

**LBPAM** 

EUROPEAN PRIVATE MARKETS

# Seizing the Sub-IG infrastructure debt opportunity



As discussed in our previous paper, [The coming of age of European mid market infrastructure](#), Europe's infrastructure investment landscape is being reshaped by powerful structural forces. The energy transition, sovereignty and security of supply considerations, digitalization, and the modernization of ageing assets are collectively driving a sustained increase in infrastructure capital needs across the continent. As these investment requirements accelerate, traditional sources of capital are increasingly insufficient to support growth ambitions—particularly for smaller platforms, transition assets, and expansion stage projects.

Within the lower mid market, this dynamic has brought renewed attention to Sub Investment Grade (Sub-IG) infrastructure debt as a distinct and increasingly relevant financing solution. We believe that Sub IG infrastructure debt sits at the intersection of resilience and return potential: it finances essential infrastructure assets while offering investors enhanced relative value in the current market environment. However, care needs to be taken when accessing this part of the market. Projects are often more bespoke, structures more complex, and outcomes more dependent on disciplined underwriting. Investors must therefore be able to assess and price risk appropriately to ensure that returns adequately compensate for complexity.

Building on this conviction, LBP AM European Private Markets (EPM) is launching a strategy<sup>1</sup> dedicated to Sub-IG infrastructure debt. This initiative draws on more than 13 years of experience, during which EPM's Infrastructure Debt platform has raised over €4 billion, invested in more than 75 projects across the European Union, and currently manages eight infrastructure debt funds<sup>2</sup>.



**Bérénice Arbona,**  
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Debt



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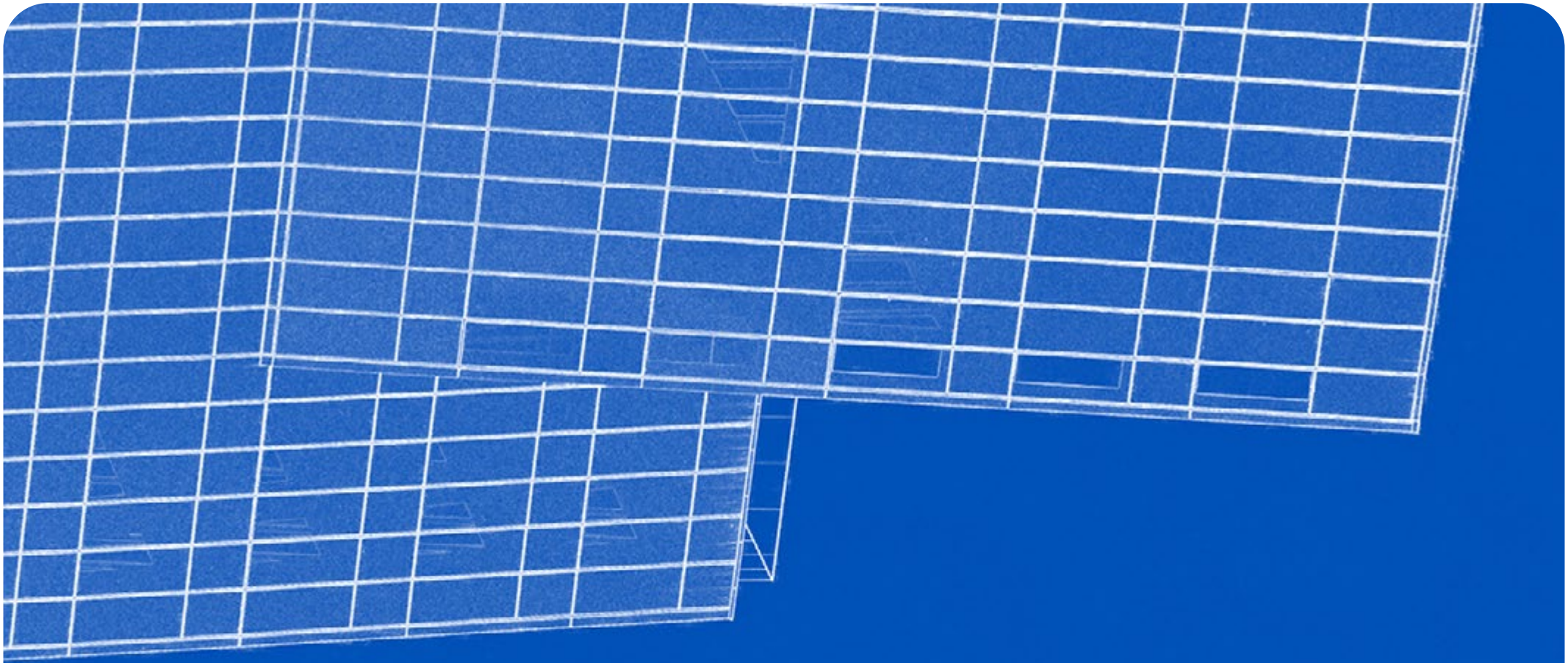
**Gaëlle Allet,**  
Infrastructure Debt

1. Each investment involves risks, including but not limited to the risk of capital loss and illiquidity.

2. Source: LBP AM, as of 31/03/2026.



- **Lower mid-market infrastructure: at the heart of Europe's transformation**  
Against a backdrop of accelerating energy transition, growing digital connectivity, and rising sovereignty imperatives.
- **Sub IG: a compelling opportunity**  
Combines essential infrastructure exposure with enhanced returns
- **LBPAM EPM's approach to capturing value**  
An established track record & sector expertise, focusing on disciplined asset selection, robust structuring and active monitoring



**1. A market segment reaching critical mass and growing in importance today**

## 1. A market segment reaching critical mass and growing in importance today

Over the past decade, the infrastructure investment universe has expanded significantly, driven by a set of powerful and structural global megatrends. These dynamics are reshaping both the nature of infrastructure assets and their associated financing needs, creating a broader and more complex opportunity set for infrastructure debt investors.

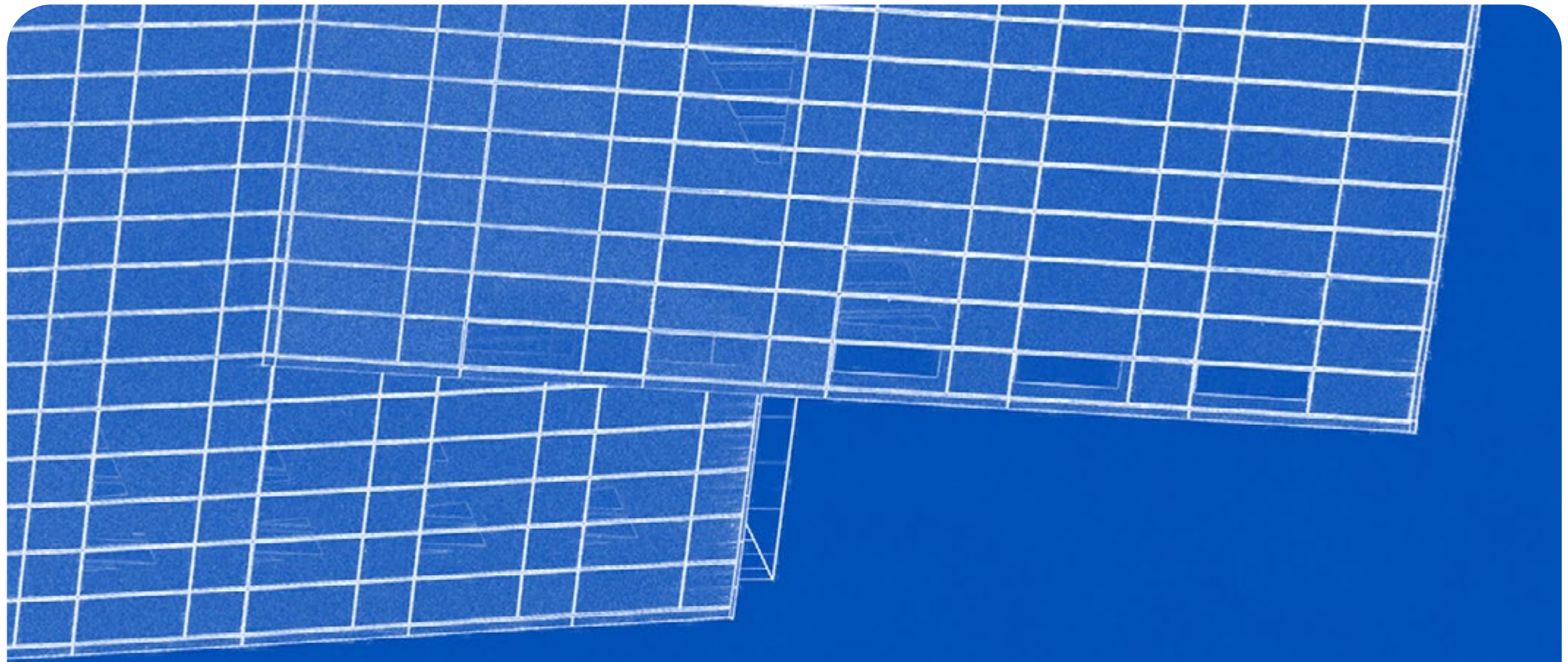
At the same time, public-sector contributions to infrastructure funding have declined as a share of total investment, and traditional private lenders—banks, senior infrastructure debt funds and infrastructure equity sponsors—cannot absorb the full demand. Sub-IG debt has therefore emerged as a structural complement to senior debt financing on one side and infrastructure equity on the other side.

As such, Sub IG debt responds to a clear structural need: providing flexible capital to support asset development and growth while enabling sponsors to optimize capital structures without equity dilution.

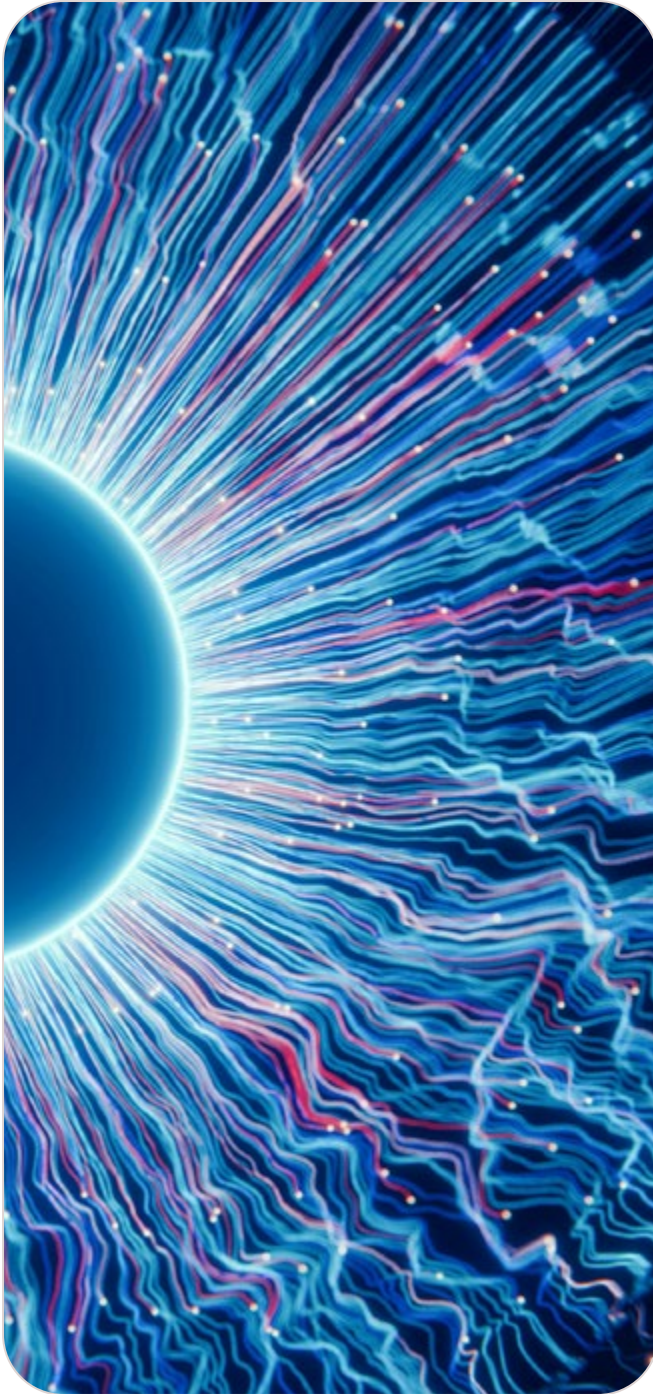
While long established in corporate and real-estate finance, its broad use in infrastructure is relatively recent and has expanded as financing needs have accelerated across sectors such as renewable energy, the broader energy-transition value chain, telecom networks (fibre and 5G), and increasingly data centres, where “AI-ready” facilities require materially higher capex.

“**The European Sub-IG infrastructure debt market has matured through successive transaction cycles, allowing refined structuring approaches and more importantly better adequacy between supply and demand of high-yield infrastructure debt by sponsors / borrowers.**”

We believe this therefore creates a compelling entry point on an asset class, sufficiently mature to provide robust investment structures and relative value to investors.



**2. What does that mean for institutional investors?**



## 2. What does that mean for institutional investors?

Infrastructure debt is an asset class that has historically exhibited counter cyclical characteristics, making it particularly relevant during periods of market volatility. From a historical perspective, infrastructure credit has demonstrated resilient performance.

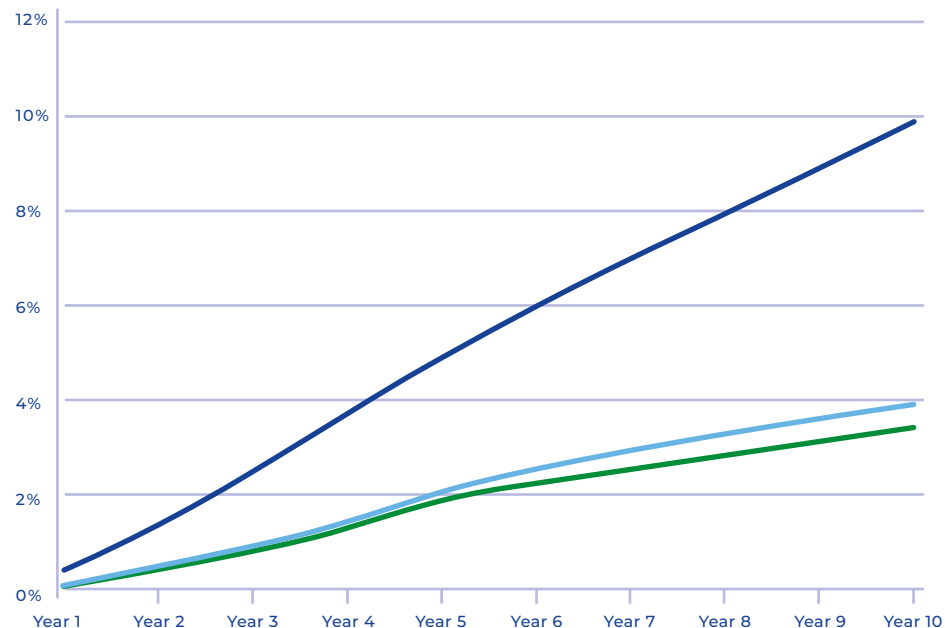
Sub-IG debt has the potential to offer an attractive risk-return profile based on both a favourable interest rate environment and Sub-IG private infrastructure credit spreads remaining at healthy levels.

### **For institutional investors, this translates into several distinct use cases:**

- **For investors with existing allocations to senior infrastructure debt**, Sub-IG debt allows an extension of the investable universe, enabling access to financings with enhanced return potential while maintaining meaningful downside protection.
- **For investors who have focused on infrastructure equity for higher yielding infrastructure exposure**, Sub-IG debt presents a compelling alternative by offering returns comparable to those expected from a core infrastructure equity investment, coupled with much greater visibility into the cash flow schedule and less dependence on exits.
- **For investors not yet allocated to infrastructure debt**, this segment offers access to essential, real economy assets that may enhance portfolio diversification and resilience. The asset class benefits from a defensive risk profile, supported by strong fundamentals. Notably, Moody's latest Infrastructure Default and Recovery Rates publication highlights that, over the long term, infrastructure assets exhibit lower credit loss rates, with the performance gap widening over time.

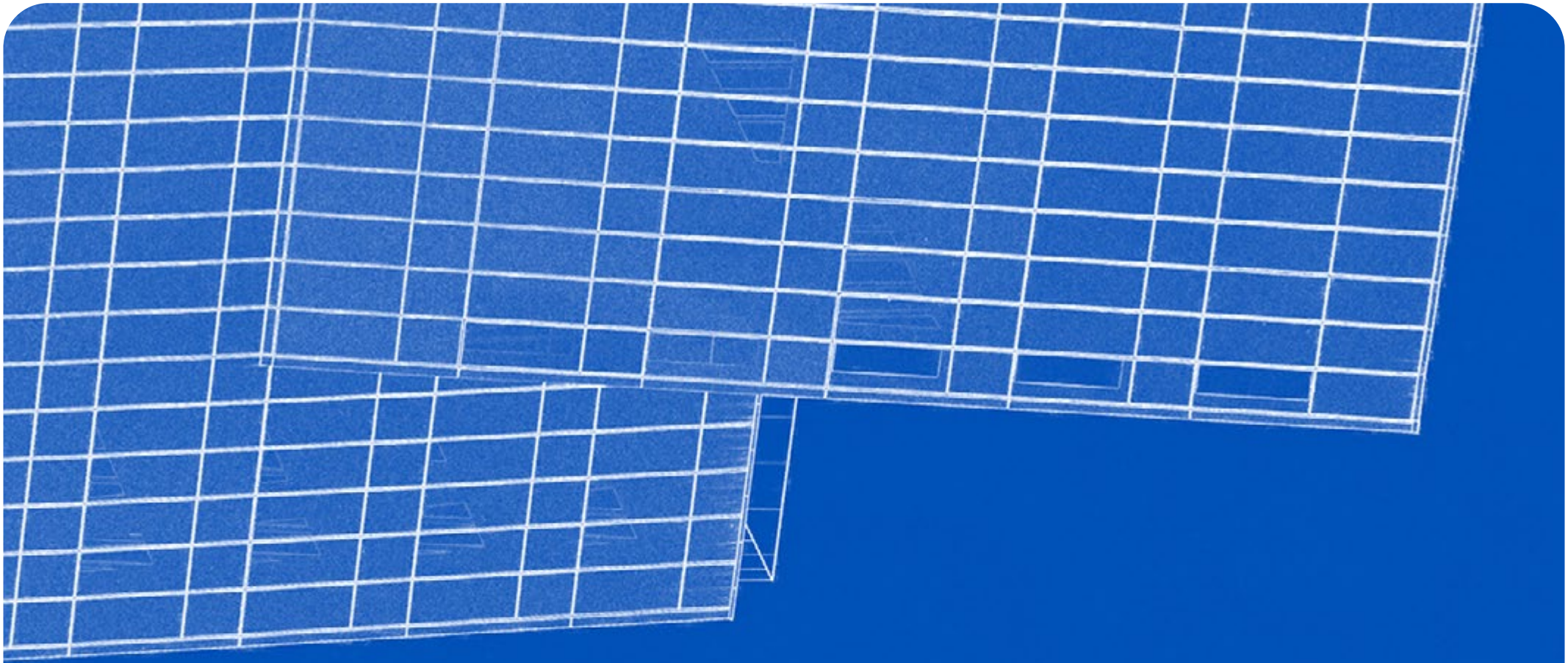
### Average Ba-rated credit loss rates, 1983-2024 – Infrastructure assets vs Non-Financial Corporates

- Total Infrastructure Debt Securities
- Corporate Infrastructure and Project Finance Debt Securities
- Non-Financial Corporate Issuers



Source: Moody's Infrastructure Default and Recovery Rates, 1983-2024.

- **And finally, for investors having already invested in sub IG infrastructure debt,** we believe looking at the lower mid-market segment in Europe brings diversification benefits and complementarity in a portfolio context. In Europe, the mid-market segment remains relatively underserved, as we see capital has increasingly concentrated on larger, more competitive transactions. Within this space, LBP AM positions itself on transaction sizes typically ranging from €25 million to €50 million. This represents a clear sweet spot: transactions are often overlooked by larger managers due to size constraints, yet they remain too large for most smaller lower mid market players. This positioning is a way to access differentiated opportunities while maintaining institutional grade infrastructure characteristics.



**3.**

**Sub-IG Infrastructure  
Debt risk:  
perception vs reality**



There is a misconception that sub-IG credit is particularly risky, and a part of that misconception is that this debt only funds the least creditworthy borrowers and the riskiest part of market. The reality is that this segment of the infrastructure market is quite broad and the risk spectrum is very wide, the key differentiator is the quality and resilience of the underlying assets. Ultimately, risk is driven by asset selection.



#### At LBP AM, discipline is key when investing in the Sub-IG segment:

- 1 Discipline in how we select and assess opportunities: focusing on infrastructure projects or corporates in Europe that exhibit key infrastructure characteristics - i.e. the essentiality of the assets, the visibility over the cash flows, and high barriers to entry, across a broad range of infrastructure sectors.
- 2 Discipline in how we structure the transactions: using a comprehensive toolbox to structure transactions with robust contractual protections, enforceable security packages, and the implementation of financing structures that ensure effective control rights.
- 3 Discipline extended throughout the asset management cycle after the closing: staying closely involved through active monitoring and ongoing dialogue with stakeholders, in order to identify issues early and take timely action, aiming to protect and enhance value.

#### When investing in sub-IG infrastructure debt, focusing on recoverable assets that clearly exhibit key infrastructure characteristics.

- **Essentiality** is fundamental. In simple terms, essential infrastructure assets provide services that society relies on every day and cannot easily do without. These are services that support economic activity and daily life—such as energy, transport, digital connectivity, water, or waste management. Because these assets are essential, demand for their services tends to be stable and resilient, even during economic downturns, which may support predictable revenues.
- **High visibility over cash flows** is another key criterion. We believe it's key to select assets with simple, well-understood business models, where revenue sources are clear and well defined. This typically includes for example, assets with contracted revenues or regulated income frameworks, allowing us to assess credit risk with confidence. Conversely, we avoid assets exposed to unproven technologies or material technology risk, as these can introduce uncertainty around performance and cash-flow generation.
- **High barriers to entry** are essential in defining the infrastructure nature of an asset. Barriers to entry mean that it is difficult for new competitors to replicate or enter the market. This can result from high upfront capital requirements, long development timelines, regulatory or permitting constraints, scarce land or locations, or natural monopolies.

### ***Illustration: a look at data centres***

In today's environment—characterised by the rapid rise of AI and accelerating digitalisation across Europe—data centres have become increasingly critical. This applies across hyperscale cloud facilities, AI training, AI inferencing, and edge data centres.

But does this mean all data centres qualify as infrastructure assets? Not necessarily. Essentiality alone is insufficient. To meet our definition, assets must also exhibit strong cash flow visibility and high barriers to entry.

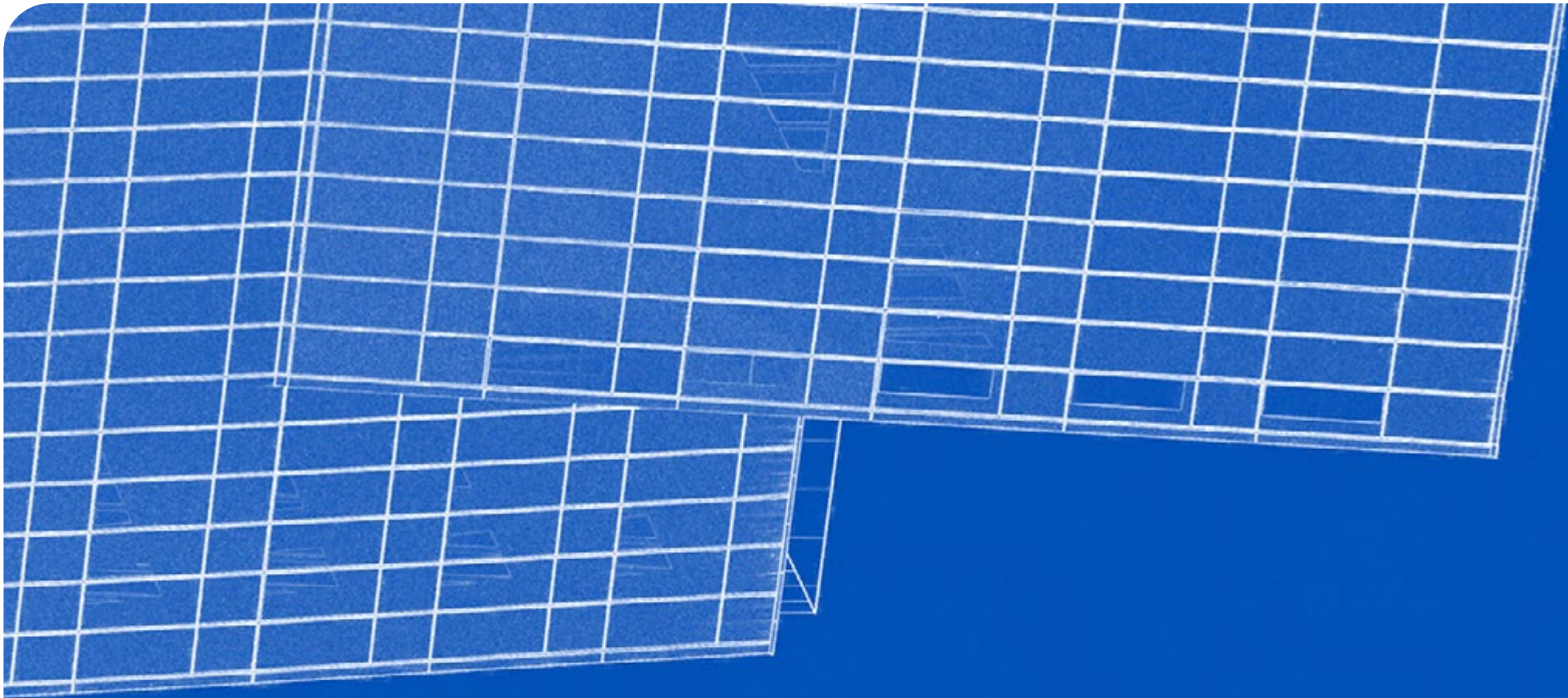
In terms of cash flow visibility, we favour data centres supported by contracted revenues under long-term customer agreements with creditworthy counterparties. Barriers to entry, however, vary significantly across different types of assets.

Cloud-focused and edge data centres, where low latency is paramount, typically benefit from high barriers to entry. New capacity cannot be deployed rapidly: developers must secure prime locations close to end-users or demand hubs, ensure access to critical resources such as power and water, and deliver highly technical assets within tight timeframes. In the case of edge data centres, the need for dense, distributed networks further reinforces these constraints. These requirements demand substantial capital and execution expertise.

AI inferencing data centres share some of these characteristics, as they also require proximity to users to support real-time processing. As a result, they can exhibit relatively strong barriers to entry, particularly when integrated into established network ecosystems.

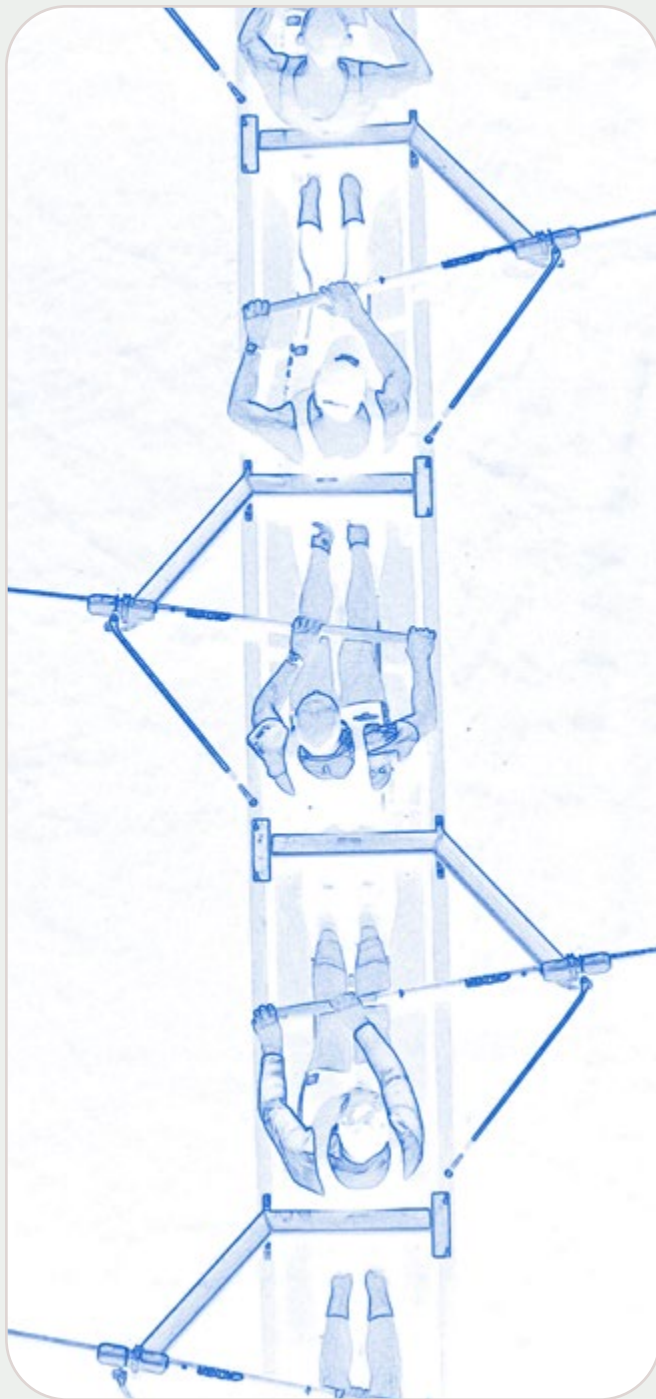
In our view, these factors support the infrastructure nature of cloud, edge, and certain inference-focused assets. By contrast, AI training data centres generally have lower latency requirements, allowing them to be located further from end-users and major demand centres. This greater flexibility reduces barriers to entry, making such assets, in our assessment, less compelling candidates for infrastructure debt.





**4.**

**How do we approach  
the asset class?**



#### 4. How do we approach the asset class?

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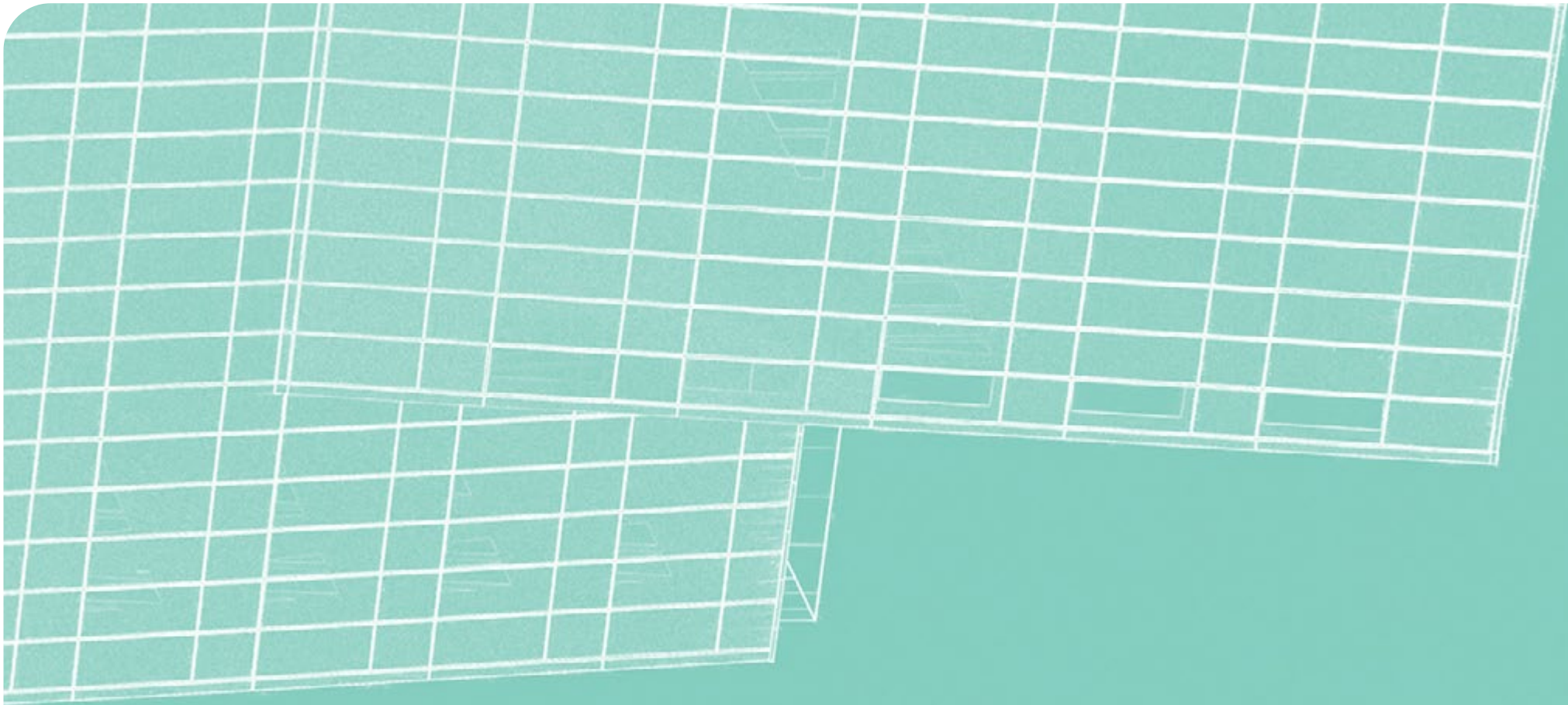
We strive to build a portfolio diversified across sectors and geographies. Although the pipeline has a natural bias towards the largest capex-deploying sectors in Europe, renewables and digital infrastructure, we will invest across the broader infrastructure spectrum: energy transition, biomethane, electric mobility, transport, social infrastructure, and healthcare.

Geographically, the approach is pan-European, with borrowers often spanning multiple jurisdictions – this is fully in line with the historical geographical span of investments in LBPAM's Infrastructure Debt platform.

“Agility and structuring expertise are central in Sub-IG lending. Value creation depends on accurately positioning within the capital structure and tailoring instruments to borrowers' needs.”

Transactions typically involve a small number of lenders, requiring direct negotiation and bespoke structuring. This also requires the ability to structure customized solutions, working directly with borrowers, in a market with limited intermediation where transactions typically involve one to three lenders on average.

**Each investment involves risks, included but not limited to the risk of capital loss.**



**Conclusion**

## Conclusion

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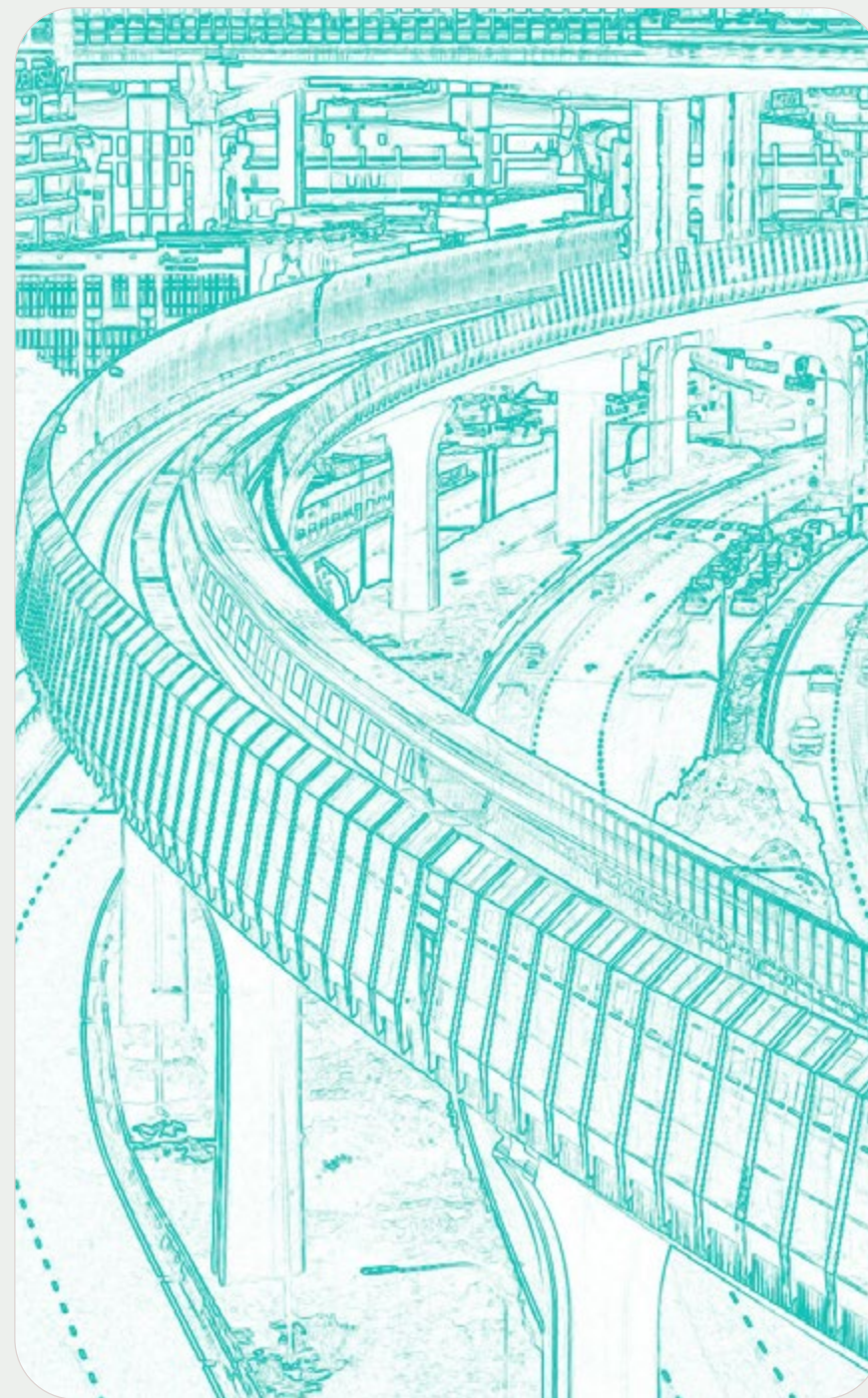
Infrastructure debt has proven to be a structurally important segment within the European financing landscape, driven by growing capital needs and evolving market dynamics.



**Within the lower mid market, this dynamic has brought renewed attention to Sub IG infrastructure debt as a distinct and increasingly relevant financing solution. However, accessing this opportunity requires a high level of discipline in underwriting, structuring, and ongoing monitoring.**



By leveraging its established track record, sector expertise, and rigorous investment approach, LBP AM EPM aims to capture the full potential of this segment while maintaining a strong focus on downside protection and long term value creation.



# About Infrastructure Debt at LBP AM



**8**

**Funds**

**€3,7**

**bn Amounts invested**

**77**

**Financed transactions**

**€2,2**

**bn Low-carbon projects**

Source: LBP AM as of end of March 2026.  
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