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A flight to quality, and to Europe

A relatively stable regulatory environment, coupled with deeply diversified dealflow, means Europe is luring investors away from the US, four infrastructure professionals tell Amy Carroll and Kalliope Gourntis

It has been just over a year since US President Donald Trump shook the world by introducing a sweeping package of tariffs on what he dubbed ‘Liberation Day’.

In the intervening 12 months, US trade policy and the country’s international relations more generally have remained highly unpredictable. Many allocators that have historically been heavily exposed to the US market are prioritising geographical diversification as a result.

Europe, it seems, is the primary beneficiary. European infrastructure fundraising broke new records in 2025, amassing over \$300 billion. “There are three factors that are driving increased appetite for European infrastructure,” says Romain Py, partner at Arjun Infrastructure Partners.

“First, returns have increased by between 3 and 4 percent compared to pre-2022 levels, which is attracting capital from both North America and

Asia. Second, Europe boasts a stable regulatory framework and established legal environment. Finally, the European market is highly diversified, in marked contrast to other continents, which means the opportunity set is broader with a distinct and deep pool of opportunities.”

Thomas Crawley, managing director at Infracapital, agrees that Europe offers investors more stability than other regions today, coupled with robust and diversified dealflow. “We see lots of opportunities being driven by Europe’s decarbonisation agenda, in particular. That is something that is highly appealing to many LPs.”

Meanwhile, in addition to the stability provided by Europe’s consistent stance on the energy transition, Christoph Bruguier, partner and CIO at Vauban Infrastructure Partners, also highlights Europe’s renewed focus on global competitiveness in the context of ongoing geopolitical uncertainty, as

evidenced in the 2024 Draghi report – written by former ECB president and former Italian prime minister Mario Draghi – which placed a strong emphasis on energy security.

“Infrastructure is recognised as the backbone of Europe’s economic growth and, as such, receives a lot of public support,” Bruguier says. “Furthermore, inflation seems so far under control. Interest rates may be higher than they have been historically, but they look relatively stable, and Europe offers good visibility on dealflow. In addition, valuations are more attractive than other markets on a relative basis. All of these factors are increasing investors’ focus on Europe.”

Macro volatility

While Europe’s macro picture may appear to be relatively secure, inflationary concerns are re-emerging given current events in the Middle East. The rapid acceleration of AI is

Romain Py

Partner, Arjun Infrastructure Partners

Romain Py joined Arjun Infrastructure Partners in 2020 and is head of investments. Py was previously the CIO for African Infrastructure Investment Managers, head of European transactions at JPMorgan Asset Management's infrastructure investment group and held positions at HSBC and Societe Generale.

**Thomas Crawley**

Managing director, Infracapital

Thomas Crawley joined Infracapital in 2015. He has more than 18 years' infrastructure investment experience across multiple sectors and jurisdictions. Crawley joined Infracapital from Ontario Teachers' Pension Plan, and prior to that worked for MAp Airports. He started his career at Macquarie.

**Jaime Siles**

Investment director, infrastructure, IFM Investors

Jaime Siles joined IFM Investors in 2012 and is responsible for originating transactions and managing existing investments at IFM. Siles has led the investment in and sits on the board of IFM's portfolio companies Naturgy, Aqualia and AirRail. He was previously a senior analyst in Bouygues' project finance team.

Christoph Bruguier

Partner and chief investment officer, Vauban Infrastructure Partners

Since joining Vauban Infrastructure Partners in 2019, Christoph Bruguier has been pivotal to the firm's deal sourcing, negotiations, deal structuring and asset management. Bruguier previously worked at HSBC and InfraVia Capital Partners.



also introducing a level of uncertainty. Europe's infrastructure managers are unperturbed, however, given the asset class's proven ability to thrive in volatile environments over recent years.

"In a context of high uncertainty regarding macroeconomics and technology, exposure to infrastructure investments can be a logical choice given its inherent inflation protection and technological insulation," says Jaime Siles, executive director, infrastructure, at IFM Investors.

"If you fear the advent of AI, infrastructure is either a potential beneficiary, in the case of data centres or power generation, for example, or relatively AI-resilient. The use of toll roads and airports or the demand for water is unlikely to be materially affected by those kinds of tech developments. All in all, we see more upside than downside in the current environment."

Py adds: "Inflation protection is one of the fundamental characteristics of infrastructure, and the asset class has demonstrated its resilience to macro volatility over the last few years. Of course, our job as fund managers is to provide additional protection against such unexpected events. That is something that we are getting better and better at, given that these events seem to be occurring more often."

Hot spots

So, where within Europe's rich infrastructure ecosystem are global LPs focusing their attention, in particular? According to Siles, investors are being drawn to its active mid-market. "Europe is a structurally fragmented market that offers the potential to expand locally focused mid-market companies when backed by pan-European financial sponsors," Siles explains. "US LPs are increasingly recognising those opportunities."

Bruguier agrees. "We continue to see strong appetite for Europe's mid-market. Investors recognise that the mid-market offers a greater opportunity to create alpha," he says. Indeed,

Bruguier says DPI has become a key priority for investors. "LPs want to see current returns. They don't want to be relying only on exits that sometimes keep getting postponed or that are getting difficult to predict."

In terms of sectors, meanwhile, digital infrastructure clearly remains a dominant theme, although Europe's data centre story is playing out at a more modest scale than in the US.

"You do see a few multi-gigawatt campuses being developed in Europe, such as the Start Campus in Portugal, but the majority of data centre projects in Europe are likely to be smaller, in the hundreds of megawatts," says Crawley.

"Clearly, there is still a need for significant investment, but projects tend to be smaller because of considerations such as land use restrictions, planning and power constraints. Furthermore, the US is the home market for a lot of

the hyperscalers, so it makes sense that they are scaling there first."

Bruguier agrees that the European data centre build-out is happening more slowly than in the US, but adds that there are pockets of significant activity. "FLAPD markets are constrained in terms of land and access to the grid, plus the fact that local populations may be resisting... further development," he says, referring to Europe's premier data centre hubs of Frankfurt, London, Amsterdam, Paris and Dublin.

"However, there are markets that are structurally fit to scale, given a strong decarbonised power mix and greater land availability," he adds, pointing to the Nordic region, France and potentially Iberia as examples.

Indeed, one of the key differences between the European data centre narrative and that currently taking place in the US is the energy sources

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being employed to power the roll-out. In the US, behind-the-meter gas plants have become the norm. The availability of natural resources coupled with decarbonisation legislation means that European developers are having to take a different approach.

“Data centres need reliable baseload power, and for that a country needs a diversified energy mix and low electricity prices,” says Py, pointing to France with its mix of nuclear, hydro and renewables as an example, and the

Nordic countries with hydro, wind and solar.

“The US has a self-sustaining domestic gas market,” adds Bruguier. “Europe is in a completely different position. Europe is also obviously on a very different trajectory to the US when it comes to decarbonisation regulation. That could be viewed as slowing down Europe’s data centre roll-out to a degree, but it could also be spurring innovation, with new and more flexible approaches. I do not expect

that Europe will be replicating what is happening in the US because the two markets are different.”

Py, meanwhile, says Europe’s challenges are also strengths for early movers in the space. “Grid challenges act as a barrier to entry and are rising, as do planning restrictions and land constraints. All this creates discipline, and discipline ultimately leads to pricing power.”

Siles agrees: “There is a perceived first-mover advantage in Europe as land and grid connections are scarce. Investors that are not already active in the European data centre space may face higher entry costs.”

Alternative opportunities

While data centres and their associated energy demands are dominating the headlines, there are myriad other investment opportunities to be found across Europe’s rich and diverse infrastructure landscape.

Siles highlights the opportunity to pursue areas that are adjacent to existing segments of core infrastructure. “LPs appreciate the ability to add value in companies that operate within the core infrastructure perimeter. There are interesting developments taking place within the perimeter of existing asset classes; for example, equipment leasing in the airport space.

“The fundamental drivers are the same as those for the existing core assets, but those adjacent sectors are sometimes underinvested and overlooked. These sectors are also often highly fragmented, with few global players operating at sufficient scale. We are identifying a range of mid-market opportunities across Europe through our exposure to core infrastructure assets.”

Crawley, meanwhile, sees increasing demand for opportunities in the European transportation and logistics sector, and rail in particular. “There is considerable investment required in that space,” he says, pointing to a recent investment that Infracapital

made in Germany's rolling freight market – its Marble rail leasing platform. Infracapital also owns a rolling stock freight business in the UK and recently exited its holding in a UK rolling stock lessor, Corelink.

“There is increased need for private capital in these areas as public finances are stretched,” Crawley adds. “With everything that is going on with deglobalisation and nearshoring, there is an increased focus on supply chains and logistics flows, as well as an ongoing need to decarbonise – transport represents around 25 percent of Europe's greenhouse gas emissions. This is all feeding into an increased need for transportation and logistics investment. Our

investment in Inland Terminal Group – a business active in the transport of containers across inland waterways in Europe – is an example of a business well positioned to benefit from these macro conditions.”

Risk profile

There is an argument, meanwhile, that turbulent times may lead to increased appetite among LPs for core infrastructure, in contrast to the hunt for higher returns that has characterised recent years. However, Europe's infrastructure managers caution against conflating risk profiles with sectors.

“Airports, which are considered core, have been a real success story

with the rebound in passenger numbers post-covid, while certain UK water companies have faced challenges,” says Siles. “Then there is fibre, where performance has varied significantly depending on the jurisdiction and the business model. What constitutes core infrastructure isn't always straightforward. It depends less on the sector and more on the infrastructure manager's discipline and know-how.”

“You need to look beyond sector to the underlying infrastructure characteristics,” adds Py. “A fibre company connecting 20,000 homes, with negative EBITDA, based in the UK or Germany, is a very different proposition to the companies with two million customers, long-term concessions and 40-year contracts with indexation that we have invested in. One is real infra and the other is not.”

Bruguier agrees that core also refers to the way that the manager invests and how the deal is structured. He sees sustained investor appetite for true core infrastructure. “That appetite remains because core infrastructure has proven to be resilient,” he says. “In the midst of global uncertainty, investors want to have inflation protection, they look for yield, and they prefer to avoid GDP correlation.”

A policy wish list

Indeed, looking forward, Europe's infrastructure managers appear bullish on the asset class's prospects. Yes, the wider geopolitical environment is shaky, but regulatory support within Europe remains strong.

“One of the key characteristics of the European market is the fact that it is being supported effectively by public authorities,” says Bruguier. “It is well understood by policymakers that infrastructure is a powerful tool for driving economic growth.”

It is important, however, that this policy support is delivered in the right way. Germany's €500 billion infrastructure and climate fund, for example, has faced severe criticism for largely failing

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Infracapital

to drive new investments, with a report from the German Economic Institute indicating that between 86 and 95 percent of the funds deployed in 2025 were used to plug regular budget gaps rather than addressing an intended infrastructure backlog.

Bruguier believes it is vital that public funding is viewed as additive and complementary to the private sector, with a focus on it being used to accelerate private sector investment to modernise its infrastructure in key areas to support the energy independence, digitalisation and economic competitiveness trends. “Public money could act as an enabler to accelerate private capital spending for new assets or modernisation of existing assets in most parts of the European infrastructure market.”

“I think it is important that policymakers understand when they crowd in capital and when they crowd it out,” agrees Siles. “There is a lot of private infrastructure money willing to be invested in certain German sectors. Airports are a good example. There is currently a low level of private capital invested in Germany’s airports, and

allowing greater private participation could help free up public capital so that it can be redirected elsewhere.”

Bruguier, meanwhile, points to the fibre market as an illustration of how public sector support and regulations can work – or not work – in practice. “In some markets, such as Germany, there has been very little organisation, while the France concession model and global market organisation and regulation have proved to be successful. There has been some public spending involved but the role of the public sector has enabled private sector investment.

“As a result, France is well connected by fibre, which has had an important role to play in bridging the social divide. Other examples include the way in which countries have supported their rail industry by facilitating private investment.”

Crawley also believes that the rail sector can be a good example of positive state support: “Interventions from the German government to reduce ticket prices, for example, resulted in a significant increase in the number of passengers travelling by rail. In addition, the

German public transport authorities are often providing financing support that indirectly benefits lessors of rolling stock, significantly improving the credit quality and visibility of lease payments over a concession period. It isn’t always the case that the assets we back require direct policy support. They can often benefit from implicit support instead.”

Crawley adds, however, that a more co-ordinated and consistent set of policies and frameworks, designed to create better visibility for investors, is at the top of his policy wish list. “That might mean governments using subsidies in a targeted way to encourage increased adoption of decarbonised heat sources, for example. Or it could mean greater transparency and clarity of frameworks around grid investment that could help to reduce barriers for private investors.”

Py agrees that stability and visibility are paramount. “France and its deployment of fibre networks is a great example,” he says. “We need policymakers to have a plan and for that plan to be built around enabling private sector investment.” ■