

McGuireWoods

ACCESSING THE PIPELINE

A BLACK PROFESSIONALS IN PRIVATE EQUITY & FINANCE PODCAST

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Why Demand, Not Policy, Powers Clean Energy Markets, with Will Demas

Voice Over (00:00):

This is Accessing the Pipeline, a podcast for Black professionals in private equity and finance, brought to you by McGuireWoods. Each episode features special guests offering insights into accessing capital, developing and expanding relationships, opportunities, and driving growth for Black-owned businesses. Tune in to access the possibilities.

Abdul Lediju (00:23):

Good morning. Welcome to Accessing the Pipeline. My name is Abdul Lediju. I'm a partner in the Corporate and Private Equity Department at McGuireWoods where I advise sponsors and investors in forming, investing in, and operating domestic and cross-border private investment funds, including in the energy and sustainable investing space.

(00:46):

Please join me and my fellow McGuireWoods partner, Dan Howell, in welcoming our guests, Will Demas of Macquarie Asset Management, and their Green Investment Group to the podcast. Welcome, Will.

Will Demas (00:58):

Thank you for having me.

Abdul Lediju (00:59):

Before we get started, I'd like to give my co-host, Dan, a moment to introduce himself and his practice.

Dan Howell (01:04):

Sure. Thanks, Abdul. And welcome to our guests and to Will. My name's Dan Howell. I'm a partner in the M&A Energy Transactions team here at McGuireWoods, mergers, acquisitions, divestitures, joint ventures, and a wide variety of industries, including a decent amount of work in the energy space. We're very excited to have you here, Will, and dive into the conversation.

Abdul Lediju (01:24):

Awesome. Awesome. Let's start by discussing your background. Tell us about your background and what led you to your current role.

Will Demas (01:32):

Yeah, no. Thank you for having me, both, and looking forward to the conversation. So I've been sort of focusing on energy transition and energy for almost 20 years now, and I never would've thought that this is where I was ending out, so there is a bit of a journey there.

(01:47):

But when I graduated from college, I went to investment banking. I was working at Lazard, and I joined their technology media and telecommunications group. At that time, there was a lot of excitement, hype around internet, Facebook, all that. And I went to Harvard. I graduated with Zuckerberg and Saverin, and they're all good friends of mine. And so kind of wanted to be part of that whole scene, and so I actually joined their team out in San Francisco with the hopes of... in the technology, media, and telecom sector focusing more on the tech side, right? Little did I know that as a first-year analyst coming out of college, I wasn't going to be able to direct exactly what I was going to work on.

(02:21):

Within a few weeks of me joining, one of the senior team members said to me, "Hey, we're going to start a cleantech group here, and I want you to be kind of my right-hand man to do that." And I said, "I didn't come here to do energy, I came here to do tech." He was like, "No, you're going to do this."

(02:37):

And despite being an unexpected change of path, immediately after I began to sort of research the sector, see the long-term opportunity and understand what we were trying to do, I was converted into a renewable energy guy for many reasons. Not just because of the commercial aspects of it, but also from a human standpoint, I connected with the sector opportunity. So from then on, really, I haven't looked back in terms of my focus on energy transition and energy and infrastructure more broadly.

(03:08):

From then, I eventually joined Macquarie in 2011 in Macquarie Capital, which is our principal investment and investment banking side of the business. And there for six years I helped lead our principal investment activity in the renewable energy sector, which was kind of pioneering that globally, but particularly in the U.S. and solar, wind, offshore wind. We were very involved in standing up those sectors.

(03:31):

I left in 2017, actually, and spent couple of years away from Macquarie a period of time leading the America's business for Copenhagen Infrastructure Partners, which is another large green investment platform, the largest, actually, pure play renewable investment fund in the world. Spent another time at a company called Stonepeak as well, which is a kind of a derivative of Macquarie to some extent. Lots of former Macquarie people there.

(03:57):

In, I guess, late 2022, I got a call from Michael Silverton, who's the head of Macquarie Capital. He and I have been very close, and we've stayed close. Our green investment team was making a transition from his business on the Macquarie Capital side into the fiduciary asset management side of the business. And when they're making that transition, there was an opportunity to bring in someone to lead that business, that new business in the Americas.

(04:24):

And so fortunately, I had the opportunity to come back to Macquarie after seeing other places and seeing other things work, which was a great experience. But while I never thought I'd be returning to Macquarie, when the opportunity presented itself, as I thought about it, I really appreciated the culture that I had experienced. I appreciated the institutional support for energy transition. It's not just a way to make money, but we actually care about the sector from Shemara, our CEO, all the way down. And so it was just a very comfortable place for me to return to and we've since then really grown our green investments' asset management business over the last three years.

Dan Howell (05:00):

That's a really good overview of your background, particularly the transition from TMT into... TMT, yeah.

Will Demas (05:06):

Yes. You know, it's funny, for about 18 years, people were saying to me, "What are you doing in this clean energy transition stuff?" And over the last five years, that's kind of become a real high focus for people and it's become a global thematic. And so I couldn't predict that it was going to get this big or this impactful, but for a long time my mom was wondering what I was doing.

Dan Howell (05:30):

Dovetails well into the next question. Macquarie's been a leader, as you know, in renewable energy for a while before it was necessarily as cool or as hot as it is now these days.

Will Demas (05:39):

Yep.

Dan Howell (05:40):

So I wanted to hear a little bit more from you about that. And then specifically about the Green Investment Group's working focus.

Will Demas (05:46):

Yeah. To the point I just made, there's a lot of attention right now around energy and infrastructure, and rightfully so. There's great opportunity there. And we welcome others in the market to invest in the sectors that we've been investing in for a long time. And so it's a really exciting time to be here.

(06:03):

But we're very proud of the fact that we've been investing in infrastructure for 30 years, but energy transition and renewables for 20 years. Between our balance sheet, between our funds business, we've deployed over \$18 billion over 20 years into the sector. That's over a hundred investments, that's over 50 realizations, and we've delivered very strong outcomes for our shareholders and our investors.

(06:30):

And so, we're really proud of our track record and our background. This was not an overnight decision for us to start investing in the sectors. It's what we were already doing, and the world has caught up with us. Well, maybe not yet caught up, but they're trying to catch up.

(06:47):

So we've been, again, as an institution, very dedicated to this both from a commercial standpoint as well as from a philosophical standpoint. And so this is, I think, our peers and our clients recognize that, and that's sort of part of the differentiation why people give us the privilege to manage their savings and their money.

(07:06):

The green investment team is an evolution of our strategy in terms of investing originally the renewable energy sector, but now say energy transition because it's expanded to so many different other areas as well. Macquarie, as I said, we've been investing in the sectors for 20 years. That was primarily been through our balance sheet when we were sitting in Macquarie Capital.

(07:26):

In 2017, the global Macquarie Capital team that was focused on renewable energy combined with a team that Macquarie acquired from the UK Green Investment Bank. And the UK Green Investment Bank was set up to catalyze private capital to invest in the clean energy sector in the UK. They actually gave themselves 10 years to deploy the capital that they were allocated, and they did it much quicker than expected. And so mission was accomplished, and the UK government decided to privatize it and sell it to private capital. And so Macquarie ended up acquiring the UK Green Investment Bank and then integrating that team and their funds and what they're managing into the Macquarie existing renewable energy team. And so that-

Dan Howell (08:11):

I see.

Will Demas (08:12):

... in 2017 created the Green Investment Group at the time. That became a team of kind of 400 people globally, I think. That actually all happened, just out of coincidence, the day that we closed the acquisition of the Green Investment Bank was the day that I actually resigned from Macquarie. It was not at all related, but just a funny coincidence. But the team really grew in the five years that I was gone, and I watched from afar the success they were achieving and established ourselves as a leading investor in the sector globally.

(08:47):

And really, as I mentioned, we were primarily doing that off our balance sheet. So at some point, we had three or \$4 billion of exposures on our balance sheet into the sector, which was incredibly profitable, but our balance sheet isn't infinite, right? And so knowing that there was going to be a growing opportunity in the energy transition sector, the powers that be in Macquarie decided that, "Let's get ahead of this. We're going to need a lot more capital than what our balance sheet can provide. Let's move the team from the Macquarie Capital side of the business into the fiduciary side of the business." And so that happened in 2022, and that's when I came back.

(09:26):

We're a global team. We're about a hundred folks in various different offices, but mostly New York and London. We are not just financial investment professionals. We also have a very strong team of specialists, industrialist, and people understand the engineering and construction and all that stuff. So we have a bit of a strategic angle as well, although we invest now in companies that should have that capabilities as well. But we like to have global coordination around that, so we do have some of those specialists on our team.

(09:59):

Across our various strategies, we're probably managing about 10 billion more or less today. And we have strategies that focus on more of the mature end of the energy transition sector. So that would be like solar, wind, batteries, hydro, geothermal. We have one strategy that focuses on that and another strategy that is focusing on some of the more emerging areas of energy transition, those being renewable fuels, green hydrogen, carbon capture, electric vehicles, circular economy, et cetera. So we really feel like we have a very wide aperture to be productive in the sector.

(10:37):

And while we're managing as the green investment team, the sort of pure play energy transition funds for Macquarie Asset Management, we also are fully integrated into the wider Macquarie asset management platform, private markets platform, so we also collaborate with our more diversified infrastructure colleagues. We have global core infrastructure funds that we also collaborate with. So we are fully integrated into the Macquarie asset management platform.

(11:04):

In terms of what we have here in the Americas, we have about eight or nine investments across solar, wind, batteries, green hydrogen, et cetera. So it's a pretty meaningful part of the green investment business, but we are a global business and we coordinate, collaborate, and work with our global colleagues every day.

Dan Howell (11:24):

You know, it's an interesting time to the energy space, their political and economic headwinds, plus historic levels of demand.

Will Demas (11:31):

I didn't notice. News to everyone here.

Dan Howell (11:35):

So, yeah, historic levels of energy demands a strain on the grid electrification versus how are we going to provide the electricity for that, and then, of course, the rise of data centers and massive use of energy that they're going to tell. And just I think it's great that Macquarie's been focused on this for such a long term, so I think you guys have a better long-term view than some of the folks who were just come to this space, but wanted to get your thoughts on opportunities you see for growth on the long-term during what some would call short-term unclarity.

Will Demas (12:07):

Yeah, look, I think with the new administration, there's certainly been a change in tone around at least our government's focus on energy transition and decarbonization. And that frankly was expected because it was telegraphed that that would happen. So given that Trump administration did win the election, what we're seeing now is not something that is surprising to us.

(12:30):

Fortunately, we don't believe that investing in these sectors is any longer a policy-driven matter. It's a pure supply-demand and economic rational matter, right? And so to your point about growing electricity demand, we haven't, in US, seen this level of growth or projected growth in electricity demand in 30 years. Now we're expecting on the back of data centers, AI, the electrification of the industrial sector, as well as electric vehicles, which obviously is slowing down but still is going to create new electricity demand leading to 3% year over year expected growth in electricity... Which

doesn't seem like a huge number, but when it's been 0% for many years, that's a big number, right? On a big basis. So we're just naturally seeing demand for electricity going through the roof. And so it's actually a really exciting time to be in any part of the power game.

(13:26):

As a firm, we're an all-of-the-above type of firm. We still invest in natural gas. We haven't invested in nuclear, but we're paying attention to that. So while we do believe ultimately that we're going towards a decarbonized world, we don't assume that's going to happen overnight. So there's still good investments to make along the way.

(13:45):

But the demand that we're seeing is kind of, frankly, overpowering sort of the rhetoric that we're hearing about it. And so we've actually seen in our portfolio companies actually positive tailwinds as a result of ignoring the political environment, but just the actual supply-demand environment. We are signing our purchase agreements with hyperscalers, the large technology companies that pricing levels that we would never have imagined. And that's because there's just so much demand for electricity that data center operators, the most important input for them is power. They need to have it to be reliable, but it's actually not the biggest cost for them. So they're willing to actually pay premiums, in particular for clean energy, just to ensure that they have the reliable source of power and the access to the grid. So that actually has created an environment for many of our companies, and so we're seeing a lot of positive momentum off of that.

(14:46):

I think further, the Macquaries, while we've also... I've mentioned we've been a long investor in energy transition. We're also a huge investor in digital infrastructure as well. And so we have several investments through my colleagues and their teams in US data centers, as well as global data center companies. And so we're actually really benefiting from the collaboration and the synergies that our own portfolio companies can create because there's a huge demand for power-

Dan Howell (15:12):

Sure.

Will Demas (15:12):

... from the data centers and we can provide it to them. So we're actually... Despite, again, the rhetoric, Macquarie and Macquarie Asset Management, we're actually really well positioned. So if we just put our head down and trust the fundamentals, I think we'll be okay. I think there's probably, from a political standpoint, probably reasons kind of tone down some of the green marketing parts. We're very proud of those. We're not an impact investor, but we are proud of the impact that we create. But we're in the business of making returns for our investors, and we think that this is as good of a time as any to do that.

Abdul Lediju (15:47):

Yeah, that's great. Thanks, Will. So alongside your leadership responsibilities in Macquarie, you're also active on the volunteer front. So we've noticed that your volunteer activities are very much connected to your day-to-day work, for example, work that you do with the Coalition for Green Capital, for the American Council on Renewable Energy. I guess my question is, what's your drive? What's your motivation to serve in these volunteer seats alongside the leadership responsibilities you have?

Will Demas (16:19):

Thanks for that question. I think I've been fortunate to be involved in a business and sector that isn't just about going and getting a paycheck. For me, it's also kind of real mission alignment with my own personal views. And so my wife doesn't like when I say this, but work and personal kind of blend together. A lot of my extracurricular activities do tend to be in the energy sector.

(16:47):

Coalition for Green Capital, I joined that board about a year, year and a half ago as it was applying for the EPA awards that it received, which obviously are on topic right now as well, but I sit on... Actually chair the investment committee of that. And I got involved because of the founder of that program, Reed Hunt, reached out to me and actually wanted me to be the CEO. And I said, "Thanks. Very flattering, but it doesn't make sense for me right now." Then asked me to be on the board. So that's how I got involved.

(17:17):

And the board actually consists of the now CEO, Richard Kaufman. Been very involved for the last 20 years in part of Clinton's DOE team and actually used to work for him at Good Energies. He was a partner at Goldman for a long time as well, but he's also on the board, and so there was connectivity there, along with some other people that sit on that board. So it was a familiar group.

(17:41):

And I think most importantly, the mission of the organization is to promote and provide catalytic capital to expand investment, private investment into the green sector in the US, but with also a secondary agenda of also focusing on investing in companies and areas that are often overlooked from traditional investors.

(18:06):

So we always make decisions based on numbers and economic rationale. But as we make those decisions, we do think about how much impact that's going to have in that community. So as I mentioned to you before, the Green Investments team, we don't... Impact is important. We track it. We measure it. That doesn't write checks for us. So this organization allowed me to maybe bring that same commercial sense but also overlaid with a bit of a social sense as well. So I was really excited to join that.

(18:37):

ACORE, American Council of Renewable Energy, it was pretty incredible for me to join that board because that's been one of the longest standing industry organizations focused on renewables. And when I started 20 years ago, ACORE was there. And if you were on the board of ACORE, you were like god-like almost in the sector. Having the opportunity to join a few years ago was really kind of a humbling and really grateful experience for me. It's a incredibly important voice in DC in terms of ensuring that the issues that our stakeholders care about are being addressed and are being on the table. It's a great group of other board members as well. And think also importantly, it's a great platform from Macquarie to be associated with and to increase our visibility in the US in particular. We do sponsor that as a Macquarie business, and we've met incredible people and even have identified investment opportunities through our relationships at ACORE. So it's been a really great experience there. And again, that is partially business driven but also mission-driven as well.

Abdul Lediju (19:43):
Amazing. Yeah, thanks for that.

(19:45):
So let's shift gears a bit. We want to take the opportunity to get your take on advice, advice you would be interested in providing to young investment professionals that are interested in infrastructure, that are interested in energy transition that come from historically underrepresented backgrounds, Black professionals. What sort of advice would you give to aspiring young investment professionals that fit that profile?

Will Demas (20:11):
I think it's interesting because investment professionals that fit that profile, and I'm going to generalize here, often have come from underprivileged situations and difficult, challenging environments. And professionally, you're a doctor or lawyer, right? My dad's a doctor, my mom's a lawyer, so I was definitely balancing that. And maybe it's different now because over the last 10, 20 years, there's been the emergence of the FAANG and the technology opportunity set, but it still feels like people have... The traditional track is doctor or lawyer or something, right?

(20:45):
And a lot of people who fit that profile don't even really understand what infrastructure is, right? I didn't understand what infrastructure was until I was forced to understand what it was, right? But it's actually one of the biggest opportunities, right? It's a huge opportunity. It's a huge critical aspect of all of our lives, integrated large investment opportunities.

(21:05):
So long way of saying that, I think that people should be open to non-traditional paths as well that can also maybe be even more lucrative or satisfying than just going down the doctor, lawyer path or the more traditional path. And so I think folks should just be more open-minded about what path they want to go down. I think that's one thing.

(21:28):
Number two, and I told you my story, you just never know where you're going to end out. So don't be so stuck to your path. You might have plans, but that may not be where you're going to end out. And don't be afraid to embrace that.

(21:40):
Finally, more generically, I would say that was really important to me is make sure you work with people who you want to have a beer with or you want to be friends with. It does make a big difference to work with people that are like-minded and... You're not going to agree on everything, but people that, end of the day, when you take off your Superman cape, they're just people that you respect and want to spend time with. So I think those are important things that people guided me on, and I think passing that on to the younger generation makes sense.

Dan Howell (22:06):
No, that's great-

Abdul Lediju (22:07):
Awesome.

Dan Howell (22:07):

... advice, and that's a... The willingness to take on opportunities that aren't necessarily what you thought you would be doing and focusing on the people that you're working with, those are things that I've seen just in my career as well.

Abdul Lediju (22:19):

Yes.

Will Demas (22:19):

By the way, there's nothing wrong being a lawyer.

Dan Howell (22:23):

That certainly isn't. But, no, we also need the financial professionals-

Abdul Lediju (22:27):

That's right. That's right.

Dan Howell (22:28):

... the people actually doing the good work on the ground, too, as well.

(22:31):

Kind of dovetailing from your last question, who are some mentors who shaped your path and folks that kind of helped get you to where you are? I know none of us can get where we are without great help.

Will Demas (22:43):

There's been a lot of people along the way who have really helped guide me and support me. Obviously my parents, my pastors, people in business. I mentioned Richard Kauffman earlier, who's now the CEO of Coalition for Green Capital. He brought me on to Good Energies, which was one of the earliest focused funds investing in clean technology in 2005, six, seven. Got to know him. And while we hadn't stayed in that close of touch, once we reconnected, he's really helped me make decisions and supported me in some of my decisions.

(23:16):

I think people associate mentorship with some old wise person that can give you sage guidance, and that's great if you can get that, but mentorship also can come from your peers, from people younger than you. It doesn't have to... And so, I've always kind of been open to taking advice from really anyone who wants to give it. And I can choose to take that advice or not, but at least I have some additional data points and information. So I've tried to keep my mentor perspective pretty broad.

(23:44):

Personally, also do a lot of mentoring. Another nonprofit organization that I sit on the board for is a program called America Needs You. It mentors first-generation college students. And so, I've been involved in that since 2011, I think, 2012. Macquarie, again, is a big supporter of this organization.

(24:00):

And I'm mentoring because I want them to be mentors down the road. I think it's important to... Mentoring can't be just a one-way receiving. To really, truly spread the impact of good mentorship, you should be doing the same yourself. So I think if it's a spectrum. It's like to give advice and you figure out what's right. So there's been a lot of people. I don't like calling out names too much, but it's been an incredibly important part of my journey.

Abdul Lediju (24:25):

That's great, Will. On these episodes, we always like to end with an interesting question to help our listeners appreciate even more deeply who you are outside of your professional persona. So to that end, maybe you can share with us some interesting books you've read or planning to read. We know you're a busy guy, but anything you'd like to share that you think would be interesting.

Will Demas (24:47):

No, I enjoy reading when I have the time.

Dan Howell (24:51):

Don't we all?

Will Demas (24:52):

But that's very rare. But I think the next set of books I'd like to read, I don't know if this is going to sound kind of naive or otherwise, but I actually want to reread the books that I read in high school that I really liked and revisit them as an adult and see if I connect with them the same way.

(25:12):

So some of my favorite books were Grapes of Wrath by John Steinbeck and Faust by Goethe, even The Odyssey, just sort of reading things that aren't necessarily the newest bestseller but are actually classics and I haven't revisited since 30 years or whatever it is. So that's what's on my queue, but I'll take any suggestions from you guys as well, if you have any.

Dan Howell (25:36):

That's not an answer we've heard before. I think it would be interesting to go back and think about what we... with the perspective that we've all grown over the last few decades since we were in high school and re-attack some things with life under our feet.

Will Demas (25:51):

I think it may not be that illuminating once I do it, but I think it's a different path, I guess. So I'm looking forward to finding some time to do that.

Abdul Lediju (26:01):

Well, that sounds great. And so, Will, thank you for your time.

Will Demas (26:04):

Appreciate it.

Abdul Lediju (26:05):

Dan and I really appreciate this. And this is a really good episode that I think a lot of our viewers resonate with. So again, we're very appreciative.

Will Demas (26:16):

And I'm appreciative of you asking me to join. And hopefully if any questions or any comments from any of your viewers, feel free to always reach out.

Dan Howell (26:23):

Yeah.

Abdul Lediju (26:23):

Great.

Dan Howell (26:24):

Absolutely.

(26:24):

Thanks so much for your time.

Will Demas (26:25):

Thank you.

Abdul Lediju (26:25):

Thank you.

Voice Over (26:32):

Thank you for joining us on this episode of Accessing the Pipeline. To learn more about today's discussion, please email bpof@mcguirewoods.com. We look forward to hearing from you.

(26:44):

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