Decarbonization drive draws capital to the agri-infra nexus

Chris Janiec 15 hours ago

Energy has been a natural starting point for investors focused on the global transition to a low carbon economy, as infrastructure and generalist GPs have responded to LP calls for environmental progress by making the case that the largest, most systemic polluters are a good place for decarbonization to start.

This will ultimately have to encompass food production. The IPCC's 2019 report estimated 23 percent of all human-made greenhouse gas emissions derive from agriculture, forestry and "other land use," and if "emissions associated with pre- and post-production activities in the global food system are included, the emissions are estimated to be 21-37 percent of total net emissions.

As impact and climate-focused strategies have developed and continued to attract larger and larger financial actors, the need for scale, private equity returns and credible claims to comprehensive impact have brought focus to the connections between energy, infrastructure and agriculture. Growing attention on this nexus and its climate effects has been on display in recent deals and will continue drawing high-profile capital into corners of the agriculture value chain.

Equilibrium's Nick Houshower highlighted the agriculture/infrastructure overlay when announcing a project finance investment in an aquaculture facility to be operated by Butterfly Equity portfolio company Pacifico Aquaculture. The loan of an undisclosed size came alongside an equity investment – the size of which was also undisclosed – from an unnamed "leading US pension," which Butterfly co-founder Dustin Beck told *Agri Investor* was motivated in part by desire to diversify exposure to early-stage technology investments.

Butterfly chief financial officer Peter Tang highlighted that the pension's aquaculture investment comes at a time when infrastructure investors elsewhere have already invested in indoor farming, greenhouse mushroom production and other ag-related assets.

"We are seeing more infrastructure investors are interested in food facilities," Tang told *Agri Investor. "*The big reason for that is that food is a very attractive end market for these infrastructure projects, so investors that historically invest in transportation, logistics and energy are actually spending real time looking at food production facilities."

Indeed, Macquarie Asset Management's William Demas – head of the infrastructure giant's Green Investments Group in the Americas – told *Agri Investor* his team explored controlled-environment ag, on-farm power and other food-related markets before making its first agriculture-related investment in Atlas Agro, a company with plans for a network of facilities producing fertilizers derived from green hydrogen.

The vehicle that Macquarie's $325 million investment drew from focuses on nascent areas of the energy transition beyond wind and solar. Demas said the investment comes amid a reexamination of what constitutes "infrastructure."

"Infrastructure investors are interested in some ag-type deals because if those underlying deals have the characteristics that we are used to in transportation, logistics, power or digitalization then we can very comfortably invest," he said. "That is beginning to come together and that is what is attracting infra LPs into the sector."

Louisa Yeoman of placement agent Astrid Advisors told affiliate title *Infrastructure Investor* that high interest rates and competitive markets have played a role in pushing some infrastructure investors towards "natural capital" opportunities in and around forestry and agriculture. She noted that natural capital interest has been strongest among large LPs with long histories in real assets and suggested preference for specialized management will win out over time.

"Those GPs who are simply tagging along because this is becoming a popular space will be flushed out," she predicted.

Pacifico Aquaculture's US pension-backed Mexican aquaculture nursery and Atlas Agro's green fertilizer plant supported by Macquarie's energy transition fund are both attempts to deploy large-scale capital in support of localized production of sustainable food.

Their success or failure could help drive changes up and down the inputs and seafood value chains and shape opportunities for investors elsewhere.