

INVESTING IN WIND POWER

A SUSTAINABLE AND PROFITABLE OPPORTUNITY FOR ZIMBABWE'S PENSION FUNDS

Authored by Humphry Hungwe – Lancelot Olmstead Environmental Solutions

Aimbabwe is at a critical juncture, with a pressing need to bridge its energy deficit to drive economic growth and improve livelihoods. The country's power shortages are estimated to cost the economy a significant portion of its GDP annually, and demand for electricity is projected to grow substantially. For pension funds, which have a fiduciary duty to generate stable, long-term returns for their members, this challenge presents a compelling investment opportunity: wind power.

By channeling capital into wind energy projects, pension funds can not only secure reliable, inflation-hedged returns but also play a pivotal role in national development and climate resilience.

The Global Perspective: Wind Power on the Rise

Globally, investment in renewable energy, including wind power, is soaring. Countries are increasingly prioritizing clean energy to enhance energy security, reduce reliance on volatile fossil fuel markets, and meet ambitious climate goals. In 2023, wind power investment reached over US\$216 billion worldwide, with significant growth in offshore wind. Major economies like China, the United States, and Europe are leading this charge, driven by supportive policies, technological advancements, and the recognition of wind as a cost-competitive power source.

Global pension funds and other institutional investors are at the forefront of this trend. They are drawn to renewable energy assets because of their long-dated, predictable cash flows, which align perfectly with long-term pension liabilities. Unlike traditional investments that can be subject to market volatility, a wind farm operating under a

long-term power purchase agreement (PPA) with a utility provides a steady stream of income for decades. This stability makes wind power an ideal fit for pension fund portfolios seeking both capital preservation and consistent returns.

The Zimbabwean Context: A Clear Way Forward

Zimbabwe's government has set ambitious targets in its National Renewable Energy Policy (2020), aiming to significantly increase the share of renewables in the energy mix. To facilitate this, the government periodically confers Prescribed Asset Status to renewable energy projects, which is a powerful signal to institutional investors like pension funds. This status allows pension funds to invest a certain portion of their assets in these projects, fulfilling their mandate while contributing to national development.

While wind power utilization in Zimbabwe has historically been low, recent research indicates a viable potential for electricity generation in certain areas. For example, a wind power project is currently in the pre-feasibility stage in the Guruve-Mazowe area. Such projects, when built, will not only add much-needed capacity to the national grid but also stimulate local economic activity.

The Benefits of Wind Power Investment for Pension Funds

Investing in wind power is more than just a patriotic act; it is a sound financial decision with multiple benefits for pension fund members:

- **Stable, Long-Term Returns:** Wind power projects generate predictable, annuity-like income streams over a 25+ year lifespan, secured by long-term PPAs. This provides a reliable source of revenue to meet future pension obligations.

- **Inflation Hedging:** Many PPAs for renewable energy are structured with inflation-linked tariffs. In an environment like Zimbabwe's, where inflation can erode the value of savings, this feature is critical for maintaining the real value of pension fund assets.
- **Portfolio Diversification:** Adding wind power to a portfolio diversifies risk away from traditional assets like equities and bonds. This reduces overall volatility and enhances the resilience of the fund.
- **Environmental, Social, and Governance (ESG) Impact:** Pension fund members, particularly younger generations, are increasingly concerned with ESG issues. Investing in wind power allows funds to demonstrate their commitment to sustainability, supporting the transition to a low-carbon economy and contributing to a cleaner environment.
- **Economic Development:** Wind power projects create jobs during construction and operation, from engineers and technicians to security and maintenance staff. They also provide revenue for local communities through tax payments and community benefit agreements, which can be used to fund infrastructure, schools, and health clinics.

Navigating the Investment Landscape

While the potential is clear, investing in wind power requires careful consideration. Due diligence is paramount. Fund managers must assess construction risks, operational challenges, and the credibility of project developers. The long-term, illiquid nature of these investments means that once capital is committed, it is locked in for many years.

To de-risk these investments, a collaborative approach is essential. Pension funds can partner with experienced local and international players, and work with asset consultants to structure deals that mitigate risk and ensure a fair return. The government's initiatives, such as the Zimbabwe Renewable Energy Fund (ZimREF), which is designed to mobilize blended finance for renewable energy, also provide a valuable platform for



pension funds to participate in these transformative projects.

A Clear Conclusion

Investing in wind power offers a compelling blend of financial prudence and social responsibility. For the Zimbabwean Pension Funds, it is an opportunity to build a legacy of not just financial security for members, but also of national progress and environmental stewardship. By embracing wind energy, we can power Zimbabwe's future, one turbine at a time, securing a prosperous retirement for all.