

Staying disciplined to seize infrastructure debt opportunities.

Thought leadership paper



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Executive summary



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In a world economy defined by a rapidly progressing energy transition, decarbonisation, as well as the rollout of infrastructure to support the revolution in digital connectivity requirements, there are no shortage of opportunities to provide debt financing for infrastructure projects.

Jean-Francis Dusch discusses how infrastructure debt managers seek to navigate the opportunities and challenges in the market, with many assets transitioning from essential a few years ago to strategic today. He explains how diversification is an important focus, with the importance of securing the most attractive deals in both traditional core sectors and new ones that lie outside the infrastructure mainstream, but that offer the defensive characteristics of infrastructure assets. The key, he says, is remaining disciplined and ensuring deals provide investors with strong protections in a volatile environment.

The infrastructure debt opportunity

The potential investment volume for infrastructure debt is almost infinite. The energy transition and the decarbonisation agenda, alongside the rapid rise of digitalisation and new forms of social and transport infrastructure, create powerful tailwinds for our investment strategy. In this environment, **Edmond de Rothschild deployed €1.6 billion in infrastructure assets in 2025 alone**, largely with proprietary deals holding added value for investors, providing more diversification and higher spreads whilst being highly secured and covenanted.

Private debt is currently receiving some scrutiny, with several high-profile asset managers under strong redemption pressure from mostly private investors. But it's important to understand that infrastructure debt is largely unimpacted by this situation. There are fundamentally two reasons for this:

- First, the underlying reason why some private debt funds are in the spotlight today is **their strong exposure to tech companies**. The tech sector has been the biggest beneficiary of private debt financing in Europe in 2025, often through highly levered, floating-rate sponsor-backed loans particularly in software/tech services, which many investors fear to be disproportionately impacted by the emergence of AI. The situation is therefore very different to infrastructure.
- Second, infrastructure debt projects draw their revenues mostly in a **strong public authority backed context** (local, regional, national or sometimes supra-national), and through **multi-year contracts with predefined terms**, as opposed to most corporate debt. This makes infrastructure debt cash flows much more robust in terms of interest payments and redemption. Further, more stringent credit structuring results in earlier warning signs for the lender and a lower probability of default, the latter underpinned by studies which evidence the much lower default rates of infrastructure debt compared to corporate debt¹.

Meanwhile, as infrastructure evolves, the way infrastructure debt managers approach and mitigate risk is also changing. Experienced asset managers seek to mitigate risks and distribute them efficiently between public authorities, financial sponsors and the various contractors (construction, operation & maintenance, off-takers ...).

Infrastructure debt, to be resilient and deliver its promise to investors throughout challenging times, therefore requires a very granular, complementary set of measures and experienced asset managers behind it, but remains for us one of the most relevant asset classes benefitting from transformational geopolitical, environmental and societal trends.

Strength in diversity

One of the key things we have consistently focused on since inception is **maintaining a high level of diversification** within our portfolios. Since inception in 2014, we have deployed over 135 investments across 21 countries and the full range of main infrastructure sectors.

¹Moody's Infrastructure Default and Recovery Rates 1983-2023.

As one of the largest infrastructure debt managers in Europe, we have the ability to achieve scale. We can go for mega deals if we consider them attractive – but we don't have to. Our flexibility to do deals of varying sizes is something that helps us to diversify portfolios. Last year, we completed 30 different infrastructure debt investments across a variety of markets and sub-sectors.

Edmond de Rothschild's senior team members in the infrastructure debt space have on average **20 years of industry experience**, and have built up long-term relationships underpinned by numerous "first-to-market" transactions with financial sponsors over decades, and are therefore well positioned to access proprietary deals. The team also includes experts with an industrial or engineering background, providing us with an earlier view on emerging sectors and opportunities ahead of competitors.

A new take on the energy transition

Renewable energy and sub-sectors like battery storage accounted for around **30 percent of our investments last year**, and its proportion in our deal flow was much higher.

We've been an **early mover in the battery storage space**, due to our long-held view that bringing liquidity to battery storage is essential for optimising the flow of intermittent energy and channelling it efficiently to the grid. It is part of the bigger goal of **Europe's energy independence and security**.

With storage, we initially focused on smaller-scale projects. For example, in Belgium, we invested in a battery storage plant in 2022 that was essential infrastructure for a region that is transitioning from fossil fuels to renewables. It was possible to structure this deal in a very conservative way to minimise merchant / trading risk to recreate relative levels of cash flow predictability. We completed another battery storage deal in 2025 and have several more in the pipeline as we feel we have historic data supporting our credit analysis.

Another important technology is what we call **'smart metres'**, where the end consumer has much more control over energy consumption, to make the actual use of renewable generated electricity more cost-efficient.

Sometimes there are challenges in certain markets, around regulatory changes or policy shifts. These require constant monitoring and analysis, sometimes including additional covenants or protections to mitigate any risks, or even pausing new investments in a country and refocusing our clients' money elsewhere.

In a nutshell, **the European energy transition is a multi-trillion opportunity**, a huge playground with strong potential, but only strong selectivity will preserve the quality of portfolios.

Digitalisation and interconnectivity

Another major opportunity is in digital infrastructure. The investment needs are enormous. Everyone is talking about AI data centres – there is a lot of competition for deals with hyperscalers, and that can mean debt providers end up offering cheaper debt, relative to the risk. We **have therefore broadened our data centre investment convictions to edge and co-location to further diversify our portfolio**, generate higher spreads, whilst keeping a very strong credit structure and discipline. We also see opportunities to secure strong deals in telecom towers and still fibre-optic.

It's important to remember that digital assets are essential, strategic infrastructure, and in fact almost every infrastructure asset is becoming increasingly data intensive. Battery storage, smart metres and EV charging are all examples of energy transition assets that are linked to digitalisation. 'Smart cities', with fully integrated digital and low-carbon infrastructure, are beginning to take shape. This infrastructure interconnectivity is key theme in our approach to the space.

The key with lending to digital infrastructure in the current climate is avoiding bubbles. The digital sector has lived through multiple bubbles, beginning by the early 2000s internet bubble. If infrastructure lenders want to take a long-term view to sustainably support the ever-growing digital infrastructure financing requirements, they need to find a compromise between the expectations of the equity sponsors and their responsibilities as lenders in how they size the underlying debt.

A broadening
definition of
infrastructure

One of our current focus areas is what we call **alternative social infrastructure**. That can include everything from modular buildings for schools in Scandinavia, to diagnostic imaging technology for hospitals, to energy efficiency in public buildings. The opportunities vary by country, but these kinds of social infrastructure investments often still benefit from long-term contracted revenues from public bodies. They also offer opportunities to contribute to a positive social impact – and, at the end of the day, infrastructure for us as well as our clients is about the tangible impact a project has on the surrounding communities.

The bottom line:
being bold,
innovative yet
staying disciplined

Investors today look for asset managers with a solid history and at the same time a fresh pair of eyes, and therefore an edge within a constantly changing infrastructure landscape and an increasingly crowded market. As asset managers, we need to live up to this challenge by being ever **more disciplined in the way we select deals**, to ensure we offer long-term, resilient infrastructure debt portfolios to our clients.

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