

# KEYNOTE INTERVIEW

## A port in a storm



*Shrugging off the market uncertainty, investor appetite for clean energy investment remains discerning but strong, says Quinbrook's [David Scaysbrook](#)*

There has been no let-up in energy transition investment opportunities, even with US President Donald Trump's vocal opprobrium against the decarbonisation agenda. The rapid proliferation of hyperscale data centres in the US means that this year will likely be a record for solar and battery deployment, despite the president's policy stance.

Notably, Australia is also deemed to be an increasingly attractive market for energy transition investment, particularly as it relates to the decarbonisation of industry. Perhaps the most exciting development on the horizon, however, is the rapid technological improvements taking place in battery storage, coupled with dramatic reductions in cost,

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explains David Scaysbrook, co-founder and managing partner at Quinbrook.

**Q How are shifting policy environments impacting capital allocation decisions around the energy transition?**

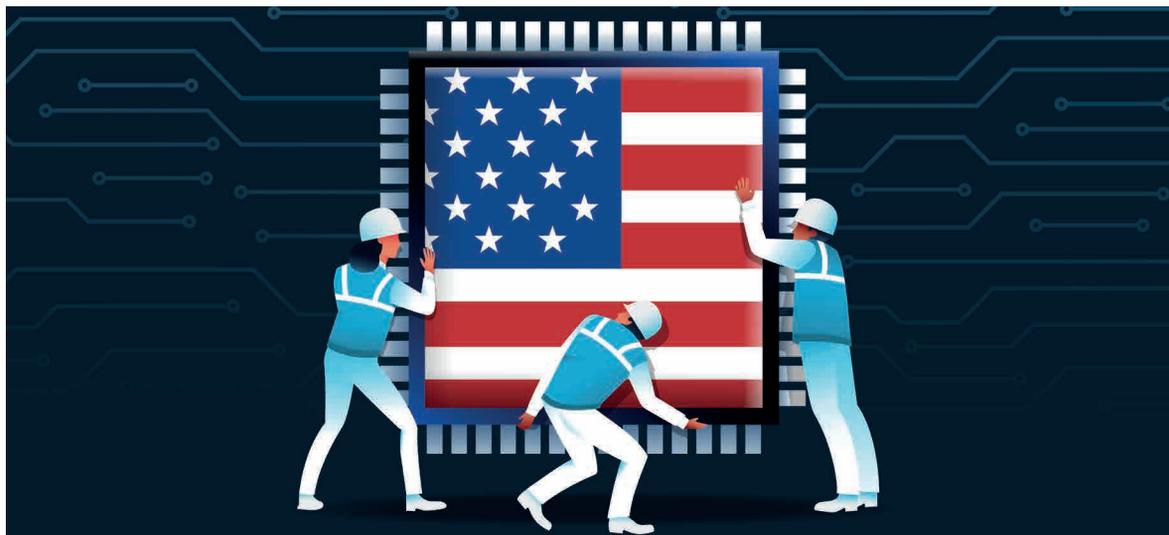
Clearly, policy shifts in the US have had an impact in terms of institutional investor sentiment – especially given that the US is one of the biggest markets for energy transition investing in the world.

Meanwhile, even putting sentiment aside, we've definitely reprioritised

where we allocate our time and effort as a result of the shifts that have taken place.

It's not about shutting down energy transition-focused investment in the US, but more about being really tactical about what you do and where you do it.

A prime example is the hyperscale data centre thematic that we've been investing behind with spectacular success in the US, like with Rowan Digital Infrastructure. The development of power solutions for AI-driven data centres is an incredible investment thematic, the likes of which I haven't seen for many decades, and a peculiarly US-centric phenomenon. The sector is also being heavily promoted by the



**Q Which platforms, sites and grid networks are best positioned to take advantage of AI, and what does this mean for investors choosing managers in an increasingly crowded marketplace?**

We're dealing with net demand growth in US power markets – in fact in most power markets – for the first time in well over a decade. That's led to a supply/demand crunch that's changing the pricing and value of electricity. It's also changing the value of sites and grid positions that have near-term access to electricity.

The premise behind Rowan, from the outset, was that power is the number one priority for new hyperscale data centres, and so finding locations with near-term access to

power has always been key. We now have a portfolio of sites where it's possible to get access to 200MW-300MW of power within 24 months.

That 24-month window is critical because it's typically how long it takes to select a site, get permits, design and construct a data centre. Both hyperscalers and data centre developers are therefore scouring the market for grid points that can provide access to near-term power. That means that if you own sites in locations where there are supportive communities and local government, as well as an ability to connect to the grid, you're sitting on something of real value. Furthermore, the scarcity value attached to that is increasing daily as more and more sites get snapped up.

current administration, so much so that it's causing unintended consequences in terms of grid scarcity.

There's still a great deal of renewable energy capacity being developed to satisfy that demand, however. In fact, this will probably be a record year for investing in US solar, mostly driven by the hyperscale data centre opportunity. By contrast, investors are unlikely to waste much time on new offshore wind developments in the US right now. You have to be pragmatic about what can be done.

The other geography that we believe is particularly exciting right now is Australia. For many years, the country was an incidental market for us, even though we are, as founders, Australian.

It was always a third priority behind the US and the UK.

Now, however, I would argue that because of market fundamentals, timing and policy, Australia is probably the most attractive OECD market for energy transition investment, particularly as it relates to the decarbonisation of industry.

**Q Will a reduction in LP appetite for the energy transition hamper the trajectory of investment?**

I can honestly say that as I travel around the world talking to institutional investors, I haven't seen any backing off in terms of allocations to the energy transition as an asset class. No matter

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where I go, from Asia to Scandinavia, investors are still keen to deploy capital behind this theme. They're just being far more selective about the managers and strategies that they support.

Despite the attention, Trump has absolutely not caused a massive drying up of institutional capital for the energy transition. No tap has been turned off – quite the opposite. We're seeing infrastructure allocations increase across the board, and the energy transition remains the dominant subsector when it comes to new infrastructure money being allocated by investors around the world.

### **Q What impact is tech innovation having on the energy transition space?**

We've seen how tech innovation brought down the cost of wind turbines – at least until rising input costs, and the cost of steel in particular, reversed that trend. And we've seen how tech innovation led to a 90 percent reduction in the cost of solar power, making it the cheapest form of power generation anywhere – even in the UK – where we've just built the largest solar project in UK history.

However, none of that compares to what's currently underway in the world of battery storage. There have been exponential improvements in that technology's capacity to store energy, while manufacturing costs have been reduced by a phenomenal amount.

But I don't think we've seen anything yet. If you look at the technology progression curve, I think the improvements we'll see in battery storage between now and 2030 are going to prove to be a gamechanger. Quinbrook is right in the middle of all this, having developed the world's first eight-hour battery solution with CATL.

There are also other technologies on the horizon, particularly relating to the management of grid volatility that stems from weather-dependent renewables. AI algorithmic optimisation will revolutionise the way that different

power generation sources and storage solutions are integrated at the grid level, including how customer demand is integrated with supply.

### **Q How should investors manage electricity price volatility?**

We try to stay true to label as an infrastructure investor, which means we don't like volatility in any form. We do our utmost to develop projects where we can contract to others who are in the business of managing volatility.

We've been validated in this approach by what's happened with the rapid saturation of certain battery storage markets. A lot of managers used predicted volatility as a justification for building merchant exposure in the battery storage space, especially in the UK and markets like the Electric Reliability Council of Texas (ERCOT).

However, overall volatility and pricing outcomes in the UK and the US storage markets, for example, have been nowhere near as high as was anticipated in recent years. This is due to the sheer scale of developers all building the same battery storage solutions in the same market at the same time.

We do have customers such as large electricity retailers who need to manage their position when it comes to power market volatility. And we're happy to sell them a long-term and predictable product they can use to manage the volatility that they're exposed to. But as a long-term infrastructure manager, we're not in the business of exploiting volatility for short-term profits.

### **Q Who do you believe the ultimate winners and losers in energy transition investing will be?**

Energy markets have only become more complex over the last few years, and I think that has become a challenge for generalists. We're in the age of specialism and the winners will be those firms who are able to manage risk

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effectively, avoiding the land mines that generalists may not see because they're not in the weeds of the market every single day.

At Quinbrook, we're far from a one-trick pony; our pony has lots of tricks. We can manage risks that others might not foresee and we can exploit less obvious opportunities, because this is what we live and breathe.

I think it's also important to distinguish between energy transition-focused M&A – buying assets that already exist and fixing them up, this is something that generalists can do quite well – as opposed to new asset creation. Only through building new assets are we going to solve the challenge of climate change, generate the capacity required to solve the decarbonisation of power systems and provide the electricity that all these new data centres need.

We believe 'full scope' investment managers like Quinbrook that can originate, design, construct, create and provide solutions for customers will ultimately be the winners of the energy transition. ■