The scale of the climate challenge that is driving the energy transition is unprecedented and requires a concerted effort from all parties involved to make a meaningful impact to global emission levels and global warming. Governments, companies, investors and customers need to come together and take the long-term view that we all need to contribute towards a sustainable future, and that we and future generations will all be better off for it.

Q What are you looking forward to most in 2023?

Growing Esdec as the latest addition to our European portfolio! As the largest owner of commercial real estate globally, we see huge synergy potential with Esdec to drive business and develop value. Our mission is to help the company grow, both organically and through bolt-on M&A – we recently completed on the acquisition of the market leader for solar rooftop mountings in Spain, Sunfer. And there is an attractive pipeline of targets to further globalise the business.

Even though the industry is likely to face continued challenges in the year ahead, there will also be opportunities in the energy transition space – we're going to need a lot of new energy, power generation and transmission in order to affect this transition, and that is an exciting opportunity to get behind.

Editor's note: PE Hub Europe's Q&As with private equity industry leaders will continue to appear throughout January.