

Investing in the New Global Infrastructure Economy

Biff Ourso and Andy Deihl of Nuveen Infrastructure discuss the changing landscape of private infrastructure post-COP26 and where the firm is seeing opportunities

Following COP26 in Glasgow, how can private infrastructure investments play a role in the transition to a low-carbon economy?

Biff Ourso: There's no doubt that the agreements coming out of COP26 will continue to generate a policy environment conducive to clean and renewable energy globally. One area we see expanding in particular is the offshore wind space, not only in Europe where a fair amount of investment has been made historically, but in the Americas and Asia-Pacific too.

In the US, we're excited about distributed renewable generation and low-carbon, sustainable fuels. It's time for the private sector to invest in and push the boundaries of innovation through technologies like carbon capture, green hydrogen production, and renewable energy storage. These investments may fall under infrastructure, but they also have venture and private equity risk/return characteristics.

Andy Deihl: Beyond the energy transition, we see three additional trends creating investment opportunities: (1) the supply-chain problems arising from underinvested logistics, which have created opportunities for transportation infrastructure; (2) continued growth and investment in data, 5G roll-out, and IoT; and (3) shifting demographics and the COVID-19 pandemic, which are highlighting healthcare-related themes and opportunities.

How will technological disruption impact the infrastructure space going forward?

Ourso: The energy transition will feature a dramatic amount of innovation in the coming years; beyond



Biff Ourso

Head of Nuveen
Infrastructure

Nuveen



Andy Deihl

Managing Director,
Nuveen Infrastructure

Nuveen

energy, the telecoms sector is also ripe for continued technological innovation. This will create new risks and opportunities. Legacy infrastructure has seen an underinvestment in technology, so it makes sense to expect a move toward more technological integration in assets and companies. Additionally, we see the net carbon zero transition creating opportunities for people and governments to change their behavior, which may lead to new methods of urban planning and smart city design.

What investment opportunities do you see arising as a result of the world's shifting demographics?

Deihl: As the current population ages and new approaches to working and living emerge, we see the potential for increased connectivity between the infrastructure and real estate sectors. For example, the need for additional data centers and co-location services, healthcare facilities, and smart cities will continue to drive investment in both areas.

The pandemic has altered the way people and businesses use infrastructure assets – airports being a perfect example. The massive slowdown in demand for GDP-sensitive assets like toll roads and airports, combined with shifting behavior related to more flexible work schedules, and new power consumption patterns, will all change how infrastructure is designed, operated, and used in the future.

How does Nuveen take into account ESG considerations in its infrastructure portfolio?

Ourso: As a firm we systematically aim to integrate financially material ESG factors into our investment process and through asset ownership across asset classes. Our private infrastructure strategy focuses on investing in clean energy assets, which has an implicit benefit for the environment as well. As part of our investment process, we incorporate ESG factors – such as corporate governance, greenhouse gas emissions, health and safety certifications, and alignment to the UN SDGs – into the underwriting to help inform our overall analysis. During the management phase we actively engage with our partners and management teams on policies and programs geared at enhancing and driving positive outcomes across a range of relevant ESG criteria.

What role will the Bipartisan Infrastructure Framework bill play in the US's energy transition?

Deihl: We believe the agenda laid out is bold. However, some of the funding should be used to support consultations with local and state governments and to engage with the local communities that must support these projects.

Risk transfer regimes should be carefully evaluated, such that the private sector assumes the risks it's capable of assessing and managing, while the public sector retains risk associated with long-term ownership and public sector safety. Pay-for-use models can be appropriate if they help solve government budget shortfalls and the public gets a higher quality of service; but it's important for community leaders to educate their constituents as to how risk is getting transferred and why the private sector is compensated appropriately for this transfer.

Ourso: The bill doesn't have a lot of detail as to how to get federal funding into the development pipeline, so there'll likely be additional agencies created and hiring required. These entities will have to compete with the private sector for sophisticated talent to manage and execute the federal programs. It will be important for private capital to be involved in this effort and potentially create advisory committees to make the process more efficient.

It will also become increasingly necessary in the US to develop and improve upon frameworks that promote public-private partnerships, enabling greater private sector opportunity to efficiently invest the additional trillions of dollars required in the US and globally in the decades to come.

Justin 'Biff' Ourso is Head of Nuveen Infrastructure. In this role he leads the strategic direction and execution of investment activities and funds in the agribusiness, clean energy, and diversified infrastructure sectors.

Andy Deihl leads the private equity infrastructure team within Nuveen Infrastructure. He joined the company in 2003 and has more than two decades of real assets consulting and investment experience across the advisory, private equity, and fixed-income sectors.

Nuveen Infrastructure, which has nearly \$5bn of assets under management, is a globally diversified platform dedicated solely to investing in private infrastructure across multiple strategies and sectors, including clean energy, agribusiness, telecommunications, transportation, and logistics.