ROUNDTABLE

SPONSORS
ANTIN INFRASTRUCTURE PARTNERS • CIM GROUP • MORGAN STANLEY

Shaking up US infrastructure investing

The expansive One Big Beautiful Bill Act is impacting every sector, from power to transportation, creating challenges but also opportunities, our roundtable participants tell Amy Carroll and Justin McGown

US President Donald Trump's 'One Big Beautiful Bill', signed into law on 4 July, has far-reaching consequences for everything from healthcare to immigration. Few sectors of the economy have been as impacted as energy, however, with tax credits for low-carbon generation being phased out more quickly, restricted in availability or simply abolished entirely. Meanwhile, an executive order, issued a few days after the OBBB, entitled 'Ending Market Distorting Subsidies for Unreliable, Foreign-Controlled Energy Sources' made the administration's position abundantly clear.

At the same time, US power demand is climbing steeply for the first time in decades, driven by a combination of factors including the acceleration of artificial intelligence and the advent of onshoring. *Gridlock: The Demand Dilemma Facing the US Power Industry*, a report produced by energy researcher Wood Mackenzie, estimates that demand growth will be between 4 and 15 percent through to 2029. Against this backdrop, demand for natural gas-fired turbines has increased so dramatically that multi-year waiting lists have developed, meaning that gas-fired power plants now arguably have longer construction horizons than nuclear reactors.

Where does this leave infrastructure managers navigating the unprecedented confluence of policy change and demand growth?

Chris Ortega, managing director and head of Americas at Morgan Stanley Infrastructure Partners, which recently sold baseload gas-fired power plant Red Oak, says that all existing generation assets have become more valuable given growing power demands, irrespective of whether that generation is thermal or renewable. "We're seeing that in transaction values and we're also seeing it in PPA pricing as well."

When it comes to new renewable development, meanwhile, recent Treasury guidance on the OBBB has brought some clarity. "If you can begin construction by the first half of next year, and be operating within four years, you'll still be eligible for tax credits. Again, those projects are even more valuable today because of that five-year window. The problems start to occur if you cannot meet those timelines," Ortega says.

Jennifer Gandin, principal and co-head of infrastructure and impact at CIM Group, agrees that increased demand for power is mitigating some of the effects that the OBBB might otherwise have had. "We're seeing a lot of upward pricing pressure for power, meanwhile supply backlogs, particularly related to thermal generation, mean that despite some policy changes intended to weaken demand for clean energy, renewables have been left as the only game in town. That's increasing the value of near-term products in the renewables sector."

Antin Infrastructure Partners has investments in US thermal energy

Chris Ortega
Managing director and head of Americas, Morgan Stanley Infrastructure Partners

Prior to joining Morgan Stanley Infrastructure Partners, Chris Ortega was a partner at TPG Capital, where he led the energy and natural resources group. He was previously also a director at First Reserve Corporation.

Jennifer Gandin
Principal and co-head of infrastructure and impact, CIM Group

Jennifer Gandin joined CIM Group in 2003. She serves on CIM's investment committee and represents the firm on the boards of SkyPower Global and IENTC. Gandin previously worked at a number of private equity and investment firms, and has been on the boards of several other companies.

Guillaume Friedel
Senior partner, Antin Infrastructure Partners

Guillaume Friedel joined Antin in 2008 and is based in the firm's New York office. He is a board member of Vicinity Energy, Origis Energy and Empire Access. Prior to joining Antin, Friedel worked in Credit Suisse's M&A team and DLJ Merchant Banking Partners.

through its district heating platform Vicinity Energy, which uses diversified sources of energy, as well as investments in US renewables platforms. Antin senior partner Guillaume Friedel believes that while the OBBB has created added complexities in the short-term, the increased visibility that has now been provided is to be welcomed.

"The OBBB has established the rules for getting to an unsubsidised environment for renewables post 2030, made possible by the fact that solar and wind plus storage are in most cases now economical on a standalone basis," Friedel explains. "In the long term, I think that clarity will be positive for renewables."

In the meantime, Antin has been focusing on advancing its pipeline so that as much power comes online as possible by 2029. "I agree that those players that are able to move quickly within the allocated window will find that their projects have become a lot more valuable. I also agree that we're seeing upward pricing pressure on PPAs for those able to deliver in the short to medium term, given that there's no scaled alternative for additional capacity," he says.

Federal vs state

The OBBB may be having a profound impact on the US energy ecosystem, but there are 51 governments in America and state level politics have historically had a significant influence on the country's energy transition. The extent to which federal ambitions beat state agendas remains to be seen.

"I think it depends on the subsector and the geography," says Friedel. "District energy is experiencing tailwinds across the board because from an efficiency standpoint it makes sense almost everywhere. Some states and even cities are being extra supportive because of their desire to transition to a carbon-neutral economy."

Massachusetts, home to one of Vicinity Energy's biggest systems, is a case in point. "Local authorities are being extremely supportive of our electrification plans regardless of what's happening at the federal level," Friedel adds. "With respect to renewables, I think it comes down not only to the individual state, but also to the individual ISO, utility and customer. There's definitely still demand for green production, but even more than that, there's a recognition that renewable energy is the most credible source of new capacity coming online, given it's typically faster to build and easier to permit."

CIM's portfolio, meanwhile, is predominantly focused on California, which has been at the forefront of the US decarbonisation agenda. "We're now in the third decade of California policy moving in only one direction. The CAISO system is set up so that there's continuously more renewables demand," says Gandin. "The only question is whether that will be subsidised by the federal government or paid for by rate payers."

Ortega agrees that liberal states will continue to support renewables. He adds that when it comes to distributed energy, including community solar and commercial and industrial, the approach tends to be highly localised. He believes that distributed energy is experiencing some secular tailwinds given load growth and an ageing grid.

"Historically, the challenge with distributed energy assets has been achieving scale," Ortega says. "We're now starting to see some commercial and industrial solar, community solar and micro-grid projects of a reasonable size, although they tend to be heavily dependent on municipal tax incentives. It comes down to a micro analysis of each company. You need to understand economic viability independent of incentives and/ or the durability of those incentives at a local level."

Friedel agrees: "It's an interesting subsector, depending on the micro-dynamics. Where there are pockets of constrained load, we're definitely seeing good opportunities for distributed energy."

The ESG wars

One clear ramification of Trump's political stance has been the erosion of ESG as a marketing watchword

Despite this political headwind, however, ESG hasn't become any less significant as an investment tool. "For us, ESG has always been about managing risk and maximising returns," says CIM's Jennifer Gandin. "It informs how we think about stranded assets and how we price investments. It's not about marketing."

Guillaume Friedel of Antin agrees. "ESG is integral to our asset management practice. It's just good risk management. I would add that in the recent past, ESG has often been reduced by many to just the environmental component, but it's far more than that. It incorporates health and safety, job creation and a whole list of efficiencies that can improve your companies. We focus on all of these components. It's a fundamental part of our value creation playbook."

One area of the energy ecosystem that is not faring so well, however, is offshore wind, especially given the influence of the federal government. "Where we're seeing the federal government have a material impact is in offshore wind due to permitting requirements," says Ortega. "Even projects that have already been permitted are experiencing real challenges due to the federal government's stance on that sector."

Data centre demands

Regardless of its source, there is no question that demand for power is growing. One of the primary drivers of that demand, of course, is a proliferation of data centres, fuelled in part by the advent of AI. Research from Goldman Sachs suggests that global power demand from data centres will increase 50 percent by 2027, and by as much as 165 percent by the end of the decade. For now, however, power constraints are curbing the growth of the digital sector – and having a dramatic impact on price.

There are three ways in which data centres are impacting power dynamics, according to Gandin. "First, they are fighting other industrial users to be first in the queue for power. Second, they are also competing with utilities for power projects. Finally, by engaging in behind-the-meter sources of energy, they are bidding up the supply chain. Those three forces are having a significant impact on power prices."

"The primary bottleneck in the data centre space today is power and that's what is limiting the velocity of data centre development. Consequently, we're seeing PPAs increase materially," agrees Ortega.

But he adds that power is not the only bottleneck that exists. "Water is increasingly becoming an issue, particularly as high compute data centres move from air cooling to liquid cooling. Fibre is another important component of the data centre infrastructure value chain. As data centres move beyond Northern Virginia and Santa Clara to Columbus, Scottsdale and Pennsylvania, for example, we'll need more and more modern fibre with a high strand count to be deployed. That could increasingly become a bottleneck going forward as well."

Of course, all these shortages represent investment opportunities for infrastructure managers. "Power, interconnections, water and fibre – these are all sectors that infrastructure investors are experts in. That creates huge opportunities for us," says Friedel. "Indeed, the huge need for capital is a bottleneck in itself. Data centres require billions of dollars of capital, whether equity or debt or all the shades in between. This is an exciting time for the infrastructure community."

> *"If you can begin construction by the first half of next year, and be operating within four years, you'll still be eligible for tax credits"*
>
> **CHRIS ORTEGA**
> **Morgan Stanley Infrastructure Partners**

Transport opportunities

Unlike the data centre sector, US transportation infrastructure rarely dominates headlines. It has, however, slowly gathered momentum since the pandemic, with a number of recent high-profile deals including Meridiam's $11 billion Expressway PPP in Georgia.

While positive, transportation is a sector that is uniquely exposed to the still unresolved question of tariffs and so infrastructure managers are picking their spots with care. "Clearly, if there's a reduction in transatlantic or transpacific trade, or in passenger travel, ports and airports could be impacted," says Gandin. "But if the OBBB is successful in increasing industrialisation in North America, that will drive demand for short line rail, for example. We also believe there are sectors such as school buses, that are less reliant on federal largesse, that are very well positioned to withstand recent changes."

Antin is invested in a short-line rail asset called Lake State Railway, a freight network that spans the eastern corridor of Michigan's Lower Peninsula. "We like that sector for all the reasons that Jennifer described," Friedel says. "As value-add investors, we like transport assets that have room for growth with a high degree of specialisation, operational complexity and downside protection. In addition to short-line rail, we also like cold chain logistics, marinas and air logistics-related businesses. Conversely, uncertainty around the end result of tariffs means that any asset tied to international trade would make us pause right now."

"We're finding it very difficult to know how to make the right risk-reward judgement in terms of transportation sectors that are exposed to international trade," adds Ortega. "If tariffs do prove to be durable, that could push you towards assets supported by reshoring trends. But if they prove to be transitory, then maybe you want more international exposure. Instead, we're focusing on transportation segments that aren't as dependent on tariff outcomes."

For example, Morgan Stanley Infrastructure Partners has invested in closed-loop Jones Act-compliant vessels, as those vessels need to be US flagged, and in dedicated toll roads, Ortega explains.

Tariff tensions

Transport is not the only sector impacted by tariffs, of course. Infrastructure managers are having to navigate the uncertainty of shifting international trade rules across every aspect of their portfolio. "Our companies depend on

"Clearly, if there's a reduction in transatlantic or transpacific trade, or in passenger travel, ports and airports could be impacted"

JENNIFER GANDIN
CIM Group

"There's definitely still demand for green production, but even more than that, there's a recognition that renewable energy is the most credible source of new capacity coming online"

GUILLAUME FRIEDEL
Antin Infrastructure Partners

global supply to build power projects. This isn't something they can ignore," says Gandin.

"There's a lot of work going on within our assets that have exposure to foreign parts," adds Friedel. "We've expected this possibility for some time and began our work in advance. A lot of good progress has already been made and we've de-risked a large portion of our exposure. That's been a big exercise for 2025."

When it comes to new investments, meanwhile, Antin is focusing more than ever on downside protection. "That doesn't mean we won't invest in anything that has exposure to tariffs, but we're definitely going to run downside sensitivities to make sure we can reach hurdle rates even in those downside cases," Friedel says.

Ortega agrees: "We look at the issue of tariffs through two different lenses. We spent last year trying to develop optionality in our international sourcing, in order to build resiliency in all our existing assets. With respect to new investments, we're not trying to make an investment driven by the judgement call on where tariffs will end up. Instead, we're assessing what downside protection we have and with larger swings of variance for those outcomes than we would have had a few years ago."

Clearly the geopolitical landscape is creating added complexities for infrastructure managers, and within the US more than anywhere. From Trump's OBBB to the ongoing saga of tariffs, the operating environment has been profoundly impacted by an administration with an agenda.

However, where there are challenges, there are also opportunities. With surging demand for power, the prospect of mass reshoring, the vast roll out of a new digital ecosystem and the ongoing need to replace inadequate and ageing infrastructure, the need for savvy infrastructure investment in North America is greater than ever. ■

Disclosures:

Morgan Stanley has not paid for this sponsorship.

The material contained in this article is current as of the publication date of the article, is intended for informational purposes only and does not purport to address the financial objectives, situation or specific needs of any individual reader. It has been obtained from sources believed to reliable, but Morgan Stanley cannot guarantee its accuracy or completeness. The use of this article is not a solicitation, or an offer to buy or sell any security or investment product. Moreover, the opinions expressed in this article are not necessarily those of Morgan Stanley or its employees.

Past performance is no guarantee of future results, and there is no guarantee that any of the investments listed above will perform well in the future.

The views and opinions and/or analysis expressed are those of the author or the investment team as of the date of preparation of this material and are subject to change at any time without notice due to market or economic conditions and may not necessarily come to pass. Furthermore, the views will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing, or changes occurring, after the date of publication. The views expressed do not reflect the opinions of all investment personnel at Morgan Stanley Investment Management (MSIM) and its subsidiaries and affiliates
(collectively "the Firm"), and may not be reflected in all the strategies and products that the Firm offers.

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

RedOak 4927807, Exp. 10/31/2026

© 2025 Morgan Stanley