



Infrastructure in the Rapidly Changing Policy Landscape

Key Takeaways

- ▶ Policy changes around the world are redefining how infrastructure projects are being funded, affecting capital flows and having an impact on the growth rates of infrastructure assets.
- ▶ Accelerating policy-driven investment and AI-driven data center growth are unlocking a multi-decade growth opportunity for listed utilities globally.
- ▶ Listed infrastructure companies with ready access to capital, strong management teams and credibility with regulators and customers should perform well in this environment.

New legislation in the U.S. and an ongoing shift in policy focus in Europe are combining to create one of the most significant periods of change for infrastructure policy in decades. These changes are redefining — sometimes subtly, sometimes dramatically — both how infrastructure projects are funded and how fast their assets are growing.

Accelerating global policy changes are also intersecting with rapid technological advancements, particularly in AI and cloud computing, to create a multi-decade growth opportunity for listed infrastructure globally, in particular utilities.

Policy Implications for Listed Infrastructure

Across the globe, governments are redefining their priorities. In the U.S., parts of the Inflation Reduction Act (IRA) of 2022 — arguably the most ambitious clean energy policy in recent memory — have been rolled back or reshaped under the One Big Beautiful Bill (OBBB), passed in July 2025. In Europe, largely as a result of continued conflict between Ukraine and Russia, the policy focus is shifting toward defense spending, although this includes tailwinds for infrastructure. Germany has also enacted significant infrastructure fiscal stimulus. Changing tariff policies around the world are also resulting in changing trade flows, which are altering the competitive landscape for infrastructure companies.

The backdrop, then, is changing for infrastructure, and investors will need to assess which companies will thrive in this new environment.

One net result is that corporate and financial sectors are being increasingly relied upon to provide capital for infrastructure investments, taking over from governments. With private capital driving projects, infrastructure companies are seeing their asset bases grow at faster rates.

With the key driver of long-term returns for infrastructure being the growth of the underlying asset base, this is a positive. Further, with the capital shift likely entailing some capital rationing, we expect this to further increase return profiles as infrastructure companies prioritize high-return projects and improve capital efficiency.

The One Big Beautiful Bill

As expected, the Trump administration has delivered significant changes to clean energy policy. The OBBB, for example, accelerates the phase down of tax credits for solar and wind projects established in the IRA, in effect making many renewable energy projects less profitable. It also introduces a restriction on the involvement of foreign companies (foreign entities of concern, or FEOCs), invalidating the eligibility for many tax credits of projects in which they are involved (Exhibit 1).

In general, however, while the stimulus from the OBBB is more limited than the IRA, the new legislation still offers a manageable policy environment and avoids major setbacks for renewables. What it lacks in scale, it makes up for in stability. Key takeaways for investors include:

- A front-loaded development window: Developers have a clear runway to commence projects by 2026 and secure tax benefits through safe harbor completion (the ability to lock in eligibility for tax credits for projects already begun) by 2030.
- Supply chain alignment is critical: FEOC restrictions will require onshoring or diversified sourcing to maintain eligibility. Companies with established supply chain resilience gain a competitive edge.
- Focus on quality operators: Companies with capital strength, regulatory credibility and execution capability are best positioned to navigate the policy shift without meaningful disruption.

An important corollary is that while the government steps back from funding infrastructure, it enables the private sector to step up.

We believe regulated utilities and contracted renewables operators with strong balance sheets and established track records are well-positioned to navigate the changes from the OBBB.

Exhibit 1: Sample Changes to U.S. Clean Energy Policy in the One Big Beautiful Bill

	IRA		OBBB
Solar / Wind Project Tax Credits	2033-2035 phase downs (or until 75% reduction in greenhouse gas is achieved – in reality 2050+)	→	Safe harbor: Credits for projects where construction commences before mid-2026 and completion occurs before mid-2030
Energy Storage Systems Project & Nuclear Tax Credits		→	Eligible through 2032-2033
Foreign Entity of Concern (FEOC)	N/A	→	From 2026, involvement of a FEOC (e.g. for solar panel, wind turbine etc) invalidates eligibility for many tax credits

Source: ClearBridge Investments.

Europe Increases Fiscal Support for Infrastructure

At a 2025 summit, NATO member states agreed to a 2035 target of 5% of GDP spending on a broad category of defense and security-related spending. Listed infrastructure is expected to get a substantial boost in spending, potentially €2 trillion of new investment over the next 10–15 years, driven by the need for infrastructure resiliency to support defense and security in Europe. In particular, opportunities include resilient power supply for military and strategic facilities as well as strategic transport links including rail, airports, roads and ports.

At the same time, Germany has approved a €500 billion investment fund over a 12-year period to revitalize the country’s infrastructure. The fund is designed to accelerate the energy transition and support long-term economic growth as well as address decades of underinvestment in critical sectors like transportation, utilities and energy.

The main implications of the German fiscal stimulus for listed infrastructure are:

- A greater potential to attract private investment into a wide range of infrastructure projects (as projects attract private capital to co-invest alongside public funds)
- Potential knock-on effects across the EU that could further boost infrastructure spending elsewhere on the Continent via the need for energy interconnectors and transport corridors

Case Study: NextEra Energy

NextEra Energy is an integrated utility with a regulated utility operating in Florida and the largest renewables business in the U.S. Its regulated business, including Florida Power & Light, serves nine million people. The company looks well positioned to navigate its changing policy environment:

Navigating Changes to the IRA

- NextEra's renewables backlog is protected under safe harbor provisions, enabling long-term visibility to renewables growth.
- Its supply chain has already been repositioned to mitigate FEOC concerns for post-safe-harbor periods, strengthening its competitive advantage.
- Changes to the IRA may moderate some growth for NextEra after 2032, but there are reasonable offsets to this (Exhibits 2 and 3). We see upside following the end of safe harbor driven by additional transmission and gas generation opportunities, Florida Power & Light data center load and the potential restart of the Duane Arnold Energy Center, a nuclear plant in Iowa.

Long-Term Renewables Demand

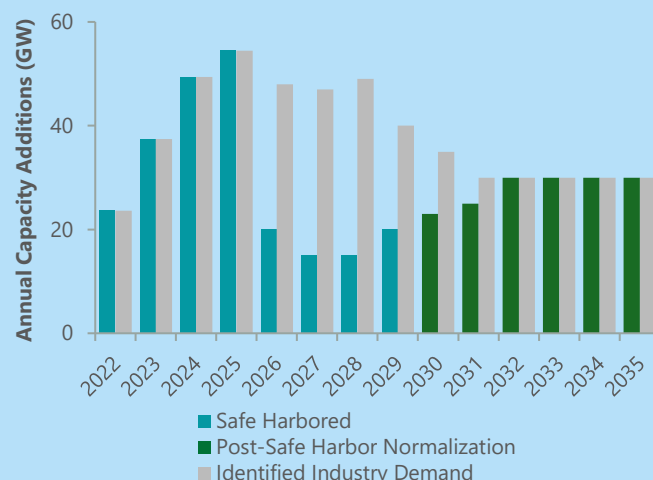
- Long-term industry demand for renewables remains intact.
- Solar growth should moderate long term to a very respectable ~6% compound annual growth rate (CAGR) as stronger demand growth from AI offsets a large market share gain from gas.

Key Risks

- A key risk for NextEra is executive orders that might alter the competitive landscape.

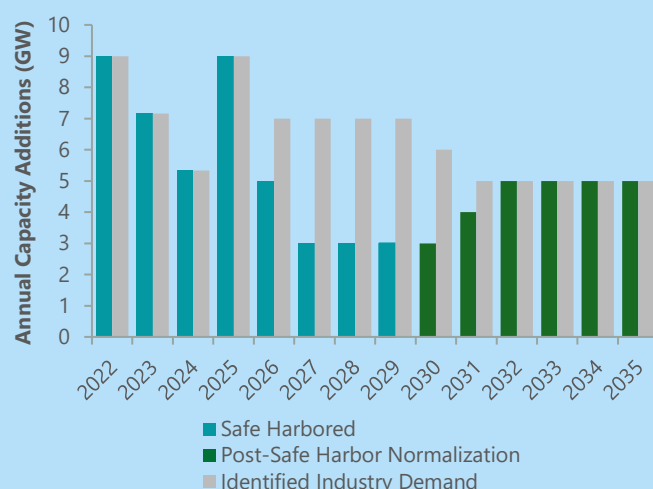
Overall, we see a very credible path for NextEra to sustain growth well into the next decade (Exhibit 4). Importantly, amid policy-driven uncertainty, the listed infrastructure market allows one to take advantage of that by investing in companies like NextEra at attractive valuations.

Exhibit 2: U.S. Solar Industry Forecasts



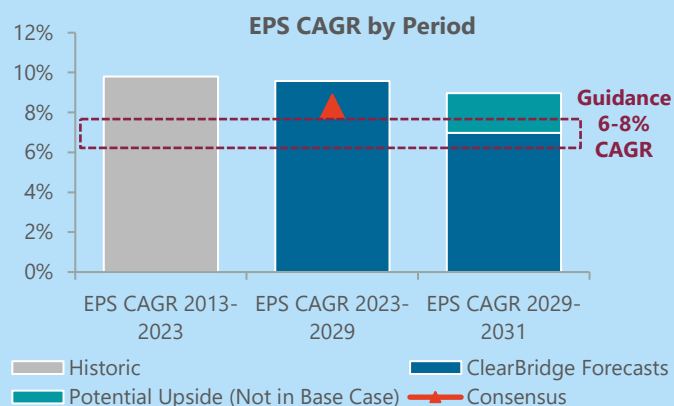
Source: ClearBridge Investments.

Exhibit 3: U.S. Wind Industry Forecasts



Source: ClearBridge Investments.

Exhibit 4: NextEra Earnings Per Share CAGR by Period



As of July 2025. Source: NextEra Energy, internal research and estimates.

Case Study: E.on

E.on is an electric utility company based in Essen, Germany. It runs the largest distribution system operator in Germany and should see several growth opportunities from European fiscal stimulus.

Germany's €500 billion infrastructure fund includes €100 billion dedicated to climate protection and climate-related infrastructure investment. This bodes well for the investment environment across Germany's electricity network. The fund introduces incentives for German industrial growth, which should lead to higher power demand and further investment opportunities for E.on.

E.on's regulator, Bundesnetzagentur, has also acknowledged the urgent need for grid investment to meet energy targets and for enhancing returns on network assets, which will improve earnings visibility and long-term value creation. This is key, as it is impossible to raise the level of investment without raising the returns. Returns on equity are currently ~5%, although after draft regulatory announcements the market expects them to increase to ~6.5%. Our analysis shows ~7.5% or 8.0% is possible, and we expect a final decision toward the end of 2025.

In addition, Germany's Easter Package, a collection of energy policy reforms adopted in April 2022, targets 80% renewables generation by 2030. As the largest distribution system operator in Germany, E.on is an enabler of this goal, investing the required capex to connect generation assets to the distribution grids. If E.on meets the Easter Package target, we believe there is 50% upside to its network capex.

Overall, then, E.on is strategically positioned to benefit from Germany's fiscal and energy transition agenda. Upside drivers include accelerated grid capex, supportive regulatory environment (larger capex budget approvals and higher allowed returns), and industrial growth and rising electricity demand. We see a clear path to sustained growth for the company.

Conclusions

1. Increasing role of private capital: While policies differ by region, one common thread is a greater reliance on private capital and infrastructure operators with proven execution capability. Corporate balance sheets and institutional investors are becoming the main funding source for infrastructure. We are also seeing the first steps to add households to the private sector funding pool, as evidenced by U.S. President Trump's executive order in August 2025 that would loosen decades-old rules for U.S. 401(k)s to allow private equity investment, including "direct and indirect interests in projects financing infrastructure development."¹

2. Asset bases in regulated and contracted markets are expanding rapidly, helped also by AI growth. In addition to fiscal stimulus to support infrastructure spending in Europe, rapid technological advancements, particularly in AI and cloud computing, are driving explosive growth in capex globally. A single hyperscale data center can consume as much electricity as 80,000 homes — running 24/7, its power draw rivals that of a small city. AI and digital transformation are fueling an unprecedented surge in data center electricity demand globally, reshaping the utility sector and infrastructure investment landscape and requiring massive capital deployment to expand and modernize grids, build new generation capacity and integrate emerging technologies.

A decade ago a high-growth utility was growing its asset base (and earnings, cash flows and dividends) at 4%–5% per year. Today, that's more like 8%–10%. By the early 2030s that could be in the 12%–15% range, and will likely need to stay there for a decade.

Listed utilities and infrastructure players stand to benefit significantly, provided they can navigate regulatory complexities and evolving customer dynamics effectively.

3. Greater policy stability creates greater visibility on returns, particularly for renewables.

As current policy shifts settle, we believe the winners will be companies with the financial strength, operational capability and the strategic foresight to move ahead of the policy curve — whether in the U.S., Europe or elsewhere.

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