

Falling interest rates promote the energy transition

Düsseldorf, 18. June 2024 - The ECB has taken a first step towards lower interest rates. This is a good signal for investors in renewable energies. "It's not just that the cost of financing is falling, which is fuelling investment activity," says Markus W. Voigt, CEO of the aream Group. "Bonds also tend to be less attractive now, which is diverting money into renewables."

Interest rate cuts generally lead to lower borrowing costs. Borrowing money for infrastructure projects becomes correspondingly cheaper. With more or less constant returns, this increases the yield. And even if it is not yet clear when the interest rate cuts will continue: "For many investors, this is a clear signal that investments such as renewable energies are becoming more attractive," says Voigt. "A significant increase in investment activity can be expected here."

"It will also be cheaper to refinance existing debt," says Voigt. Companies will be able to refinance their existing loans at lower interest rates again. This improves the financial situation and frees up further funds for new investments. In addition, infrastructure projects are long-term investments. Lower interest rates make such projects more attractive, as the expected returns are higher compared to the financing costs.

And as far as returns are concerned, falling interest rates mean that investors are even more willing to invest in infrastructure projects that deliver stable, long-term returns. "This makes investments in renewables much more attractive, especially in comparison with bonds," says Voigt. Existing investments can also be valued higher, as investors are prepared to pay higher prices for investments with stable and long-term cash flows. In any case, falling interest rates are an advantage for investments in renewable energies. "The ECB has done the energy transition a real favour by initiating a cycle of interest rate cuts," says Voigt.

About the aream Group

aream Group, founded in 2005, is an investment and asset manager for institutional investors and industrial clients with a focus on sustainable infrastructure in the renewable energy sector. With its three divisions Fund and Asset Management, Project Development and Operation Management, aream covers the entire value chain for renewable energy investments. With a transaction volume of more than 2.5 billion euros, aream is one of the leading asset managers in this market, and its own portfolio of plants generates around 40 million euros worth of green electricity per year. Since 2008, aream has produced more than one billion kWh of green electricity. As part of the growth strategy, several solar and wind parks are to be realized or acquired in the coming years. Through its own project development alone, aream currently has a long development pipeline with great potential. Further information: www.arem.de.

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