

ENERGY AND PRIVATE INVESTMENT: WHY VALUE IS SHIFTING TOWARD ACTIVE MANAGEMENT

In more mature energy markets, competitive advantage increasingly depends not only on developing new generation capacity, but also on improving the economic performance of existing energy assets.

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For much of the past decade, value creation in energy infrastructure was closely linked to the development and construction of new generation capacity. In markets driven by electrification and the energy transition, competitive advantage came from developing efficient projects, securing competitive financing, and connecting assets to the grid in a timely manner.

Chile became one of the clearest examples of this trend. Strong solar and wind resources, institutional stability, and rapid capacity expansion attracted domestic and international capital at scale. The focus was on building, and in many cases, that was enough to generate attractive returns.

However, as the market matures, the way returns are captured across these assets is changing.

Today, in parts of the Chilean power system, generating electricity no longer automatically translates into attractive financial outcomes. Storage, asset location, contractual structure, transmission congestion, and hourly price exposure have become increasingly important in determining asset performance.

As a result, part of the investment thesis is shifting from simply adding capacity toward improving the economics and revenue profile of existing assets.

From Capacity Expansion to a New Value Logic

The rapid expansion of renewable generation in Chile has transformed the economic dynamics of the electricity market. As supply patterns have become increasingly concentrated across certain periods of the day, price formation across parts of the system has changed materially.

In this context, the key investment question is no longer only how much energy an asset can generate. It also

matters when that energy is produced, where it is injected into the grid, and how exposed the asset is to weak pricing periods or transmission constraints.

Storage is perhaps the clearest example of this transition. Assets capable of shifting energy toward higher-value periods may significantly improve their economic performance relative to assets exposed to structurally weaker pricing windows.

But the broader shift goes beyond storage. Contractual structure, transmission availability, merchant exposure, and system positioning have become increasingly important in determining the stability and quality of project revenues.

As a result, two technically similar assets may ultimately generate very different financial outcomes depending on how they interact with the broader power market.

Risk-Return, and Bankability

As electricity markets become more dynamic, the way financial risk is assessed in energy projects is evolving as well.

In earlier stages of capacity development, much of the focus was placed on construction, execution, and commissioning risks. Today, for many operating assets, a growing portion of risk is shifting toward commercial variables.

A project may maintain strong technical performance while still facing greater financial volatility. In this environment, revenue stability becomes a key part of the asset's financial quality.

That shift is already influencing project finance structures. Spot-exposed revenues receive lower leverage recognition and tighter DSCR assumptions

than contracted cash flows. At the same time, lenders are placing greater emphasis on reducing nodal exposure and on a project's ability to manage curtailment risk, increasingly through storage integration.

In practice, projects without credible mechanisms to stabilize delivery profiles and manage curtailment risk may face materially constrained financing conditions or, in some cases, struggle to obtain financing altogether.

From this perspective, operational flexibility is no longer just a technical consideration. It is increasingly becoming a financial risk management tool for protecting leverage capacity and long-term equity returns.

Why This Environment Favors Active Infrastructure Investors

The evolution of the electricity market may also be creating a new category of opportunities for private equity and infrastructure investors.

As the drivers of financial performance change, some operating projects may be valued under assumptions that do not fully reflect their potential under a different ownership, commercial, or operating strategy.

This creates opportunities for investors capable of implementing post-acquisition improvements and unlocking value through more sophisticated asset management.

In this new stage, a meaningful portion of returns no longer depends solely on the project's initial development, but also on post-investment execution capabilities. From that perspective, some energy assets may create more value after acquisition.

These opportunities tend to be better suited to specialized investors with long-term horizons and the ability to integrate operations, financing, and commercial strategy within a single investment thesis.

A More Mature Energy Transition

The energy transition will continue to drive investment for decades to come. But as electricity markets mature, the capabilities most valued by the market are also changing.

In that context, the next phase of the sector may increasingly favor investors capable of understanding

how pricing dynamics, transmission constraints, contractual structures, and system conditions shape asset performance over time.

In more mature electricity markets, active management may become as important as asset ownership itself.