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## DEALS

# IMCO invests \$400m in Swedish sustainable battery platform

Northvolt's 'unrelenting focus on the sustainability of what they produce' is what really attracted the Canadian investment firm, its head of infrastructure, Matthew Mendes says

**T**he Investment Management Corporation of Ontario is investing \$400 million in Northvolt, a European EV battery platform focused on the R&D, manufacturing and recycling of sustainable battery cells and systems.

The privately-held Swedish company "intends to offer the world's greenest and lowest-carbon footprint batteries, designed for use in electric vehicles, industrial systems and energy storage systems", IMCO said in a statement.

"The thing that really attracted us from a sustainability perspective to Northvolt is their unrelenting focus on the overall sustainability of what they produce," IMCO's head of infrastructure Matthew Mendes told Infrastructure Investor. That includes plans to establish recycling capabilities that will allow 50 percent of all its raw material requirements to be sourced from recycled batteries by 2030.

The investment aligns with one of the themes that IMCO, which manages \$73.3 billion of assets on behalf of public sector clients, focuses on: electrification of the global economy and within that, electrification of transport. "But when we looked at the supply chain for batteries, it's historically been pretty opaque," Mendes said.

Northvolt on the other hand, "is working to sustainably source and process materials, bringing transparency to their supply chain, and focusing on how they recycle them", he said.

The company's first gigafactory, located in northern Sweden, has begun producing batteries using fossil-free electricity (hydropower). It will have 16GWh of yearly production when fully operational, while expanding the facilities to enable the full 60GWh yearly production in a few years. Northvolt also has small-scale production of cells in Västerås, Sweden, and of battery systems in Gdańsk, Poland. Northvolt's goal is to deliver 150GWh of annual production capacity by 2030.

It also plans to launch an IPO at some time in the future, which is why IMCO made the investment through its Fundamental Equities and Global Infrastructure groups.

### A combination of strategies

When asked whether this is the first time IMCO has allocated funds from two of its strategies for a single investment, Mendes replied: "Yes, it is. One of the challenges you're starting to see in the clean energy space is where exactly do these investments fit?"

"Thematically, this investment aligns with our worldview, it aligns with an area in which we have a lot of expertise because we own one of the larger utility-scale battery companies in the UK," he said, referring to Green Frog, which IMCO acquired in October 2021 and has rebranded to Pulse Clean Energy.

"But it doesn't fit perfectly in the core infrastructure landscape and it's not exactly

a publicly-traded company either. But combined we were able to look at this investment holistically."

Some of the questions Mendes and his colleagues sought to answer when considering investing in Northvolt were the following: "Let's assume an IPO never really happens. 'Do we really like this business? Do we want to hold on to it long term? Does it have a competitive advantage? Does it have good offtake contracts? Do we see sustained growth?' And the answer to that for us was 'yes'.

"So, we were able to bring both of our skill sets together to look at this investment from two different lenses and say this really makes a lot of sense for us."

In addition to investing directly into the asset class, IMCO also invests in funds as an LP. Last year, it committed C\$455 million (\$343 million; €315 million) to Macquarie's GIG Energy Transition Solutions Fund and C\$552 million to Antin Infrastructure Partners V.

Also, last year, IMCO consolidated its clients' existing segregated infrastructure holdings into a single 'pool', which totals approximately \$8.4 billion, representing 12 percent of IMCO's overall portfolio. The portion of the investment in Northvolt that IMCO is funding through its infrastructure strategy is coming from this private markets pool. However, the firm declined to disclose further financial details. ■