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CORNER OFFICE

Bruce Flatt's choice of successor isn't changing course or slowing down.

By Jonathan Kandell

Nowadays, the likeliest path to the top job at the biggest alternative asset managers is to demonstrate prescience about a new business sector and turn it into the firm's most promising activity.

Think of Marc Rowan reorienting Apollo Global Management toward insurance, Michael Arougheti building Ares Management into a private credit giant, and Blackstone heir apparent Jonathan Gray raking in record-breaking profits from innovative strategies in real estate.

Now, Connor Teskey is earning his appointment as eventual successor to Bruce Flatt at Brookfield Asset Management by staking much of the firm's future on the renewable energy business. Flatt says Teskey, only 37 years old, will replace him as CEO at some indeterminate date when Brookfield's staff, clients, and investors feel comfortable about the changeover.

Thus far, they have plenty of reason to feel comfortable about Teskey, who has led the Canadian firm's transformation into one of the globe's largest investors in renewable power.

"Power touches every business around the world," says Teskey. "That puts us in a fantastic position."

Such ebullience contrasts with increasing uncertainty elsewhere fueled by the long list of Trump White House directives aimed at curtailing wind and solar projects and creating incentives to use fossil fuels, and by the threats posed by tariffs on the entire energy sector. And even Brookfield's peers are being uncharacteristically reticent.

"You can put us down as a decline to comment," says a spokesperson for KKR & Co.

But Brookfield and other alternative asset managers are betting that surging global demand will inevitably boost consumption of both green and fossil fuel energy.

In emerging markets, energy consumption from both fossil fuels and renewable power is rising to cover industrial development and residential air-conditioning. In wealthier countries, the need for data centers linked to the explosive growth of artificial intelligence has stoked demand for energy from every source.

Even in conservative strongholds like Texas, renewable energy is surging alongside oil and gas production.

"This is driven foremost by economics and capitalism," says Teskey. "Renewables have grown exponentially over the last five years because they have become the cheapest form of bulk electricity production in almost every market around the world."

To be sure, Brookfield's catchy slogan — "Decarbonization, Digitalization, Deglobalization" — seems in need of an update.

Its poster-child, multibillion-dollar attempt to acquire Origin Energy, a large Australian fossil fuel company, and transition it to green energy went awry. Digitalization is consuming more energy than it is saving. And China's dominance in solar panels, wind turbines, and electric vehicles and their batteries underscores the limits of green energy at a

time when supply chains are threatened by tension between the U.S. and China and the world is deglobalizing.

Still, Brookfield isn't alone in believing that renewable energy will be more profitable than ever. KKR, Blackstone, and Carlyle are investing billions.

But led since 2021 by Teskey, Brookfield Renewable is well ahead of its peers. The firm has deployed more than \$100 billion in solar, wind, nuclear, and other non-carbon energies. That's more than the combined outlays of the other large alts managers.

As both CEO of Brookfield Renewable and president of Brookfield Asset Management, Teskey has advantages over most of his peers. For client and mergers-and-acquisitions contacts and additional financing, he can rely on Brookfield Asset Management, which has \$1 trillion in assets under management. And significant portions of Brookfield Renewable's revenues come from dealings with other Brookfield businesses, especially its huge commercial real estate division.

"We're well integrated into Brookfield's ecosystem," says Teskey.

While Teskey doesn't claim to have foreseen the generative AI boom that began three years ago, he has ensured that Brookfield is well placed to take full advantage of it. Convinced that renewables would have to cover much of the enormous electricity demand of data centers, he has overseen the expansion of Brookfield's renewables development pipeline to a massive 200 gigawatts. That's more than double the peak electricity demand of Germany or Brazil.

Brookfield already operates close to 34 GW of renewable power assets globally (in this case, the equivalent is the peak electricity demand of Norway, Denmark, and Portugal combined). That places the company in an enviable position to work with large corporate customers. Eight of the ten biggest buyers of clean power around the world are its clients, among them Amazon, Meta, and Alphabet. In a pioneering deal signed last year, Brookfield agreed to provide 10.5 GW of renewable energy to power Microsoft's AI needs.

Perhaps the biggest challenge for Teskey will be evening out renewable energy delivery to AI data centers and other consumers when the sun doesn't shine and the wind stops blowing. It will take years to develop longer-lasting batteries to fill those gaps, or to supplement solar and wind power with nuclear plants.

It wasn't a Greta Thunberg-like passion that first drew Teskey to renewable energy.

A Vancouver native, he earned a B.A. in business administration at the University of Western Ontario and then worked briefly in corporate debt origination at Canadian Imperial Bank of Commerce.

He joined Brookfield in 2012 and held investment roles before transferring to the renewable energy group in 2016. "Why did I switch? Because I was asked to," he admits. "And I was excited at the prospect of moving to one of the fastest-growing businesses at Brookfield."

Back then, Brookfield's renewable energy business consisted of hydropower projects built by the firm's infrastructure division over several decades. The move into solar and wind power has happened at a deliberate pace.

"We rarely are first movers into any new technology," says Teskey, explaining that Brookfield waits until a technology is proven and becomes commercial. "Once we saw that wind and solar had reached that stage," the manager leveraged its scale to build platforms globally.

Brookfield Renewable follows a simple business model for those global platforms. It acquires, develops, manages, and in many cases operates its energy-producing assets, and then sells electricity through long-term, inflation-controlled contracts that ensure stable cash flows. Most of its growth comes through acquisitions, with a large chunk of its income generated by management fees. About three-quarters of its fee-bearing capital is either in permanent capital or tied up in long-term funds.

Brookfield Renewable's funding model minimizes share issuance. Corporate debt and equity account for only a third of its capital. The other two-thirds are roughly divided between recycling and upfinancing of assets.

A recent example of asset recycling involved Saeta Yield, a renewable energy owner and operator in Spain and Portugal. Brookfield acquired Saeta in 2018. After generating returns equal to three times Brookfield's purchase price, it was sold last year to Abu Dhabi energy company Masdar for €1.2 billion (then \$1.4 billion).

The proceeds from Saeta's sale weren't earmarked to cover any specific future acquisition. "But they allow us to be very opportunistic when we buy," says Wyatt Hartley, co-president of Brookfield Renewable.

Asset-level upfinancing entails securing new financing for an asset that has existing debt but has increased in value. That's the case for two hydroelectric assets Brookfield owns. Because renewable energy revenues from those hydros are rising, Brookfield was able to secure \$500 million of additional debt on the two assets in 2024.

The funding model, while impressive, isn't enough to cover multibillion-dollar transactions. But for those deals, Brookfield Renewable can tap the \$106 billion in dry powder that Brookfield Asset Management has amassed.

One of the largest of those deals was the purchase last year of Neoen, a French renewable energy company, for €6.1 billion (then \$6.7 billion). The company brings to Brookfield some 8.3 GW of assets in operation and under construction — enough to power more than 6 million average American homes annually.

Neoen has a leadership position in solar and wind energy projects in Australia, Mexico, France, and Finland — markets where Brookfield has a limited renewable power presence. The French firm is also a leader in storage batteries, which are essential for filling gaps in solar and wind energy.

"They have been first movers in battery technology, and that really caught our attention," says Ignacio Paz-Ares, Brookfield Renewable's deputy chief investment officer.

Storage batteries, which currently are powered by lithium ion, have benefitted from a plunge in their prices and increases in their duration. But longer-lasting, sodium-ion batteries will take several more years to be developed and commercialized.

What has most surprised Teskey in his four years at the helm of Brookfield Renewable is that "the rising demand for green power is being driven by corporate pull rather than government push." That has turned out to be critical in the current environment.

Large companies, especially high-tech firms, are signing power purchase agreements (PPAs) under which a company agrees to buy electricity from a specific solar or wind project.

The deal between Brookfield and Microsoft is a prime example of a PPA. In this landmark agreement — the largest corporate green energy deal ever announced — Microsoft has committed to purchasing more than 10.5 GW of renewable energy capacity from Brookfield between 2026 and 2030. Brookfield will build new solar and wind facilities specifically for Microsoft's consumption.

For now, the agreement covers Microsoft's needs in North America and Europe. But both sides expect it will be expanded into Asia and also involve other technologies like battery storage.

Brookfield predicts Microsoft is only the first of similar multibillion-dollar renewable energy agreements with big corporates. "We're going to look for deals that have the size and scale to hit our target returns," says Natalie Adomait, Brookfield Renewable COO.

Donald Trump campaigned hard for fossil fuels and has already gutted the Biden administration's Inflation Reduction Act, which subsidized renewable energy.

But the impact won't be evenly felt. Asset managers and other green energy investors that depend on subsidies will be hard hit. The larger alts firms may be positioned to rely instead on corporate demand — and rising revenues from their energy investments abroad.

"We're quite relaxed," says Teskey.

Beyond subsidies, Trump's directives to suspend or deny permits for new wind and solar energy projects on federal lands and waters could be chilling if they are extended beyond the initial 60 days.

But tariffs could prove far more troublesome for both green energy and fossil fuel investors. Steel tariffs would drive up prices for the pipes and tubes used by the oil and gas industry. Imports account for 80 percent of wind blades used in the U.S. Two-thirds of lithium-ion batteries used to store energy are imported from China.

Hardest hit of all by tariffs would be the power industry. According to Wood Mackenzie, a provider of data and analytics on energy, imports account for about 80 percent of the transmission and distribution equipment used by electricity grids.

Nowhere are the contradictory impacts of the Trump energy initiatives more apparent than in deeply conservative Texas. Despite being the nation's leading oil-and-gas state, it has overtaken progressive, Democratic-controlled California in solar-powered electricity and is the nation's biggest producer of wind power.

A combination of low taxes, fewer regulations, and other business-friendly measures has drawn high-tech industries and data centers to Texas, as well as the renewable energy sources to power them. And because the state is such a huge producer of solar and wind power, it has been among the biggest recipients of Inflation Reduction Act subsidies that are so maligned by conservatives, including Texas Governor Greg Abbott.

Though it has larger green energy assets elsewhere, Brookfield does own two wind power projects in Texas that it says will not be affected by the new Trump directives. And it is looking to expand its footprint there. "Texas is very unique for renewable power development, even compared to other Sunbelt states," says Jehangir Vevaina, Brookfield Renewable's chief investment officer.

In states like Alabama and Florida, power plants are owned and operated by utility companies that are regulated by public authorities and that sell electricity directly to end users through long-term contracts. These utilities are granted monopolies within certain geographic areas, with a regulated rate of return. But for private power suppliers like Brookfield, this can delay approval for projects and reduce profit margins.

In Texas, by contrast, power plants are operated by companies that sell their electricity directly on the wholesale market rather than to end users. These companies do not have a guaranteed customer base and their revenue depends on fluctuating prices in the energy market. They must compete in open markets where prices are determined by supply and demand. This free-market approach has benefited both consumers and power suppliers like Brookfield.

So, ironically, conservative Texas has created a business environment that has sharply lowered green energy prices relative to oil and gas. In fact, Brookfield's main concern before the Trump presidency was that the Texas market was drawing too many competitors for solar and wind power projects.

In recent months, nuclear energy has become a Big Tech obsession. Amazon, Google, and Microsoft have announced plans to spend billions of dollars to develop potential nuclear power sources, mainly to help

cover their cloud computing and AI-linked data-center needs. Unlike solar and wind, nuclear energy is stable and available on demand.

According to Brookfield estimates, worldwide data-center power demand will rise from the current 2 percent to 10 percent by 2030 and account for up to 20 percent of total energy consumption in the U.S.

To give some notion why AI is so voracious, consider this example: A basic text response from ChatGPT consumes enough energy to power a 10-watt LED bulb for an hour. By comparison, a typical Google search only consumes enough electricity to power that same light bulb for about two minutes.

No other non-carbon energy source illustrates Brookfield's competitive advantages more than nuclear power, where the firm has built a virtual moat against its peers. It also demonstrates how Brookfield Renewable benefits from its strong relationship with Brookfield's other business divisions.

In 2018, Brookfield's private equity arm and its limited partners acquired Westinghouse Electric Co. — the world's leading builder and servicer of nuclear plants — from Japan's Toshiba Corp. for \$4.6 billion. The deal was greeted by the investment community as a head-scratching contrarian bet. There were still vivid memories of the 2011 tsunami in northern Japan that destroyed a nuclear plant, spewing radioactive waste over ocean, farmland, and urban communities. Never had nuclear power been considered more toxic.

But predictions of dire energy shortages and flagging decarbonization turned public and political attitudes more positive about nuclear power. In 2022, Brookfield's private equity arm sold Westinghouse to a joint venture of Brookfield Renewable and Cameco Corp., a leading uranium miner and processor, for \$8 billion. That provided a whopping \$3.4 billion profit for Brookfield's private equity investors.

The benefits of the deal for Brookfield Renewable soon became apparent as well. It created a vertically structured nuclear business with Cameco supplying uranium fuel for Westinghouse reactors.

Westinghouse services about half of the world's reactors and would be hugely profitable even if it never sold another nuclear plant. Servicing is a sticky, stable, and highly recurring business because reactors have to go offline every 18 to 24 months to refuel and meet mandatory maintenance and inspections. According to Brookfield, Westinghouse has a 99 percent customer retention rate.

It is counting on many of those customers to sign up for new Westinghouse reactors. China and Poland have already bought the AP1000 model, which is capable of supplying enough energy to cover the needs of a large city.

But high-tech companies are more interested in small modular reactors, or SMRs, which could supply energy to data centers and industrial projects.

The Westinghouse SMR, called the AP300, is being developed using the same technology as the AP1000. It also uses the same passive safety features to avoid nightmare scenarios, such as exploding fuel. (In case of an accident, the fuel is supposed to melt in place.)

"It's basically just a shrunk-down version of the AP1000," says Sam Meyers, the senior VP who oversees Brookfield's investment in Westinghouse. "That means expedited licensing from the most important regulatory bodies around the globe."

But even if the safety features of SMRs gain public and regulatory acceptance, neither the International Atomic Energy Agency nor the U.S. Department of Energy expects the new reactors to be deployed before the 2030s.

Nor is any quick solution in sight for the other unsolved nuclear issue: the disposal of atomic waste. Attempts to bury it deep underground

have long been fought by people who don't want radioactive refuse anywhere near their backyards.

Brookfield says it's prepared for even the worst contingencies, particularly around the massive costs to clean up an accident. The asset manager is confident that Westinghouse has structured its contracts with suppliers and clients so that it isn't legally responsible for nuclear plant liability or nuclear waste risks.

Teskey expects a key growth area for Brookfield's renewable energy business will be acquiring fossil fuel producers and scrubbing them clean. But judging by Brookfield's most heralded attempt, the game plan to help polluters transition to green energy has stumbled.

In 2022, Brookfield raised a then-record \$15 billion for an energy transition fund. It earmarked a big chunk of that money to purchase Origin Energy — Australia's largest coal-fired electricity source — with a promise to transition it to renewable energy.

In March 2023, Brookfield teamed up with EIG Global Energy Partners in a \$10.2 billion bid for Origin. EIG would take control of Origin's gas division. Brookfield would claim the firm's coal energy production and invest up to \$30 billion to replace it over a decade, mainly with wind power.

But Brookfield, which prides itself on due diligence and astute deal-making, failed to get the share count right this time. The deal collapsed in November 2023 when Origin's largest shareholder turned it down.

Brookfield insists the setback won't derail its energy transition strategy. It points to other, smaller, successful examples, like the \$500 million investment it made in 2022 in InterEnergy Group, a U.K.-headquartered energy company that operates in Latin America and the Caribbean. The investment aims to substitute InterEnergy's fossil fuel dependence with wind, solar, and hydro power by 2026.

"I see us making other deals similar to both Origin and InterEnergy in the future," says Vevaina, Brookfield Renewable's CIO.

But energy transition deals may prove easier with privately held polluters like InterEnergy than with large, publicly listed carbon emitters like Origin.

Where is renewable energy headed — generally and at Brookfield — over the next five years? Teskey forecasts more — much more — of the same.

Corporate demand linked to data centers will continue to grow dramatically, he says. So will the electrification of transport, industrials, and commercial real estate.

"Wind, solar, and batteries will be the workhorses and a nuclear renaissance will accelerate," he says.

And that may well make the people around him comfortable with his elevation to CEO of Brookfield Asset Management by 2030. Even if the next four years of the Trump administration promise a bumper ride to the top.

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