An energy boost for infrastructure debt

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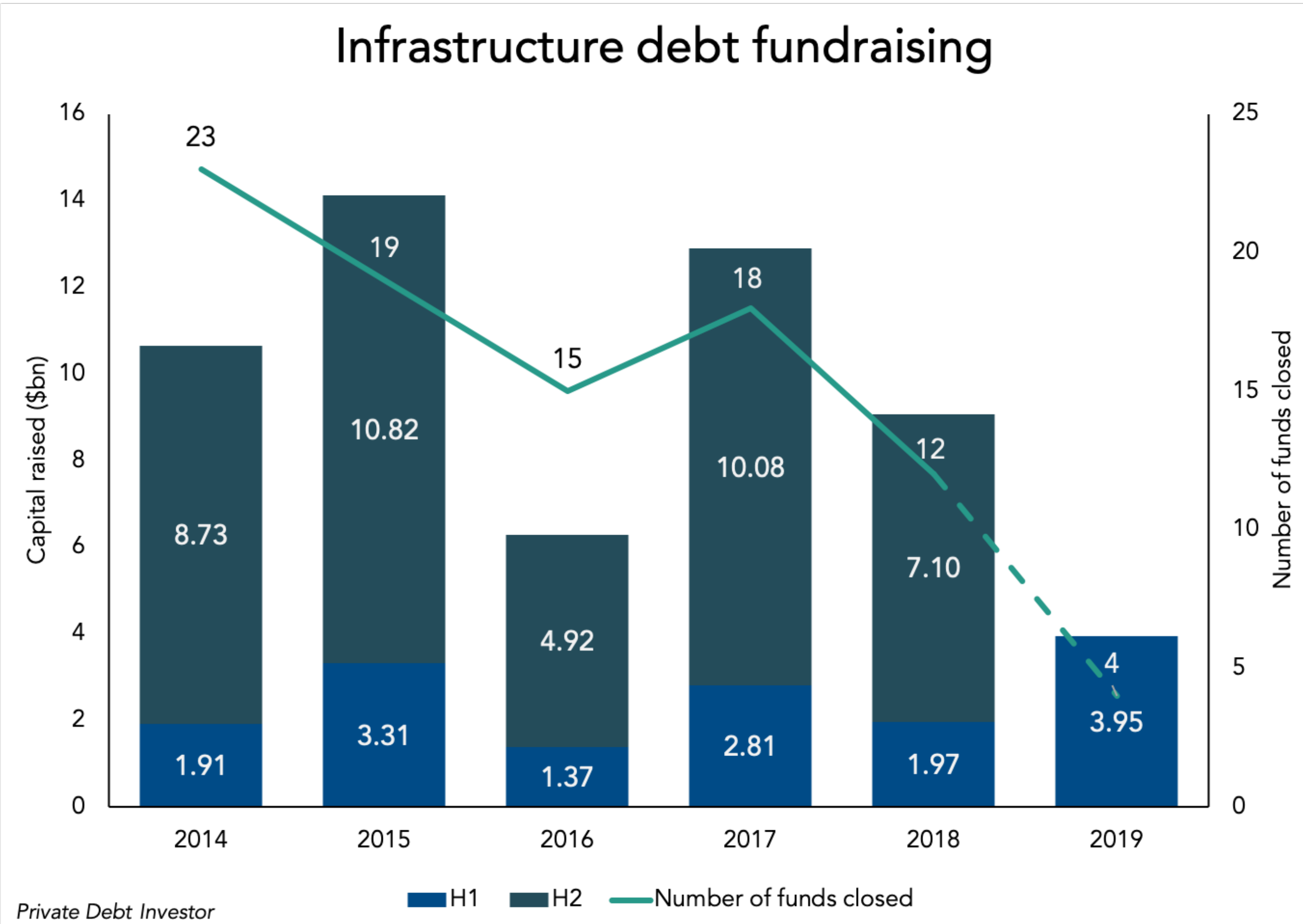

The strategy has plenty of supporters in the investor community, as the latest PDI fundraising figures demonstrate.

Private debt fundraising is going strong – but, proportionally, infrastructure debt fundraising is going even stronger.

In our recently released global fundraising figures for the first half of this year, PDI revealed that almost $81 billion was collected across all private debt strategies. This was impressive but still fell well short of the best H1 performance of recent years, when over $120 billion was gathered in the first six months of 2017.

When it comes to the infrastructure debt sub-sector, as can be seen from the accompanying chart, almost $4 billion was raised in the first half of this year – the most lucrative six-month period of recent years, including H1 2017, when less than $3 billion was raised.

Industry sources say infrastructure debt remains buoyant, with the power generation and midstream sectors in the US continuing to be active while, in Europe, decarbonisation is a major driving force for deal flow, with plenty of finance available for renewables activity such as offshore wind and solar PV.

This is not to say that it's all plain sailing, however. Sources tell us that the investment grade market for energy-related infrastructure debt has become increasingly competitive as insurance companies and banks pile onto the stage as a result of favourable regulation and their desire to be considered willing financiers of green projects.

Others say they see evidence of lending standards being eroded and risks being mispriced as investors chase yield and seek to deploy capital aggressively. However, such criticisms are now frequently being directed at private debt lenders of all stripes and they haven't stopped capital commitments to the asset class continuing to flow.

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