
“ Insider view

Check out our interview with Ricardo Santos, CFO at Ibitu Energia, who highlights some of the trends of the Energy sector and shares with us valuable insights for the remainder of 2023.

Ricardo Santos
CFO
Ibitu Energia



1 Looking ahead to 2024, what are your predictions for the Energy sector, and how do you foresee it evolving in terms of market dynamics and deal opportunities?

Before we look deeper into 2024, it is important to remember that half of the countries in Latin America have pledged to achieve net-zero emissions by mid-century or earlier. To reach these goals, different countries and companies must speed up the deployment of clean energy technologies. In this context, Brazil will remain an essential player in the Renewable energy Market with a solid and consistent future growth. Despite this long-term positive scenario, 2024 will continue to be a difficult year for building new greenfield projects. The current energy price, a reflection of production exceeding the country's demand, will still generate lower-than-desired returns on new projects. Therefore, brownfield assets will continue to play a relevant role in the business plans of companies that continue to want to grow. We imagine that by 2024, we will see transactions of brownfield assets on a larger scale, concomitantly with a reduction in interest rates and a more favorable scenario for investments in Brazil.

2 What challenges have you encountered in the 2023 Renewable Energy sector, and how have you navigated these?

The global energy crisis in 2022 and 2023 catapulted energy costs and prices globally, putting everyone concerned about the costs of the energy transition. In 2023, the difference in returns between greenfield and brownfield assets does not justify you taking on all the construction and financing risk. Considering this and when growing in a difficult market was not profitable, recycling capital from existing assets was one of our main objectives for 2023. In a challenging macroeconomic scenario, where companies' cost of capital was very high, and the cost of debt was super high, the valuation gap between buyers and sellers was one of the greatest challenges in the year.

3 What advice would you offer to your colleagues as we approach a new year?

2024 will continue to be a very challenging year regarding the growth of new renewable energy assets. Increasing efficiency and taking advantage of acquisition opportunities seems to be an interesting strategy in a potentially stagnant market.

4 How do you envision your work impacting global or local prosperity?

Clean energy is the most dynamic aspect of global energy investment. Investment in clean energy has risen by 40% in the past 3 years. The push to reduce emissions is a key reason, but not the only one. The emergence of a new clean energy economy, led by solar PV and electric vehicles, provides hope for the future. A boom in these areas could be a boon for the world. Despite a more challenging macroeconomic and geopolitical context of uncertainty, we see that the investments will continue and will impact millions of lives around Brazil and the world, bringing prosperity, income increase, and a better life for everyone.