GENERALI INVESTMENTS

Solving the trilemma of Europe's energy transition

sosteneo Infrastructure Partners

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Europe's energy transition is entering a decisive phase. Sustainability, affordability and security are no longer separate policy objectives but parts of the same challenge shaping investment decisions across the continent. For investors, this 'energy trilemma' is creating a new generation of infrastructure opportunities. Umberto Tamburrino explains why Sosteneo's focus is on the assets that allow the transition to function in practice: renewable generation, battery storage and grid infrastructure that together form the backbone of a resilient energy system.

WHY IS THE ENERGY TRANSITION SO IMPORTANT AND WHAT OPPORTUNITIES DOES IT OFFER INVESTORS?

Europe's energy transition is increasingly being shaped by an 'energy trilemma' – sustainability, affordability, and security are no longer treated as separate aims but as a single, interlinked challenge shaping policy, industry priorities and investment decisions.

The continent still relies heavily on imported energy, with more than 60% of final energy consumption sourced from abroad.[1] This dependence exposes European economies to geopolitical risk and price volatility.

In recent years, the vulnerability of energy systems reliant on external suppliers has become increasingly evident. In our view, the most credible path to greater energy sovereignty for Europe is to accelerate the development of renewable energy and the infrastructure required to support it. The continent has abundant renewable resources but limited domestic fossil fuels, which makes this shift both logical and necessary.

The scale of investment required is significant. Estimates suggest Europe will need to mobilise roughly €1 trillion per year until 2050 to decarbonise the energy system while ensuring energy remains secure and affordable. Around €220 billion annually will be required in the electricity sector alone.[2]

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Sosteneo Clean Energy Infrastructure Fund II SCA SICAV - RAIF* [flyer]

Strategy	Infrastructure Equity Greenfield
Fund target size	€ 1 billion
Target geography	OECD Europe
Target sectors	Clean energy production and enablers
SFDR	Article 9 fund
Target Net IRR	11% -13%
Investment manager	Sosteneo SGR S.p.A
Management company	Generali Investments Luxembourg S.A.
Fund Commitments	€300m
Target # deals	10 deals and more than 15 projects

For institutional investors, we believe this represents one of the most compelling long-term infrastructure opportunities available today.

WHAT ARE THE MAIN RISKS?

Despite the scale of the opportunity, risk management remains central to infrastructure investing. At Sosteneo, we follow a traditional infrastructure approach that prioritises stable and predictable cash flows. Our objective is to invest in assets where capital can be progressively recovered through operational cash distributions rather than relying heavily on exit valuations. Revenue stability is typically achieved through

1 Source: Eurostat, EU energy import dependency statistics, 2024

2 Source: IRENA, 2025

*The decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its Prospectus. A summary of the product's SFDR disclosures is available at the following link. Future performance are not reliable indicator. This is not a guaranteed product.

long-term contracts that stabilise project revenues, such as tolling agreements in energy markets.

Another important consideration is the regulatory environment. Infrastructure assets depend heavily on clear and predictable frameworks, which is why we concentrate our investments in OECD European countries with well-established legal and regulatory systems.

By combining contracted revenues with stable regulatory environments, we aim to deliver infrastructure-style returns while mitigating exposure to market volatility.

WHICH SUSTAINABLE INFRASTRUCTURES CURRENTLY OFFER THE BEST OPPORTUNITIES?

As renewable energy penetration increases, the central challenge is no longer simply generating clean power but integrating it into the electricity system.

In our view, some of the most attractive opportunities today lie in infrastructure that enhances system flexibility. Battery energy storage systems are a particularly important part of this.

Storage plays a critical role in enabling renewable integration by charging when electricity supply exceeds demand and discharging when renewable generation declines. For this reason, battery storage has become one of Sosteneo's key investment convictions. We invest both in standalone storage facilities and in systems co-located with renewable generation.

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We are also seeing increasing opportunities in electricity transmission and distribution networks. As renewable capacity grows, upgrading grid infrastructure becomes essential to transport electricity efficiently across regions.

In addition, we are evaluating emerging opportunities in areas such as biomethane and sustainable fuel production, which can contribute to decarbonisation in sectors where electrification alone may not be sufficient.

WHY ARE BATTERY STORAGE SYSTEMS ESSENTIAL TO THE TRANSITION?

The growth of renewable energy has fundamentally changed the structure of electricity systems.

Historically, power systems were designed around large, centralised generation plants capable of producing electricity continuously. Wind and solar generation, by contrast, are intermittent and depend on weather conditions.

This means the electricity system must now manage variability in supply as well as fluctuations in demand. Battery storage provides the flexibility needed to address this challenge.

In addition to storing energy, batteries can deliver a range of services that support grid stability, including frequency regulation and balancing services. In effect, battery storage is enabling the transition from a centralised and relatively static system to a more decentralised and dynamic energy architecture.

DATA CENTRES: CHALLENGE OR OPPORTUNITY FOR THE ELECTRICITY SYSTEM?

The rapid expansion of data centres is placing increasing pressure on electricity systems.

A traditional data centre typically requires between 10MW and 25MW of capacity, while hyperscale facilities dedicated to artificial intelligence can require more than 100MW. According to Eurelectric, electricity demand from data centres in Europe could reach around 150TWh by 2030, representing an increase of more than 150% compared with current levels.[3]

Grid infrastructure is not always capable of delivering such concentrated energy demand quickly enough. In many cases, network connection constraints have become a bottleneck for new developments.

However, these constraints also create opportunities. At Sosteneo, we are evaluating projects designed to supply electricity directly to data centres through dedicated infrastructure solutions. These can include off-grid or private-wire models in which energy is produced and delivered directly to the end user rather than passing through the traditional electricity grid. These models can help overcome current infrastructure limitations while supporting the continued expansion of digital infrastructure.

SOSTENEO'S SECOND FUND HAS BEEN RECENTLY LAUNCHED. HOW IS THE FIRST FUND PROGRESSING?

As a recap, our objective at Sosteneo is to identify infrastructure that strengthens the energy system, whether by increasing flexibility, supporting renewable integration or improving energy security.

We typically invest in projects that have reached the ready-to-build stage, meaning development risk has largely been mitigated. From there, we manage the assets through construction and into operations, actively optimising performance over time.

3 Source: Eurelectic Power Barometer 2025 Report

Sosteneo Clean Energy Infrastructure Fund SCA SICAV-RAIF ("Fund I") is now approximately 80% operational, a significant milestone given that the portfolio was largely acquired at a greenfield stage. This reflects the team's ability to successfully execute the strategy – progressing projects through development and construction and into operations – and materially strengthens the fund's cash flow profile.

Importantly, the Enel Libra Flexsys battery portfolio is now fully operational, with the final plant reaching commercial operation few weeks ago, in February. This milestone further strengthens Fund I's operational base and reinforces the fund's exposure to assets that generate recurring, contracted cash flows.

Construction started at San Nicola and Ramacca solar farms in October and November last year, respectively, a key step in building out the Italian solar portfolio which is composed of three projects all of which have now secured long term, contracted revenues, providing strong visibility on future cash flows. Namely, San Nicola and Mineo solar plants were awarded a state-backed tariff securing revenues for 20 years, while Ramacca solar farm has recently entered a power purchase agreement with A2A, the Italian utility, securing revenues for 12 years.

The deployment of the remaining capital is progressing as planned, with Fund I expected to be fully committed by the end of 1H 2026.

All in all, Fund I is increasingly positioned to deliver regular distributions to investors, supported by a predominantly operational portfolio with long term revenue visibility.

WHAT PROJECTS WILL SOSTENEO FOCUS ON GOING FORWARD?

Our strategy remains focused on construction-ready, greenfield clean-energy infrastructure across OECD Europe.

By investing once development risk has been largely resolved, we avoid early-stage uncertainty while retaining meaningful opportunities to create value through construction, financing, contracting and operational optimisation.

The assets we target typically secure long-term contracted revenues – typically for 15 years or longer – which support stable cash-flow profiles aligned with institutional infrastructure allocations.

At the same time, our strategy remains flexible across technologies and geographies. This allows us to build diversified portfolios while capturing the most attractive opportunities as the energy transition evolves.

As Europe seeks to balance decarbonisation with energy security and affordability, we believe the infrastructure that enables renewable energy to operate reliably will become increasingly central to the investment landscape.