# The New Administration's Potential Impact on Private Infrastructure Investments

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**Donald Trump's victory in the 2024 presidential election, coupled with a Republican-controlled Congress, could facilitate the passage of several key policy initiatives, potentially impacting private infrastructure markets in significant ways.**

Taking a closer look at the potential benefits and risks of the second Trump Administration, with particular focus on private infrastructure investing, we examined the Executive Orders ("EOs") issued through the end of January 2025 and the official GOP 2024 Platform. From this review, it seems likely there will be some new or redirected infrastructure sector tailwinds and headwinds for investors to be aware of.

It is widely expected by economists that the new administration's agenda is potentially inflationary. Many infrastructure investments are protected from higher inflation with contracted revenues and inflation-linked escalators, but higher interest rates can trigger higher discount rates which may lower valuations, all else equal. The net effect on any particular investment will likely be positive in certain sub-sectors and neutral to slightly negative in others, where there may be headwinds. However, each investment's ultimate success will be highly dependent on the defensiveness of the business, its revenue schemes, the cost structures, and the quality and expertise of the general partner.

Private infrastructure offers “pure play” characteristics, as its performance is largely determined by operational performance and is less influenced by market trends and investor sentiment. Additionally, private infrastructure exhibits lower observed volatility and can result in a better alignment of interests between owners and management. Moreover, “control” ownership stakes can allow investors to exert substantial influence over strategic and management decisions.

## Investment Gap in Infrastructure

Clearly, there exists an overall opportunity for infrastructure investing now and in the coming years. In its most recent report card, the American Society of Civil Engineers gave the US a “C-” grade, which is slightly better than the “D+” it received in 2017 but still represents close to a $2.5 trillion[1] gap in what they believe is needed infrastructure investment for the rest of the decade.

[1] This report card is released every four years; this data is from the latest report card dated 2021.

Federal, state, and local governments desperately need the capital and expertise provided by professional asset managers and operators to fill this funding gap. Figure 1 demonstrates that US government entities underinvest relative to many of its sovereign peers.

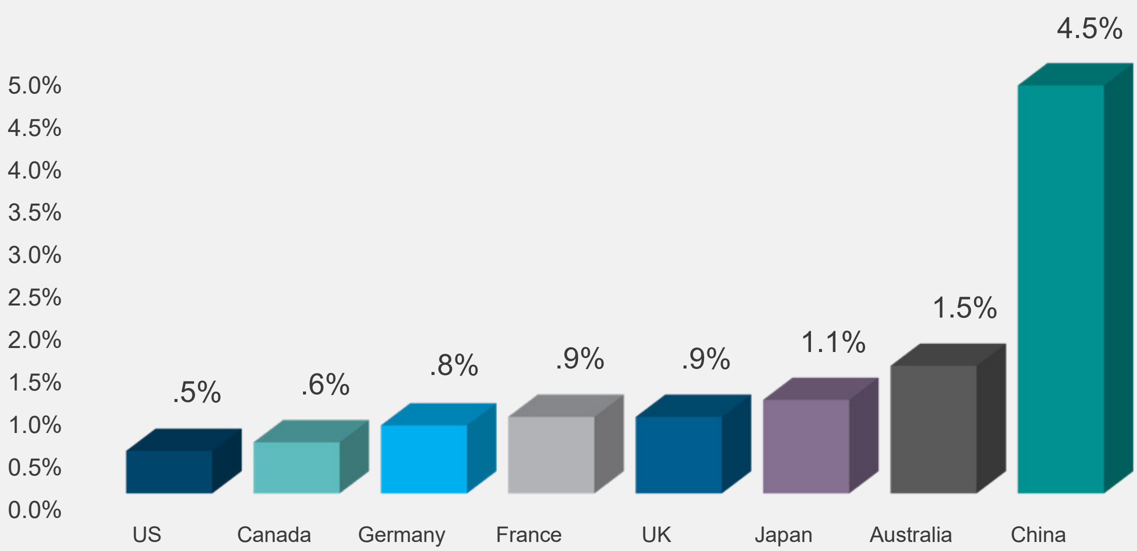


FIGURE 1
**Annual Inland Infrastructure Investment (As % of GDP)**

Source: Council on Environmental Quality (Executive Branch), 2023.

Note: Inland infrastructure investment is the spending on new construction and improvements to roads, railways, inland waterways, ports, and airports.

## Opportunities and Risks

Based on our current analysis, we find multiple opportunities that may impact private infrastructure and enhance the attractiveness of investing in this asset class. Here are some key areas to consider:

### Increased Attention/Opportunity

- **Maintain/increase use of fossil fuels:** The new administration is expected to promote natural gas, oil, liquified natural gas (“LNG”), and coal, which could result in increased capital investment in source production/extraction, transportation (e.g., pipelines, storage, etc.), and power generation. In addition, we may potentially see a re-allocation of certain current and remaining funding from the Biden Administration’s Infrastructure Investment and Jobs Act.

- **Invest in the electric grid:** Regardless of power source, energy experts recognize the grid in many areas needs more capacity, modernization, and increased connectivity, especially in the form of streamlining permitting and construction. However, the new administration may limit continued new loans from the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA) to projects that improve the electric grid. In fact, one of President Trump's Executive Orders immediately paused the disbursement of funds under both the IIJA and IRA. Private investment will be needed to fill this gap in funding if it persists.

- **Support for other "traditional" fuels/power sources:** We expect hydropower, nuclear, and biofuels to be treated neutrally, with some support from inclusion in goals/orders to reduce federal regulatory burdens on their development and use. There is anticipation that the Nuclear Regulatory Commission will facilitate additional innovation and deployment of capital within private-sector nuclear energy.

- **Restart liquefied natural gas projects:** A variety of sources support building new export terminals. The Biden administration had paused approvals, but later a court stayed the pause. Six projects in Texas are already in the queue. LNG terminals require billions of dollars to develop, construct, and operate, and many completed projects have involved significant amounts of private infrastructure funding.

- **Accelerate capacity related to artificial intelligence:** This is already a huge new infrastructure sector/complex that has been growing quickly. The administration wants to support this and help direct even more money to the build out, which involves not only the data centers for processing, but associated electrical power and grid interconnection, water/cooling, road access, and other related infrastructure. The "Stargate" initiative involving several tech companies and an expenditure target of $100 billion to $500 billion is one example.

- **Build out digital infrastructure:** The new administration may free up additional federal communications spectrum and support continued build out and enhanced broadband access. It also may encourage the Federal Communications Commission take steps to support build out of 5G technology. Spectrum, broadband, and other 5G infrastructure to date has involved billions of dollars in private capital to support both public companies and private entities.

- **Potential uptick in US shipbuilding/leasing:** Maritime vessel ownership and leasing is an opportunity set in the private infrastructure arena. The new administration may push to expand or reform the Jones Act to increase US shipbuilding (under the Act, ships traveling between US ports must be US built/owned/crewed). An offset to this is the availability of skilled labor in the US.

- **Potential uptick in airplane/airport private investment:** Private investment in airport ownership, operations, and airplane ownership/leasing is also an opportunity set in private infrastructure. The new administration may support increasing air travel capacity in ways that could involve additional private investment in new/existing facilities and assets.

### Decreased Attention/Opportunity

- **Reduced federal preferences and support for renewable power:** In explicitly promoting fossil fuels, the administration may support fewer subsidies for renewables going forward. The federal ability to prohibit renewables is limited; however, there has already been at least one executive order trying to halt leasing tracts for offshore wind farms, for example. Other methods to favor fossil fuels over renewables by the new administration may include potential changes to the tax code. The new administration aims to shift the focus from climate change and subsidized "green" power sources (for example, eliminating carbon capture utilization and storage programs) to more traditional power sources.

  - **Potential mitigants:** Many states, localities, and corporations have well established, potentially difficult to roll back renewable power and storage goals, so the bulk of on-going and planned projects are likely to continue at similar levels. It is possible they will slow down or become more costly/less attractive investments with tax changes and/or tariffs (see below).

  - The levelized cost of energy (LCOE) for renewable energy generation has come down significantly over the past decade and in the case of onshore wind and utility scale solar competes effectively with conventional energy sources. In addition, if interest rates stay higher for longer, higher cost of capital effects conventional energy projects to a greater degree, especially nuclear, gas peaking, and coal.

- **Disincentivize electric vehicles ("EVs"):** The expectation is to support buying and owning fossil-fueled vehicles by reversing certain regulations and canceling the prior administration's EV mandates. However, the Bipartisan Infrastructure Law signed in November 2021 provides extensive funding to support domestic manufacturing for EVs and related equipment, including more than $6 billion for programs to support a domestic supply chain for battery production and $750 million for "advanced energy" manufacturing facilities (including those for EVs and charging infrastructure).

  - **Potential mitigants:** The US automobile industry has invested billions in moving toward increased EV production, and while they might be able to slow that down, it seems unlikely that they would roll-back or moth-ball existing investments to end up with stranded assets. In the commercial fleet arena, many companies have already found huge cost-savings in transitioning to a partial or full EV fleet, including port and container terminal vehicles, logistics, vehicles, buses, and trucks. For example, Amazon already has roughly 30,000 electric delivery vans and is still targeting 100,000 by 2030.

## Focus Point: Regulatory Overhaul

Besides the executive orders issued to date and the official GOP platform agenda, it remains to be seen what concrete action the Trump administration will take regarding streamlining the federal permitting process for infrastructure projects.

Why is the permitting process so important? There is a significant difference between a headline allocation funding number for an infrastructure-related project versus the time it actually takes to complete the project.

To be sure, the main reason investors should expect to earn a premium on infrastructure investments is the risk involved in a long-term, illiquid, multi-stage permitting and construction process for many types of infrastructure investments. This is a well understood characteristic of the asset class. The time it takes to obtain the proper permits and navigate the myriad local, state, and federal agencies can be significant, creating greater risk for the project, both at the front end and throughout the construction phase.

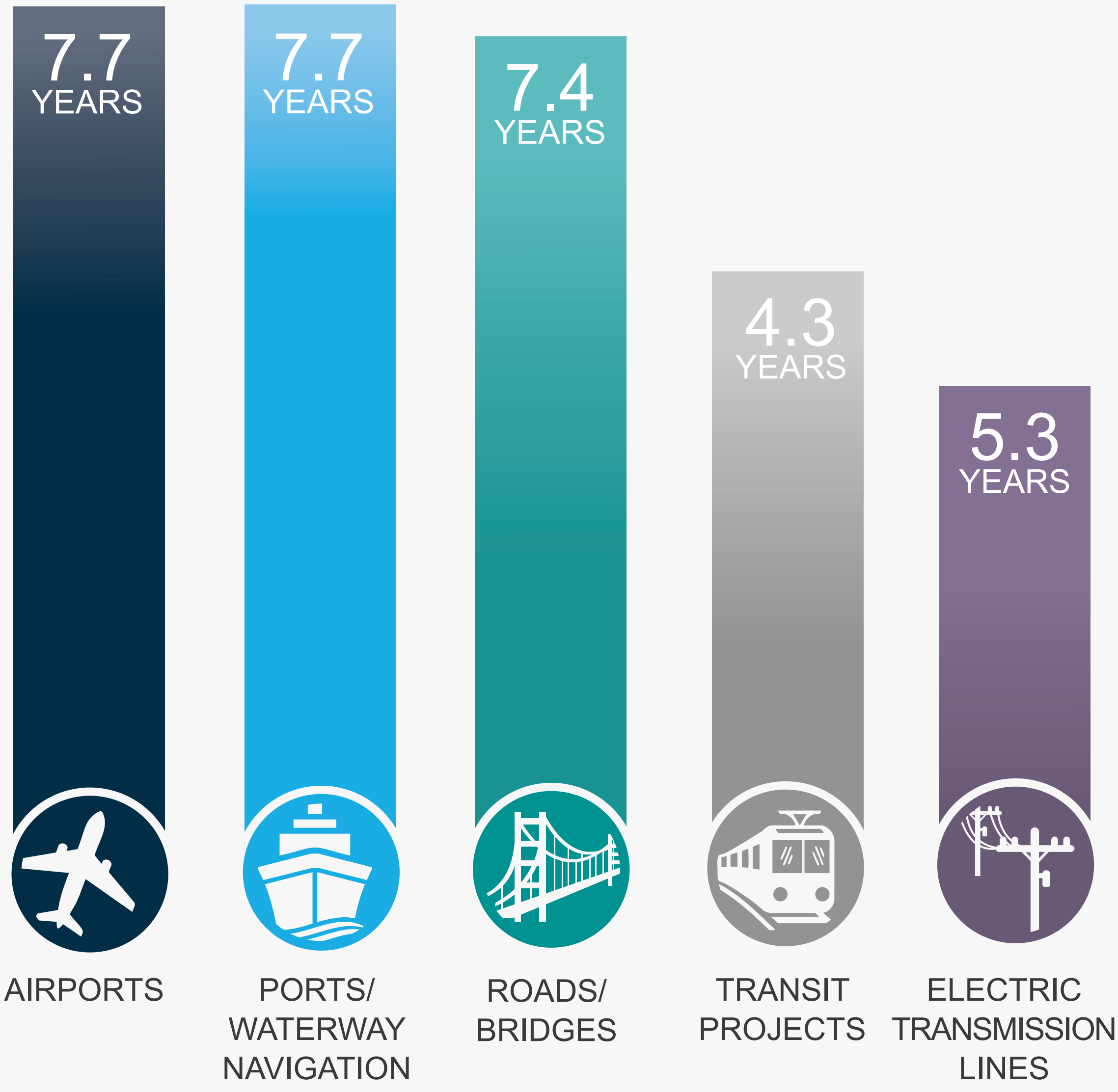


FIGURE 2
**Average Time to Get a Federal Permit (As Measured in Years)**
Source: Council on Environmental Quality

According to the US Chamber of Commerce, using government data the federal permitting process alone takes over 4 years for transmission projects and over 5 years for all others. American Clean Power, a clean energy lobbying group, further bolsters these numbers by estimating that the average review timeline across all relevant agencies for energy projects was 4.5 years, and for transmission projects it was 6.5 years.

We have seen action already in some statehouses with California, for example, passing a new law in 2023 creating a stricter timeline (270 days) for courts to resolve legal challenges, which can add significantly to project timelines.

## Case Study: California Proposition 1 (2014)

In 2014, California voters approved a $7.5 billion bond issue to finance water related infrastructure projects across seven categories, the largest of which was water storage at $2.7 billion. For projects to receive funding, approval was needed from multiple state and local government agencies.

As of the end of 2022, 7 full years after approval of the bond only $2 billion of funding had been allocated and "spent". The main project, called the Sites Reservoir (Dam) began its permitting process prior to 2020 and is expected to finish in late 2025/2026. Construction is now expected to commence until 2026 and expects to be completed in 2032.

The case study example, along with numerous other instances, demonstrate the benefit to streamlining the permitting process: lower costs, lower risk to project completion, and faster timelines to bring a public good online.

## Conclusion

It remains to be seen what actual changes and policies the Trump administration will put in place, but we are cautiously optimistic that for some areas of infrastructure, especially permitting and regulations, we will experience a net positive that will serve as a tailwind for infrastructure investors.

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