

Battery Storage Funding to Grow to €30 Billion by 2030

Media Mentions

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Investment in new battery energy storage systems (BESS) in Europe is set to reach €30 billion by 2030, market participants told ICIS.

BESS could play a crucial role in decarbonising the European power system by providing peak demand response, supply-side flexibility and boost the development of new renewable capacity.

Installed battery storage capacity across Europe will rise from 11.5 GW in 2023 to 40.5 GW by 2030, according to ICIS Power forecast base case scenario.

Europe will need a net BESS investment of around €4.3 billion per year or €30 billion in total by 2030, several investors told ICIS.

“We set aside a €200 million budget for the next three years funding BESS but if market interest is there, we could increase it,” a portfolio manager at an European investor told ICIS.

“There is fairly strong interest from investors, although few projects are rated at this stage (worth noting we do not see all the market). As the market develops, more capital may need to be raised, not only from banks but also bond markets and from a rating perspective we are likely to see more,” Antoine Pavageau, associate director in the infrastructure team at Fitch Ratings told ICIS.

Market sources have previously told ICIS long-term revenue stability is crucial for securing investment in BESS.

“I think appetite for battery storage is still very good.... We see a bit more rationalisation of the market. 24 months ago, a lot of people thought this was a bit of an Eldorado, especially the UK market,” **Ro Lazarovitch**, partner at law firm Bracewell, told ICIS.

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Lazarovitch said now there is a little bit more sensibility in the market: some of the revenues have gone down, market volatility is still there, and people are becoming a little bit more sophisticated about their investment.

Investors said new BESS funding could come from various sources: EU funds, institutional investors, or bank financing.

“We are seeing more and more banks entering or wanting to enter the BESS space. Especially European banks are rapidly transitioning away from financing carbon intensive sectors and battery storage is seen as one of the new, green sectors they should be participating in. The larger number of players is obviously an opportunity,” said Lazarovitch.

However, many of these banks do not have experience in this space and are used to writing large cheques, added Lazarovitch.

UK Push

In the UK, the most developed market for battery storage in Europe, industry figures showed ancillary services represent the majority of revenues for all BESS assets, particularly during the past year which saw National Grid ESO unveil a full suite of new such products.

In addition, participation in the UK capacity market offers secure revenue that can be stacked on top of the more profitable ancillary/wholesale combination.

Lazarovitch said a welcome development in the UK is BESS projects are getting bigger and should be able to attract more of bank financing with larger tickets as the market continues to develop.

This year Bracewell worked on innovative 49.5 MW BESS deal in the UK for renewable developer Cero Generation.

“Until now, all of the UK’s solar farms have connected to the country’s distribution networks — the lower voltage regional grids that carry power from the high voltage transmission network to homes and businesses. Larks Green solar farm and its co-located BESS are the first to be connected directly to National Grid’s transmission network,” explained Lazarovitch.

This marks a significant step in the renewable energy transition, allowing renewable energy to be transported over greater distances and opening a gateway for larger projects to connect to the grid, concluded Lazarovitch.

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