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BankThink

Banks are missing out on a huge wave of infrastructure finance deals

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Traditional banks ceded the fastest-growing segment of infrastructure finance — renewable energy — to private capital. The question now is whether they can reclaim some share of what's left over, writes Glenn Yago. David Paul Morris/Bloomberg

- **Key insight:** When the Net-Zero Banking Alliance collapsed in October 2025, banks ceded control of renewable energy to private capital.
- **Supporting data:** Annual energy transition investment hit $2.3 trillion in 2025 — the highest level ever recorded.

- **Forward look:** The question for bank leadership is not whether climate finance is real, but whether they will participate in the next phase of its growth — or watch from the sidelines as private capital captures the returns.

When the Net-Zero Banking Alliance collapsed in October 2025 — shrinking from 140 member banks representing $75.5 trillion in assets to a rump of $42.2 trillion before shutting down entirely — the narrative was straightforward: Global banks had abandoned climate finance under political pressure.

That narrative is wrong, and it matters for every bank executive thinking about where the next decade of infrastructure lending revenue will come from.

What banks actually abandoned was a voluntary signaling coalition with no enforcement mechanism, no penalties for withdrawal and limited requirements for consistent disclosure. What they simultaneously lost — and this is the part that should concern bank strategists — was market share in the fastest-growing segment of infrastructure finance.

Consider what happened while banks were exiting alliances. Brookfield closed a $20 billion clean energy transition fund — the largest in history. TPG Rise Climate took Altus Power private for $2.34 billion. KKR and Canada Pension Plan acquired a $10 billion stake in Sempra's energy infrastructure. Blackstone took a $7 billion stake in Sempra's Port Arthur LNG facility — the largest private credit infrastructure deal ever. Private equity and private credit have deployed more capital to the energy transition in the past two years than at any point in history.

The migration wasn't ideological. It was structural. Banks face Basel III/IV capital requirements that impose punitive charges on long-dated, illiquid infrastructure assets. Energy transition projects require 10- to 25-year horizons; banks prefer five- to seven-year loan terms. Technology risk in first-of-kind decarbonization projects doesn't fit bank credit committees built around proven asset classes. And state attorneys general threatening antitrust action against "coordinated" climate commitments made the political cost of even talking about it untenable.

Alternative asset managers face none of these constraints. They operate with longer fund lives, no regulatory capital requirements, higher risk tolerance supported by catalytic capital structures, and return expectations — 8% to 15% internal rate of return, or IRR — aligned with infrastructure assets rather than the 4% to 6% bank spread returns. They didn't step in because they cared more about climate. They stepped in because the economics fit.

The scale of what banks are missing is enormous. Annual energy transition investment hit $2.3 trillion in 2025 — the highest level ever recorded. Clean energy technologies now

attract twice as much capital as fossil fuels. Data center electricity demand is projected to double by 2030, creating massive new demand for clean power generation and grid infrastructure. Cumulative green, social and sustainability bond issuance has reached $6.2 trillion with legally binding covenants. This is not a niche market. It is becoming the core of global infrastructure finance.

So can banks recapture lost ground? The honest answer is: only partially, and only if they change how they participate. Three paths are realistic.

First, banks can build originate-to-distribute models for transition assets — using their client relationships and origination infrastructure to structure deals, then distributing them to institutional investors and alternative managers who can hold the long-duration risk. This plays to banking's traditional strength without running afoul of capital constraints.

Second, banks can become the structuring and advisory layer for blended finance vehicles that combine concessional capital from development finance institutions with private investment. Evidence shows that $1 of catalytic capital can unlock up to $30 in private investment. Banks that position themselves as the architects of these structures — not just balance-sheet lenders — will capture fee revenue in a growing market.

Third, banks should look at where the next wave of labeled bond issuance is heading. The November 2025 ICMA Climate Transition Bond Guidelines created the first credible framework for financing decarbonization pathways in hard-to-abate sectors — steel, cement, shipping, aviation. Underwriting transition bonds is a natural extension of banks' fixed-income franchises.

What won't work is waiting for political winds to shift and then rejoining voluntary alliances. The capital has moved. The market infrastructure has been built. The question for bank leadership is not whether climate finance is real — $6.2 trillion in deployed capital has answered that — but whether banks will participate in the next phase of its growth, or watch from the sidelines as private capital captures the returns.



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