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# Infrastructure: A ‘defensive’ and ‘growth’ opportunity with the AI energy addition

Research & Insights

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**Why power generation, networks, gas pipelines and LNG infrastructure may be among the most durable beneficiaries of rising electricity demand.**

**Essential infrastructure has traditionally been viewed as a defensive income asset. In our view, some infrastructure businesses may also benefit from exposure to the world’s rising demand for power, electrification and AI-related economic activity. Ausbil’s Global Listed Infrastructure team explores how energy addition during this time of historic expansion is giving defensive infrastructure assets ‘green shoots’ of growth.**

*10 minute read*

## Key points

- **Defensive and growth.** Essential infrastructure combines defensive and growth characteristics, which may offer investors both downside resilience and exposure to secular economic trends.
- **Long-term structural growth drivers.** Exposure to long-term structural growth trends, including AI, electrification, data centres, energy security and industrial reshoring.
- **Energy addition from AI is a key driver of growth.** Forecast energy demand from AI, data centres and cloud providers are creating additional investment and revenue growth for utilities.
- **Infrastructure is showing valuation opportunity.** On a relative value, listed infrastructure is showing considerable opportunity against the valuation of global equities based on the Cyclically Adjusted Price-to-Earnings (CAPE).
- **Real assets.** Real asset backing, underpinned by critical physical infrastructure such as electricity networks, toll roads, airports and utilities.
- **Long, predictable cashflow assets.** Stable and predictable cash flows derived from essential services that remain in demand regardless of economic conditions.
- **Relatively lower volatility.** Listed infrastructure may exhibit lower market volatility than broader equity markets due to regulated or concession-based business models.
- **Lower exposure to cyclicality.** Less cyclical earnings, as revenues are often linked to essential services rather than discretionary spending.



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## Q: In one paragraph, what is the energy addition opportunity in infrastructure? How is it adding growth to this traditional defensive asset class?

**A:** Infrastructure has evolved from a purely defensive asset class into a structural growth asset class, driven by powerful long-term trends including AI, electrification, energy security, manufacturing reshoring and rising power demand. Energy addition means the rapid expansion of required power by surging demand from data centres will see utilities expand their output capacity which adds incremental compound growth to their already long and defensive generation cash flows.

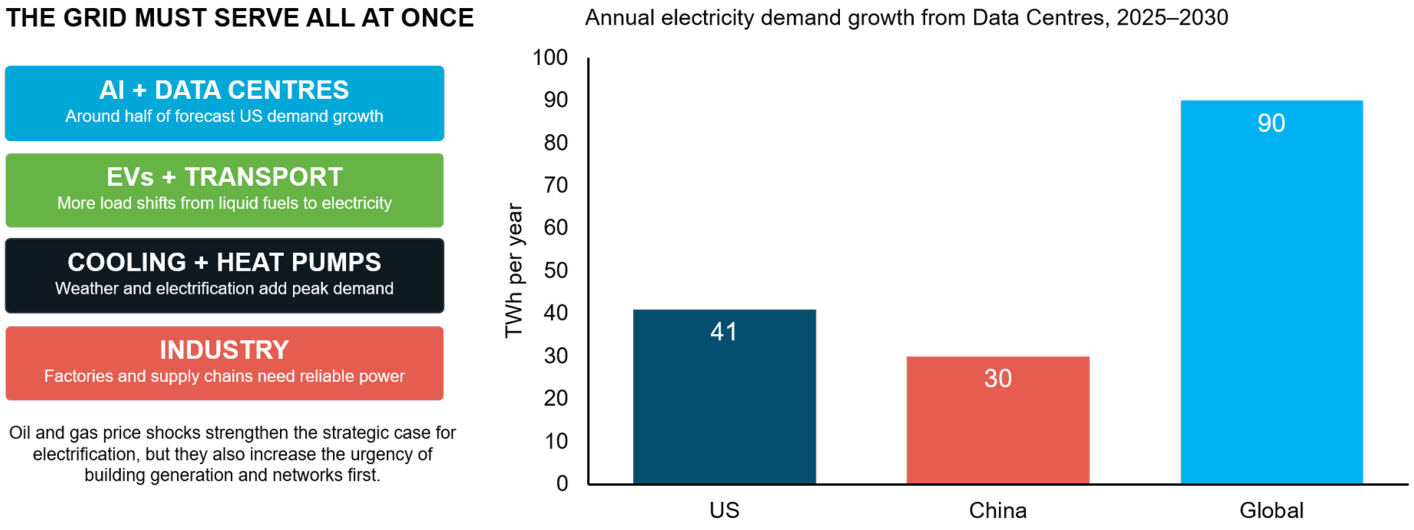
While some infrastructure assets continue to provide the traditional benefits of stable cash flows, inflation protection and lower economic sensitivity, it is now also benefiting from significant growth opportunities arising from the need to expand energy, transmission and utility networks.

## Q: What is 'energy addition'?

**A:** Energy addition describes the need to build more energy supply and more of the infrastructure that connects supply with demand. It is broader than a single technology or fuel. The requirement spans power generation, transmission and distribution networks, gas pipelines, storage, LNG facilities and the grid connections that allow large new customers to operate.

From an infrastructure company perspective, energy addition involves capex that expands generation and distribution capacity which, subject to regulatory approvals, has an expansionary impact on cash flows that add further to the growth component of total returns. Figure 1 shows the projected annual electricity demand growth to 2025-2030.

**Figure 1: The grid must serve all demand at once**




Source: IEA, Electricity 2026, Executive Summary.

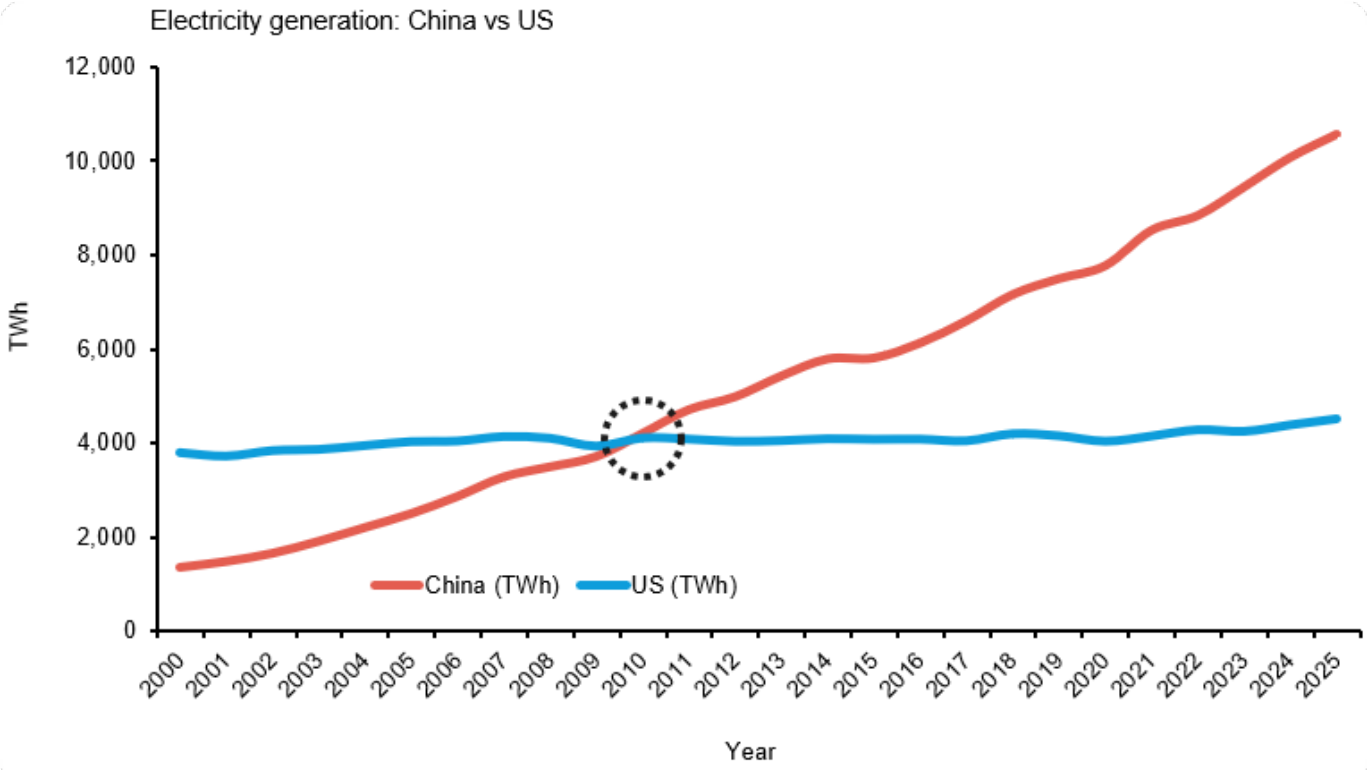
From a supply perspective, while artificial intelligence and data centres are highly visible, the grid must also serve electric vehicles, industrial facilities, cooling systems and heat pumps. This changes the investment question. It is no longer enough to identify who will buy the most chips or build the largest data centre. Investors also need to ask whether sufficient reliable power can be delivered, how quickly it can be connected and which infrastructure owners are positioned to earn an acceptable return on the required investment.

### About Ausbil Investment Management

Ausbil is a leading Australian based investment manager. Established in April 1997, Ausbil's core business is the management of Australian and global equities for major superannuation funds, institutional investors, master trust and retail clients. Ausbil is owned by its employees and New York Life Investment Management a wholly-owned subsidiary of New York Life Insurance Company. As at 30 September 2026, Ausbil manage over $22 billion in funds under management.

That bottleneck can favour businesses with scarce networks, established sites, regulatory frameworks or long-term customer contracts. The opportunity is therefore not simply more energy consumption. It is the conversion of that demand into regulated or contracted cash flows. At the moment, there is a widening gap between China and the US on electricity generation (Figure 2) which is expected to drive the urgency for expanded capacity in the US, ultimately benefitting utility companies.

**Figure 2: A widening electricity gap**



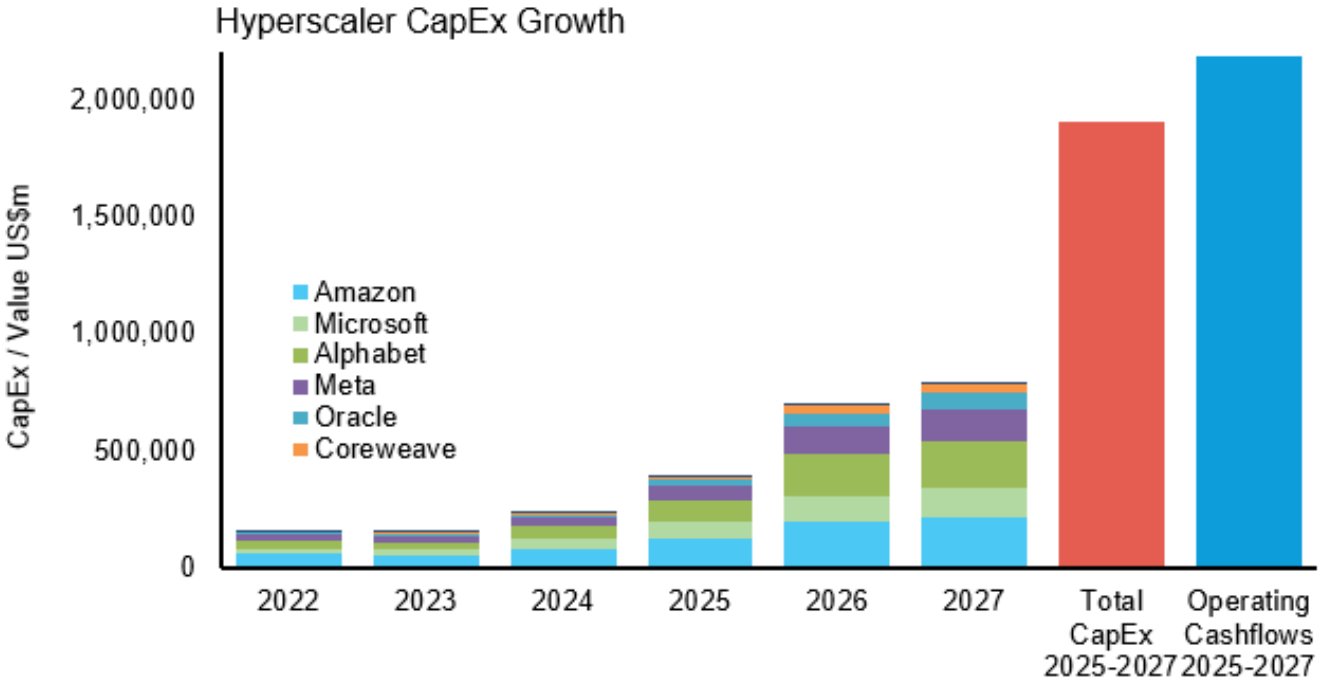

Sources: Energy Institute Statistical Review 2026; U.S. EIA China Country Analysis and U.S. Electricity Profile 2024. Note that capacity definitions differ: China reports installed nameplate capacity; the US figure is net summer capacity. The comparison is directional.

## Q: Why is the United States central to this investment cycle?

**A:** The US combines rapidly rising electricity needs with an unusually deep domestic resource base. Moreover, the US was the world's largest producer of both crude oil and natural gas in 2025. Abundant gas can support dispatchable generation, while a diverse generation mix can improve system reliability as renewable capacity expands.

The scale of planned hyperscaler investment makes power a commercial constraint. With aggregate capital expenditure approaching US$740 billion in 2026 and US$910 billion in 2027 (Figure 3), much of this spending is to fund computing equipment and data-centre buildings, but those assets cannot operate without dependable electricity. For regulated utilities, new generation and network investment is projected to expand the regulated asset base on which they generate returns.

**Figure 3: Hyperscaler capex**




Source: Morgan Stanley equity analysts see hyperscaler capex approaching $740 billion in 2026 and $910 billion in 2027, as at Feb 2026.

The scale of investment planned for AI and digital infrastructure highlights the magnitude of the cycle now underway. While much of this capital is being directed towards semiconductors and data centre construction, those assets cannot generate returns in isolation. They require reliable access to power and supporting infrastructure. Consistent with our approach of identifying constraints and bottlenecks as sources of value, we believe one of the key challenges today is whether the physical power generation and distribution infrastructure can be developed quickly enough to support the rapid growth in AI-related investment. In the United States, this includes the need for new power generation, transmission networks, pipelines and grid connections. Infrastructure companies play a critical role in addressing these requirements, providing the essential services and assets that enable AI investment to be productive and generate returns.

> “The scale of investment planned for AI and digital infrastructure highlights the magnitude of the cycle now underway”

## Q: Electricity. What does the ‘energy addition’ opportunity look like in a regulated electricity utility?

**A:** To illustrate the demand for power in practice, we can look at Entergy as a case study. Entergy is a great example of how growth in data centres, industrial reshoring, LNG and petrochemicals can flow through a regulated utility model as drivers of growth in earnings.

Entergy is a regulated utility operating across the southern US, but this isn’t your typical slow growth regulated utility. It is in a region that is close to major industrial and energy corridors. Its asset base sits at the heart of investment in AI and data centres, manufacturing onshoring and LNG.

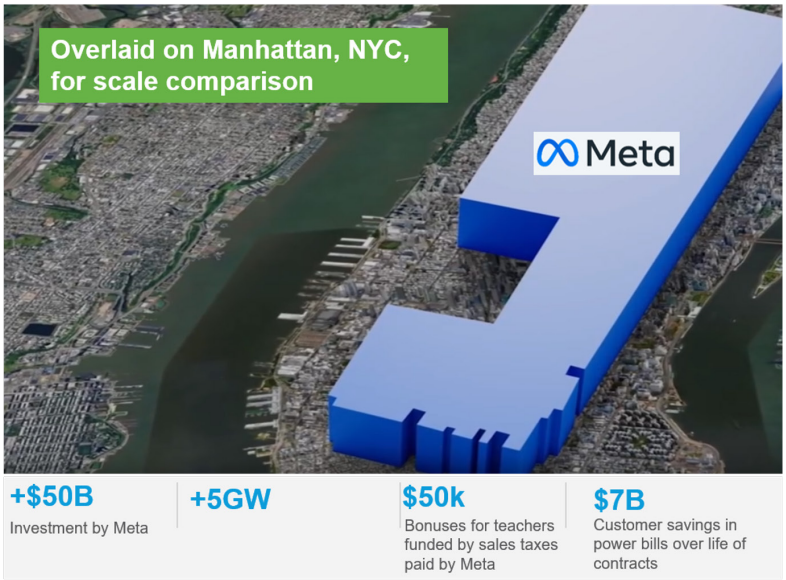
Entergy has announced plans that includes a 24-gigawatt gas generation programme and is expected to grow its regulated asset base through to 2030. Based on current consensus estimates, this doubling of regulated assets implies earnings growth of around 12% a year through 2030, and beyond as the company undergoes transformation growth in its revenue streams.

Importantly, Entergy is achieving this growth within its regulated utility model and with a conservative balance sheet, effectively building growth within a defensive business structure. This is important as we do not want to see the energy addition from AI turn infrastructure into a high beta technology investment. We are looking for companies where structural growth is being translated into repeatable regulated and contracted returns. A great example of such structural growth is the impact on electricity demand for Entergy from Meta’s Hyperion campus.

Meta's planned Hyperion campus in Louisiana provides a tangible example (Figure 4). Hyperion has a potential five-gigawatt load and more than US$50 billion of investment, with Entergy building the supporting generation and network assets. The economic proposition extends beyond the utility with construction and permanent employment, additional tax receipts and the possibility that a large customer absorbs infrastructure costs that might otherwise fall to existing electricity users.

Entergy has a US$67 billion five-year capital plan, expected electricity sales growth of 9% a year to 2030 and a potential doubling of its rate base to US$97 billion by 2030. Capex will also extend to 24 gigawatts of new gas generation alongside batteries, renewables and nuclear uprates, further diversifying Entergy's revenue and earnings base.

**Figure 4: Meta's Hyperion data centre in Louisiana**




**LOUISIANA IS PRO DATA CENTRES**

"We are not one of those states saying no. We are one of those states that are saying yes…"

**ELECTRICITY PRICES**

Data centres paying for all costs.
US$7bn savings for electricity customers

Entergy building 5GW of gas generation earning regulated returns

**WATER**

Previously lowly valued land used for agriculture

Hyperion will use less water

**ECONOMIC GROWTH AND EMPLOYMENT**

Significant new employment opportunities

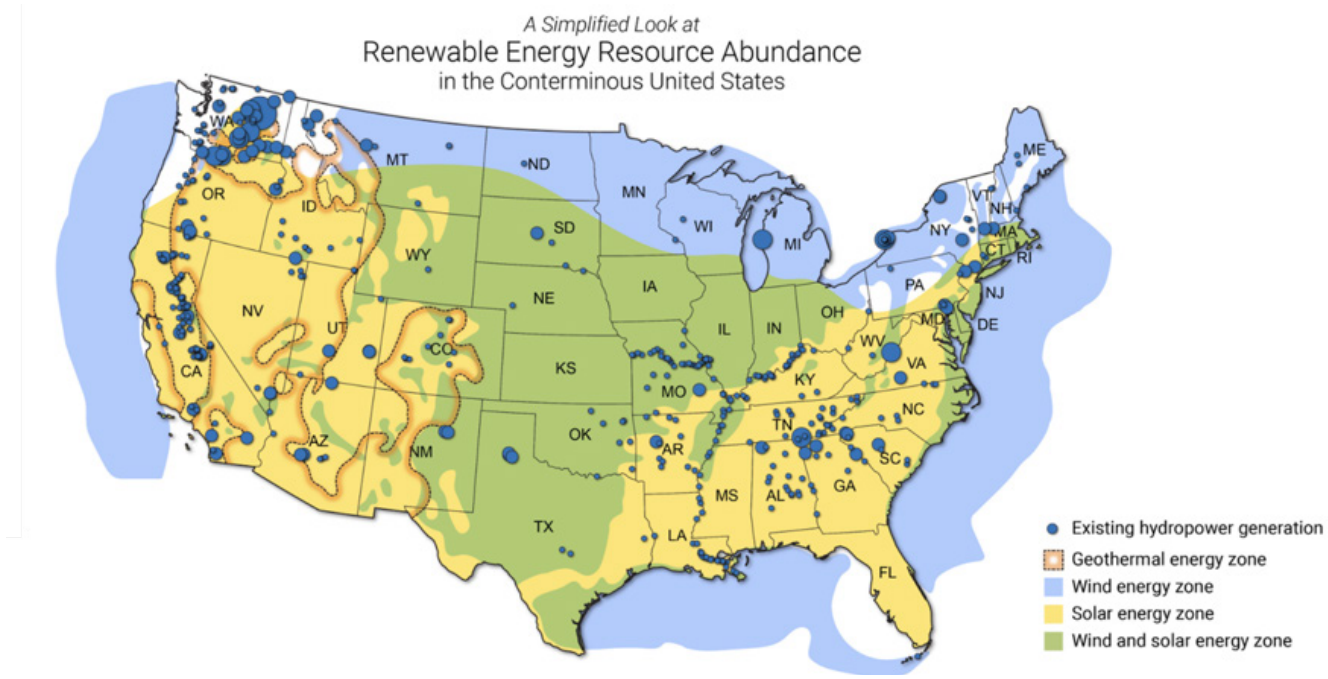
7,500 peak construction jobs and 1,000 permanent roles

Source: Image from Meta. Quote from Susan Bonnet Bourgeois, Secretary of Louisiana Economic Development, All-in podcast 17 September 2026.

## Q: Renewables. How does the US renewable resource advantage fit into the energy addition opportunity?

**A:** The US also has a strong combination of wind, solar and land available for development of renewable alternatives (Figure 5). That creates another substantial opportunity to expand power supply. Like oil and gas, these resources are not evenly distributed, with some of the best locations are far from major population centres. Historically, that has meant bringing power to demand. Data centres create an opportunity to bring demand to the power. We are seeing that today with new data centres being built closer to renewable developments. That gives the US another way to turn its resource advantage into economic growth, central to the energy addition theme, bringing these resources together to deliver reliable, competitive power for AI, industry and a growing economy.

**Figure 5: The US is rich in non-fossil fuel energy sources to electrify the energy addition**

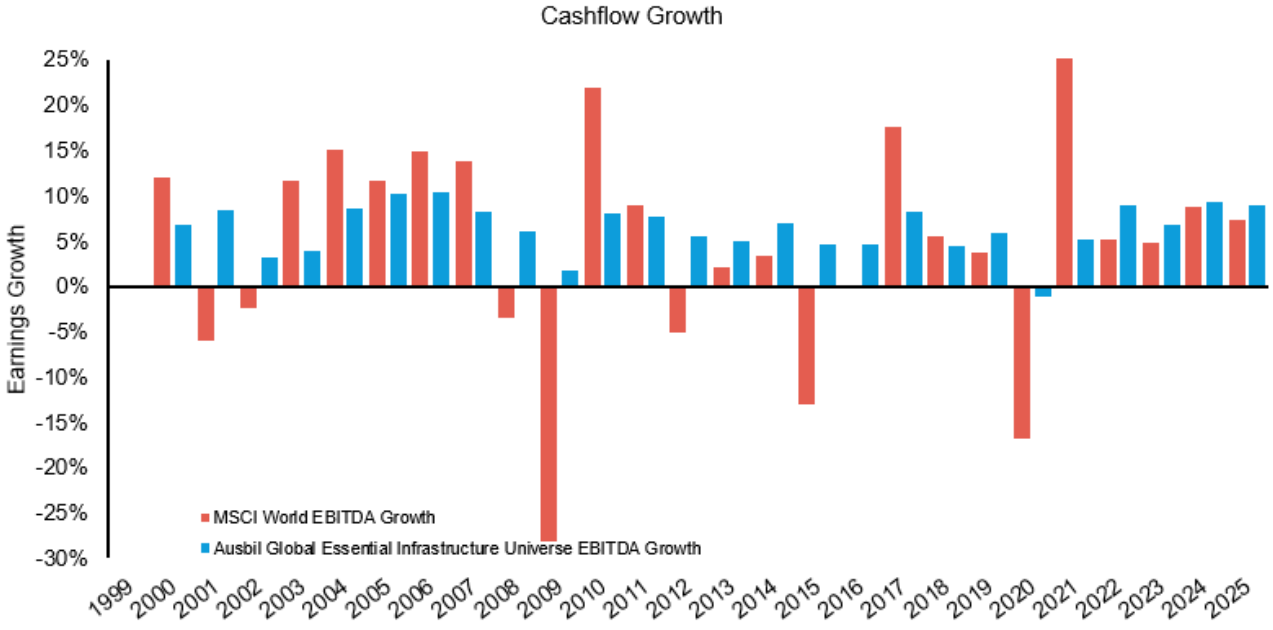



Source: NREL (National Renewable Energy Laboratory) in the United States as at 2021.

## Q: What makes essential infrastructure a potential long-term compounder?

**A:** When looking at annual EBITDA growth across our Essential Infrastructure universe, shown in blue in Figure 6, with global equities, shown in red. What stands out immediately is the consistency of the infrastructure growth profile. There are no periods of explosive growth, but importantly, there are very few periods of contraction either.

**Figure 6: Infrastructure offers compellingly stable earnings growth over time**




Source: Global Equities (MSCI World Index), Essential Infrastructure (the Essential Infrastructure universe as defined by Ausbil), as at February 2026. Global Equities as represented by MSCI World Index, Ausbil Global Essential Infrastructure Universe is represented by Ausbil Essential Infrastructure universe (100 companies) from 1999 to 2025. The Ausbil Essential Infrastructure universe is an internally defined universe and is not an investable index.

Through major economic and market dislocations, including the Dot-Com collapse, the Global Financial Crisis and the European sovereign debt crisis, Ausbil's essential infrastructure universe EBITDA growth remained relatively resilient while global equities experienced significant earnings declines. The only negative year for infrastructure in the period shown was 2020, when EBITDA declined by just 1%, despite airports and other infrastructure assets being at the centre of government restrictions and lockdowns during the pandemic.

What this demonstrates is one of the defining characteristics of Ausbil's definition of essential infrastructure. These are businesses that provide services society relies upon every day, regardless of the economic environment. As a result, they tend to generate more stable earnings and cash flows than the broader equity market, providing resilience through economic cycles.

Since the pandemic, growth has reaccelerated and is now supported by two powerful tailwinds. The first is a higher inflation environment, which many infrastructure businesses are uniquely positioned to capture through inflation-linked pricing mechanisms. The second is the energy addition theme, where growing demand for electricity, energy security and grid investment is creating new opportunities across a range of essential infrastructure assets.

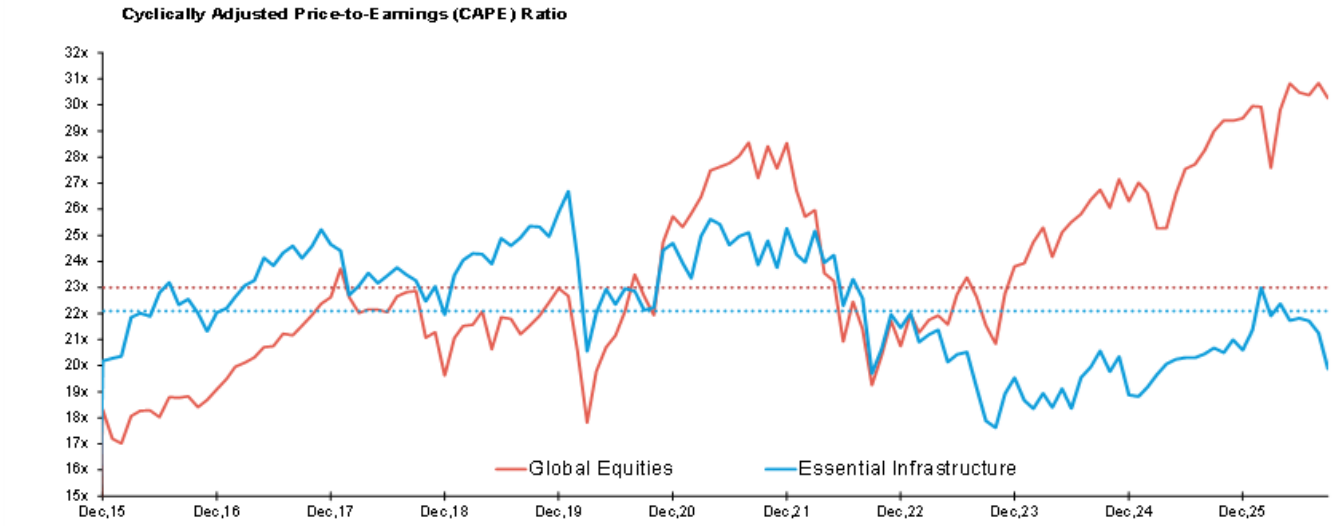
In fact, Ausbil's definition of Essential Infrastructure EBITDA growth has exceeded that of global equities over the past four years, and we expect that trend to continue into 2026. Yet despite stronger and more resilient growth, relative valuations have not fully adjusted to reflect this improvement in fundamentals. In our view, that disconnect between earnings growth and market valuation is where the opportunity lies today. Investors have the ability to access businesses exhibiting attractive growth, resilient cash flows and strong long-term demand drivers, but at valuations that remain compelling relative to the broader market.

> "Since the pandemic, growth has reaccelerated and is now supported by two powerful tailwinds"

## Q: Why might valuation matter as much as growth?

**A:** Valuation always matters. Figure 7 chart uses cyclically adjusted earnings to smooth out the volatility of any individual year and provide a clearer picture of long-term valuation trends (using the CAPE ratio). What it shows today is striking: infrastructure is trading below its average valuation over the past two decades, while global equities remain well above their own long-term average. In other words, despite stronger growth and resilience, infrastructure is currently available at a relative discount.

**Figure 7: Opportunity-Infrastructure valuations are at cyclical lows compared to global equities**




Source: Ausbil, Bloomberg, August 2026. The Cyclically Adjusted Price-to-Earnings (CAPE) ratio, also known as the Shiller PE ratio, is a valuation metric that uses a 10-year average of inflation-adjusted earnings to assess a stock or market's long-term valuation, smoothing out the effects of economic cycles. Global Equities as represented by MSCI World Index, Ausbil Global Essential Infrastructure Universe is represented by Essential Infrastructure, an internally defined universe and is not an investable index.

So why hasn't the improving growth outlook translated into higher valuations? We believe a key factor has been the sharp rise in long-term interest rates, particularly US 10-year real yields. Infrastructure businesses generate cash flows over very long periods, making valuations sensitive to changes in discount rates. As real yields rise, investors generally demand higher returns, reducing the value they are willing to place on those future cash flows today. The result is that earnings can continue to grow while valuation multiples remain under pressure.

That dynamic helps explain the disconnect we are seeing today. US 10-year real yields are currently approaching 3%, however our base case is that yields move back towards a range of 2.0% to 2.5% over time as we believe current levels are stretched. Based on our analysis, every 50 basis point decline in real yields has the potential to add approximately 5% to infrastructure equity valuations, all else being equal. If yields simply normalise towards our base case, that could translate into around 5% to 10% upside from valuation expansion alone.

Importantly, that is before considering the earnings growth we expect. This is why we view the recent weakness as an opportunity rather than a concern. Essential infrastructure as an asset class Is trading below its long-term valuation range at a time when the growth outlook is as strong as we have seen in many years, supported by inflation-linked revenues, rising electricity demand and ongoing investment in energy infrastructure. If interest rates normalise while these growth drivers continue to play out, investors have the potential to benefit from both sides of the equation: continued earnings growth and a recovery in valuations. That is a compelling setup for long-term infrastructure investors.

“Importantly, that is before considering the earnings growth we expect. This is why we view the recent weakness as an opportunity rather than a concern”

**Conclusion**

Energy addition reframes the AI investment cycle as an infrastructure challenge. The US has the resources and the customer demand, but substantial generation, network, pipeline and export investment is required to connect the two. For investors, this may create opportunities across regulated utilities, gas transmission, behind-the-meter power and LNG infrastructure. The most compelling cases are not simply those with the largest capital plans, but those able to earn appropriate returns, allocate risk to the right counterparties and compound through assets that are difficult to replicate.

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