

Green Transition & Sustainable Infrastructure Assets Outlook : H2 2025

*Focus on Digitalisation & Decarbonation
as Value Enhancers*



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1. Key Market Trends by Region

EMEA Renewable Energy Focus

Germany: Strategic Investments in Renewable Energy and Hydrogen

- **€500 Billion Infrastructure and Climate Fund:** In March 2025, Germany's parliament approved a €500 billion special fund aimed at upgrading infrastructure, strengthening defence, and accelerating climate action over the next 12 years. Notably, €100 billion of this fund is earmarked for climate-related investments, supporting the country's 2045 climate neutrality target. This investment will focus on energy-efficient buildings, low-carbon construction methods, and industrial decarbonization.
- **Offshore Wind Expansion:** Germany aims to increase its offshore wind capacity from 8.3 GW to 30 GW by 2030 and 70 GW by 2045. To support this, the government, alongside the state of Lower Saxony and private sector, has pledged €300 million to finance a 30-hectare expansion of the Cuxhaven offshore terminal, with construction mandated to start before planning permission expires in 2025.
- **Hydrogen Infrastructure Development:** Germany has initiated a €24 billion fund to kickstart a national hydrogen pipeline rollout, with the first €172 million subsidy payment made for a 9,040 km network. This move signals a major step in the country's energy transformation.

Poland: Boosting Renewable Energy Manufacturing

- **€1.2 Billion Allocation for Renewable Energy Manufacturers:** In June 2025, Poland announced a €1.2 billion allocation to support manufacturers in the renewable energy sector. This funding aims to bolster the production capacity of renewable energy equipment, such as wind turbines and solar panels, enhancing the country's clean energy transition and industrial competitiveness.

Romania: Accelerated Renewable Energy Initiatives

- **Solar Subsidies for Municipalities:** Romania is offering subsidies to local authorities to bolster the installation of solar power systems, aiming to reduce greenhouse gas emissions and lower energy costs for communities.
 - **Wind Energy Projects:** The European Investment Bank (EIB) is committing up to €30 million to a major wind-power project in Romania, accelerating the country's green transition and energy independence.
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European Union: Enhanced Support for Renewable Energy

- **EU Grants for Energy Infrastructure:** The European Commission has allocated nearly €1.25 billion in grants under the Connecting Europe Facility (CEF) to support 41 cross-border energy infrastructure projects, including significant wind energy-related projects.
- **Clean Industrial Deal:** The EU's Clean Industrial Deal includes a plan to allocate €100 billion to support EU-made clean manufacturing and reduce energy bills. Key elements include launching a €500 million pilot plan with the European Investment Bank (EIB) for renewable power purchase agreements and providing a €1.5 billion package to back power grid component manufacturers.

Morocco: Integrated Renewable Energy and Water Projects

- **TAQA and Nareva Partnership:** Morocco, TAQA, and Nareva have teamed up to develop energy and desalination projects, including the construction of a 1,400 km high-voltage transmission line with a capacity of 3,000 megawatts, and the development of 1,200 megawatts of new renewable energy capacity.
- The consortium also plans to build desalination plants across Morocco, with a total annual capacity of 900 million cubic meters, enhancing water security in drought-prone regions.

EMEA Digital Infrastructure

Accelerated Data Center Expansion Amidst Power Constraints

- Europe is poised to witness a record rollout of data center capacity in 2025, with an anticipated 937 megawatts (MW) of new capacity—a 43% increase from 2024. This surge is driven by the expansion of artificial intelligence (AI) and cloud computing activities. Major markets such as Frankfurt, London, Amsterdam, Paris, and Dublin are expected to host over half of this new capacity.
- However, this rapid growth is not without challenges. Power availability remains a significant constraint, leading to delays in data center development. Extended timelines for building transmission lines and securing regulatory approvals are common, with some projects experiencing delays of four years or more.

Emergence of AI 'Gigafactories' and Strategic Investments

- In response to the growing demand for AI infrastructure, the European Union launched the InvestAI initiative in February 2025, allocating €20 billion to construct AI-focused data centers, dubbed "AI gigafactories." These facilities aim to house a minimum of 100,000 GPUs each, significantly boosting Europe's AI capabilities.
- Additionally, the UK government has earmarked £14 billion for AI data centers, reflecting a strategic focus on these technologies.

Technological Innovations to Address Energy and Cooling Challenges

- The increasing power density of AI workloads necessitates advancements in cooling technologies. Liquid cooling solutions, including cold-plate and liquid immersion cooling, are gaining traction to efficiently manage the heat generated by high-performance computing tasks.
- Furthermore, the integration of renewable energy sources and the exploration of nuclear power options, such as small modular reactors (SMRs), are being considered to meet the escalating energy demands of data centers.

Growth in Secondary Markets and Regulatory Support

- While primary hubs face space and power constraints, secondary markets like Milan, Warsaw, and Berlin are experiencing growth, offering alternative locations for data center development.
- Regulatory bodies are also playing a pivotal role in facilitating this expansion. For instance, the UK's Labour Party has proposed simplifying planning processes for data centers, designating them as "nationally important," which would streamline approvals and encourage investment.

Europe Steady Fibre Deployment Progress with Regional Disparities

- Coverage and Adoption: As of mid-2025, FTTH/B coverage in the EU39 region has reached approximately 74.6%, with a take-up rate of 53.1%. Despite this progress, the penetration rate remains at 32.9%, highlighting challenges in driving adoption.
- Investment Trends: After a peak in 2022, FTTX financing activity has stabilized. Lenders are now focusing on activated homes to assess cash flow potential, leading to a more cautious investment approach in 2025.

Middle East & Africa Rapid Fibre Expansion and Strategic Initiatives

- Middle East Dark Fiber Market: Projected to grow from \$126.20 million in 2024 to \$193.19 million by 2032, with a CAGR of 5.47%. Growth is driven by increasing demand for high-speed internet and investments in telecommunications infrastructure.
- Africa Continental Initiatives: The SMART Broadband 2025 strategy aims to foster a more interconnected Africa, supporting broadband ecosystem growth and working towards a Single Digital Market.

Country-Specific Developments

- Germany: Aims to cover 50% of households with FTTH/B by the end of 2025. However, with only 36.8% of homes passed as of mid-2024, the country faces a significant gap to close.
 - Italy: Struggles to meet its ultra-fast broadband rollout targets. The government is considering reallocating some responsibilities from Open Fiber to FiberCop to accelerate progress, but negotiations have faced challenges.
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- South Africa: Microsoft announced an additional investment of approximately \$297 million in AI infrastructure in South Africa, aiming to bolster the country's digital capabilities.

In terms of fiber network expansion, Vumatel, South Africa's largest fiber-to-the-home provider, has passed over 2 million homes with its network as of early 2025. The company focuses on expanding affordable fiber services to low-income areas. In terms of regulatory developments, the South African government faces opposition over proposed changes to Black Economic Empowerment laws, which would allow telecom companies to bypass certain ownership requirements. Critics argue this move favors foreign investors like Elon Musk's Starlink over local businesses.

- Tunisia: Tunisia's National Digital Strategy 2021–2025 aims to integrate digitalization into the country's economic and social development. The strategy focuses on enhancing digital infrastructure, promoting e-governance, and supporting the ICT sector. In terms of cybersecurity market, it is projected to reach \$53.78 million by 2029, growing at an annual rate of 6.38%. The country's ICT sector contributes 7.5% to GDP, with significant opportunities in AI integration and threat analysis.
- Kenya: data center market is projected to grow from \$509.01 million in 2024 to \$733.34 million by 2032, driven by demand for cloud services and digital transformation initiatives.

Kenya has also released its first National Artificial Intelligence Strategy (2025–2030), outlining a vision for ethical and inclusive AI adoption to drive digital transformation. Google announced plans for the Umoja subsea fiber optic cable, connecting Kenya to Australia via several African countries. This project aims to enhance digital inclusion and transform major cities along its route into data hub

Latin America Renewable Energy Focus:

- Latin America continues to leverage its abundant natural resources, with Brazil and Chile leading in solar and wind energy projects. The region is also exploring green hydrogen as a future energy source.

Chile: Accelerated Decarbonization and Coal Phase-Out

- Coal Power Exit by 2035: In June 2025, Chilean President Gabriel Boric announced a legislative proposal to accelerate the country's coal phase-out, moving the target date from 2040 to 2035. This initiative aims to boost investment in renewable energy sources and end coal-powered thermoelectric plants five years earlier than initially planned.

Streamlined Permitting for Renewable Projects: The Chilean government is advancing a bill to expedite the permitting process for new infrastructure projects, including renewable energy developments. The goal is to reduce approval times by up to 70%, facilitating faster deployment of clean energy initiatives.

Latin America Digital Infrastructure

- Digital infrastructure Investments are being made to improve digital connectivity, including the development of data centers and expansion of broadband services.

Brazil's Data Center Investments

- Brazil is rapidly emerging as a key hub for data centers, with billions of dollars in investments expected in the coming years. Companies like Ascenty, Grupo FS, Equinix, ODATA, Tecto, and Elea are making substantial investments in the country, driven by the exponential rise of artificial intelligence and growth constraints in larger markets in the U.S. and Europe.

Capacity LATAM 2025

- Following the premier digital infrastructure event for Latin America, Capacity LATAM 2025, which took place in March in Brazil, a set of take aways were discussed and expected to be actioned as early as the second half of 2025. Industry leaders emphasized the urgent need for expanded long-distance fiber connectivity, particularly in Brazil and Argentina, and highlighted Chile's emergence as a strategic digital hub.

Latin America's Digital Payments Surge

- Latin America is experiencing digital payments surge alongside e-commerce growth. Alternative payment methods now rival cards in many markets, with systems like Brazil's Pix leading the way. This growth is driving demand for robust digital infrastructure to support increased online transactions.

2. Key Market Risks

EMEA

Tariff-Induced Cost Pressures

- Recent unilateral tariff policies, particularly from the U.S., have disrupted global trade systems, leading to increased costs for infrastructure projects in EMEA. The Bank of England has highlighted the significant consequences of these trade disruptions on global growth and economic activity.

Supply Chain Disruptions

- The imposition of tariffs has led to volatility in supply chains, affecting the availability and cost of critical components for infrastructure projects. This has resulted in delays and increased capital expenditures, particularly in sectors reliant on imported materials.

Inflation and Interest Rate Volatility

- While eurozone inflation has eased to 1.9%, the volatility in interest rates remains a

concern. The European Central Bank's monetary policy adjustments in response to global economic uncertainties could impact financing costs.

- Recent repricing of the commodities prices would be expected to help with the inflation.
- A weaker economic backdrop could lead to a reduction of the discount rates, hence helping the valuation.

Geopolitical Tensions and Regulatory Uncertainty

- Ongoing geopolitical tensions and regulatory changes, especially concerning environmental and sustainability standards, pose risks to project timelines and investor confidence. The uncertainty around policy directions can lead to delays in project approvals and increased compliance costs.

Latin America

High Interest Rates and Inflation

- Latin American countries are grappling with high domestic interest rates and inflation, which constrain public investment in infrastructure. For instance, Brazil's policy rate stands at 14.75%, impacting the cost of capital for infrastructure projects.

Tariff Impacts on Export-Oriented Infrastructure

- The imposition of higher tariffs by the U.S. has affected Latin American exports, particularly in sectors like auto parts and household appliances. This has implications for infrastructure linked to these export sectors, such as transportation and logistics facilities.

Supply Chain Vulnerabilities

- Dependence on imported components and materials makes Latin American infrastructure projects susceptible to global supply chain disruptions. Delays in the delivery of essential equipment can lead to project overruns and increased costs.

Environmental and Social Challenges

- Infrastructure projects in Latin America often face environmental and social challenges, including community opposition and stringent environmental regulations. Navigating these issues requires careful planning and stakeholder engagement to avoid project delays or cancellations.