# Colombia’s renewable energy sector sees surge in mergers and acquisitions amid strategic shifts and challenges



Colombia’s non-conventional renewable energy sector has recently experienced a significant surge in mergers and acquisitions (M&A), characterised by key transactions where companies such as Ecopetrol and Celsia have been acquiring wind and solar power assets, while firms including AES Corporation, EDP Renewables, and possibly Enel, have been divesting their holdings. This wave of dealmaking reflects a complex interplay between strategic opportunities and mounting challenges within the country's renewable energy market, according to insights from industry experts.

Mónica Torres, a Bogotá-based energy specialist and counsel at the law firm CMS Rodríguez-Azuero, explained the dynamics underpinning the sector’s M&A activity in an interview with BNamericas. She emphasised that the deals encapsulate dual facets of the market: on one side, buyers seeking to strengthen their renewable energy portfolios and decarbonisation goals, and on the other, sellers facing operational and regulatory hurdles that have constrained project developments.

In particular, Ecopetrol, Colombia’s state-owned oil company, is pursuing an autonomous energy supply to power its hydrocarbon operations. Torres highlighted that, "this will not only reduce the electricity costs for its operations, but also reduce the consumption of liquid fuels and natural gas for generation, thereby reducing its carbon footprint and releasing significant amounts of gas into the market." Celsia, another prominent buyer, is also actively expanding its renewable capacity.

Conversely, the sellers, including AES and Mainstream, have encountered significant difficulties in advancing wind projects located in La Guajira, a region known for its robust wind resources but marked by prolonged delays and development suspensions. These challenges have caused some investors to reconsider their positions. Torres noted, “Sellers have been making efforts to make venture capital investments for several years without being able to bring the projects into operation in a reasonable timeframe. The difficulties in developing these projects have therefore led them to make decisions either to fully implement the projects or to exit the assets and the country.”

Regarding whether these transactions signal confidence or uncertainty in the sector, Torres suggested the reality is nuanced. The projects involved typically have been under development for many years, so “the transactions reflect a need on the part of the sellers to recover some of their investments, and a need on the part of the buyers to make more projects viable in their portfolios, but without assuming the initial risk involved in developing a project of this magnitude from scratch.” She also stressed that while buying projects that are already progressing reduces risk, it does not eliminate it.

The main risks buyers face relate to regulatory and construction challenges. Projects that lack environmental licenses must complete community consultations and obtain permits from Colombia’s environmental regulator ANLA within an acceptable timeframe. Construction risks include meeting deadlines and budget commitments amid social and safety considerations. Regulatory risk remains significant due to perceived institutional instability and short-term regulatory measures by the energy and gas regulator CREG, which critics argue have compromised the market's structure and predictability.

Torres was cautious about viewing the current M&A activity as a fundamental turning point for Colombia’s renewable sector, particularly given the systemic challenges such as persistent electricity supply shortages and transmission capacity constraints. These realities necessitate actions from both public and private sectors to ensure the reliability of electricity supply.

Looking ahead, Torres expects the pace of renewable energy M&A to remain robust for the rest of the year. She noted that limited transmission capacity, which affects the connecting of new power generation projects to the grid, forces developers to seek partnerships or to sell projects that are sufficiently advanced in development stages. Recently, CREG proposed a draft resolution to suspend new applications for transmission capacity allocation, citing insufficient capacity in the national interconnected system, which could further increase market interest in existing projects.

Ecopetrol’s expanding involvement in wind projects such as Windpeshi and Jemeiwaa Ka'l indicates a strategic move aligned with the government’s energy transition agenda, even as traditional hydrocarbon policies have been less emphasised. Torres remarked, “The state-owned oil company undoubtedly plays a significant role in both areas. Progress in public policy to make renewable energy viable has not been what was desired, so transactions such as the acquisition of ISA and these new renewable energy projects allow the government and Ecopetrol to achieve some of their stated objectives.”

In summary, Colombia’s renewable energy sector is navigating a period of transformation marked by significant M&A activity driven by strategic ambitions and operational constraints. The ongoing developments reflect both the potential and the complexities of building a robust renewable energy infrastructure in the country.

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