INTERVIEW: UK's STIG eyes investment in distressed Spanish renewable power assets

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Sustainable Technology Investments (Guernsey) Ltd (STIG), a UK-based investment management firm with a clean technology focus, is raising between Eur15 million and Eur20 million to invest in distressed renewable energy generation assets in Spain. STIG invests directly in clean tech assets and in funds which invest in them.

STIG co-founder Gordon Power told Clean Energy pipeline that some solar and wind operators will be eager to sell profitable assets to ease their debt burdens.

Project developers and plant operators in Spain have been squeezed recently by the difficulty of obtaining debt financing thanks to banks' insecurity about the Euro zone.

To compound that long-term stress, companies were then hit by the Spanish government's announcement at the end of January that subsidies are suspended for new renewables projects. Although the cut was not retrospective, at a stroke it eliminated the viability of many planned projects which developers had been banking on.

"The opportunity is distressed assets in Spain because of changes in the feed-in tariff and overleveraged in the country," said Power. "It's operating assets that we have been looking at – these are people that have already got assets operating but they have overleveraged under a regime that previously had a more lucrative feed-in tariff."

Along with partners in the US, Power is seeking to raise the second round of an existing fund, 30% owned by STIG, with which to invest in Spanish assets through a Barcelona-based fund manager. Power said that contributors to the new round will likely be established investors in the fund, and that STIG has been in talks with high net-worth individuals and family offices.

In 2009 STIG provided £1.6 million in venture capital backing to Adgen, an anaerobic digestion project developer in the UK which last week was re-launched as Tamar Energy Ltd with $65 million backing from high-profile investors including the retailer J Sainsbury, the Rothschild Investment Trust, and Dubai-based Islamic investment fund Fajr Capital.

STIG plans to target similar future investments in the UK in anticipation that they could receive similar levels of support from external investors.

"We're raising some money through retail channels in the reasonably near term, focused on a reasonably diverse portfolio of UK assets, particularly things like anaerobic digestion, small hydro, biomass, energy efficiency, water efficiency, and potentially one or two other sectors," said Jim Totty, who manages STIG's UK investments.

Rather than providing venture capital to early-stage companies like Adgen, however, STIG's next investments in the UK are likely to be in cash-generating assets which appeal to high net-worth retail investors who can invest in equity projects through tax-efficient vehicles such as Venture Capital Trusts and Enterprise Investment Schemes.

"We think there's a very interesting opportunity in the UK market now, where a number of those asset classes have struggled to raise meaningful amounts of finance to get projects developed and actually there are a number of quite interesting opportunities, particularly for investors looking for a component of cash yield rather than a pure capital growth play," said Totty.

"In years gone by, people have raised funds in clean tech on pure venture capital and growth capital strategies," he explained. "Investors right now are looking for a more balanced approach, particularly for assets that can be commissioned and start generating cash relatively near term. All the fundamentals are in the right place in the UK right now, with energy security and the need to develop our sustainable energy infrastructure."

Totty estimated that STIG might be raising funds to invest in five or six companies or operating assets in the next year.

"We are looking at raising some retail money that we would look to deploy in these kinds of areas," he said. "But, as with any private equity investment, we may well put syndicates together which have funds coming from a variety of sources."

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