

Section 6.

Introducing Renewable Energy and Private Equity



FEDERAL MINISTRY OF POWER **Nigerian Renewable Energy Private Equity Seminar**



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What is Renewable Energy?

The term **renewable energy** is used to describe a source of energy or power that has the capacity to replenish itself. Renewable energy or renewable power is by definition, renewable, such that this source of power can replenish itself over and over again. Renewable energy can sometimes be called infinite energy, because it relies on energy that is in infinite supply. Finite energy sources are known as non-renewable energy sources, as they rely on supplies and reserves of which there is a fixed quantity.

Renewable energy is also considered clean energy, because it does not produce toxins or pollutants that are harmful to the environment in the same manner that non-renewable energy does. Thus, renewable energy is also known as green or clean energy. Much of the world today is converting to **renewable energy** sources as a means of providing power to homes and businesses in order to function more environmentally friendly. The most commonly used types of renewable energy today are wind power, solar power, and hydroelectric power.



Wind power is the most common form of renewable energy. Here, electricity is generated by blades turning turbines which run a generator. Wind power has a potentially infinite energy supply and a number of advantages to its use. Wind is a free commodity and is in infinite supply and thus an affordable renewable energy source. Further, generating wind does not produce toxins or pollutants to the environment and thus assists in the fight against global warming.



Solar power is another renewable energy source, where the energy from the sun is harnessed in order to produce energy. Because the sun is the sun, heat and energy found in sunlight is in limitless supply so long as the sun is shining, and thus is an excellent renewable energy source. Some areas of the world can not rely on solar power because their weather and climate are not conducive to its use if long periods of cloudiness are present. Overall however, solar power is a clean energy source that does not pollute the environment or contribute to global warming, and as such, it is a widely used source of renewable energy.



Hydroelectric power is now gaining in popularity when it comes to serving as a renewable energy source. Hydroelectric power functions through the flooding of a valley by building a dam. Rainwater is caught and allowed out through turbines that use generators to convert the energy into electricity. Primary advantages of this renewable energy are that no fuel is required and there are minimal running costs.

These are simply the most common forms of **renewable energy**, though there are many more sources of renewable energy on the planet.



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What is Private Equity?

Private equity and venture capital is finance provided in return for an equity stake in potentially high growth companies. It is behind some of the best known and most innovative businesses such as Fedex, Apple, Avis & Yahoo.

Private equity firms typically look to invest majority stakes in underperforming companies that have the potential for high growth. Growth in the businesses is delivered by working with the company's management team to improve performance and strategic direction, making complimentary investments and driving operational improvements.

Venture capital firms, in contrast, invest in companies in the seed (concept), start-up (within three years of the company's establishment) and early stages of development. In areas such as clean technology, digital media, life sciences and the internet, venture capitalists invest their capital and expertise to develop new products and technologies.

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Private equity and venture capital firms are long-term investors, typically investing in companies for around 5-7 years. This means a commitment to building lasting and sustainable value in the businesses they invest in. The only way to realise returns for investors is to sell a business in better shape than when it was acquired. Typically firms will sell their stake in a company by listing on the public markets or selling to a strategic buyer.

Private equity and venture capital firms raise funds to invest from sources such as pension funds, endowments and sovereign wealth funds.

