

## Quarterly valuation update for the energy and infrastructure sector **Q1 2026 update and valuation in times of uncertainty**

May 2026

# Quarterly valuation update

## Introduction



Welcome to the Q1 2026 edition of our quarterly valuation update, which provides a snapshot of some of the main publicly available valuation trends across the energy and infrastructure sector, covering both debt and equity metrics.

This quarter, we continue to examine trends in debt and equity metrics, relying primarily on publicly available information. In relation to the equity trends, we use the Forvis Mazars indices of listed infrastructure funds and listed renewable energy funds, compiled based on the set-out basis in Appendix 1 of our blog.

This quarter, we also feature a spotlight on how to value infrastructure assets in times of uncertainty

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# 01

Valuations Q1 2026 market update

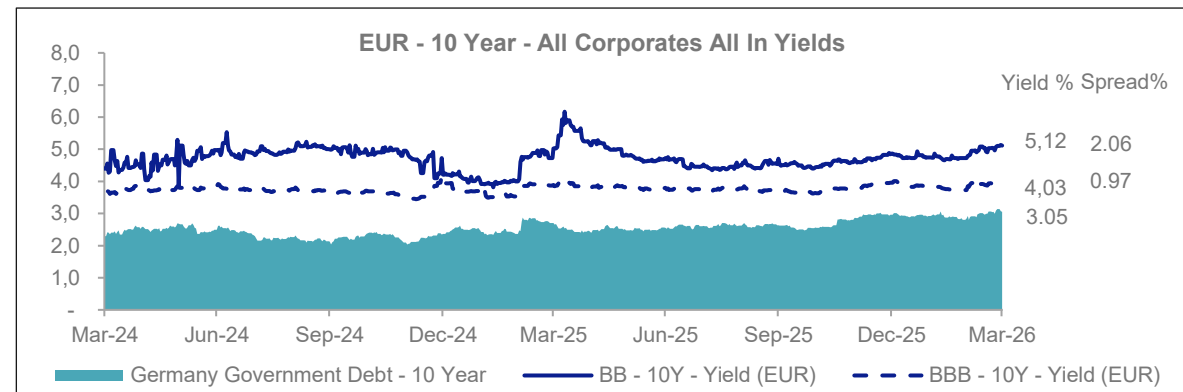
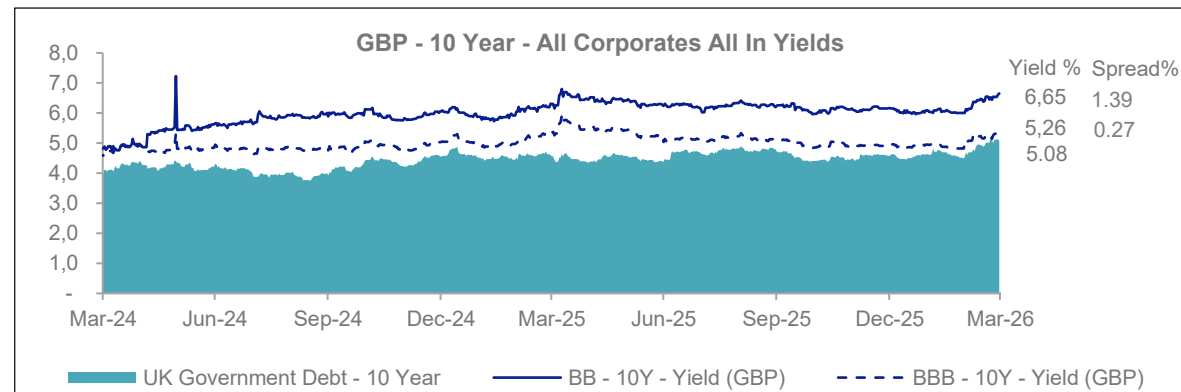
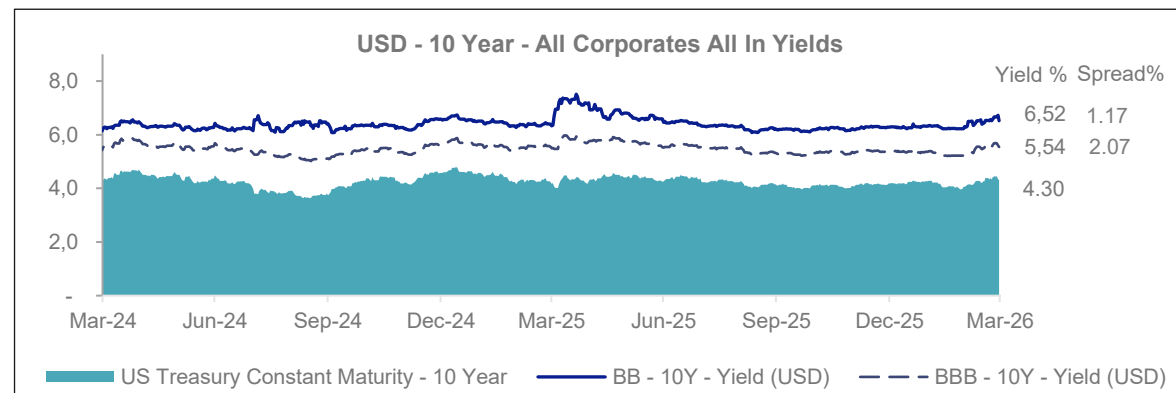


# Quarterly valuation update

## Debt valuation trends

### Q1 2026 saw rising Government bond yields in key geographies, with a particularly sharp rise in UK Gilt yields

- The war in Iran led to significant bond market volatility, with increases across multiple regions in March 2026. The rise in yields was most pronounced in the UK, where inflationary risks emerging from Middle Eastern conflict combined with domestic political factors. This rise was experienced across the entire yield curve.
- Some of the early valuation indicators and how these developed during the course of April are discussed in further detail in the second half of this blog.

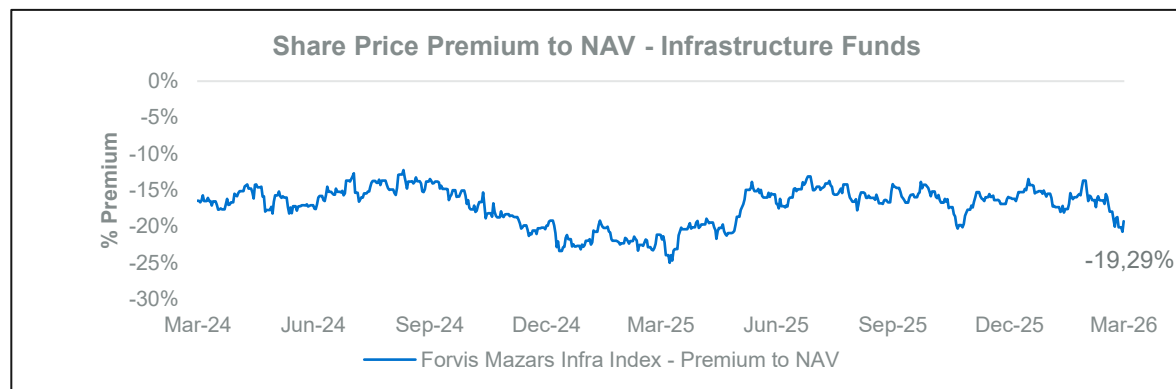
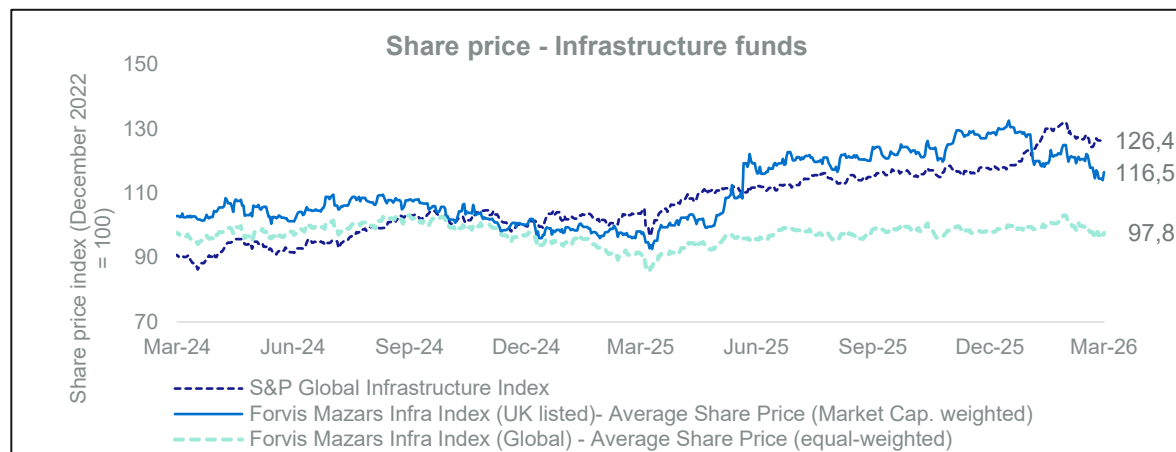


Source: Capital IQ, Forvis Mazars analysis

# Quarterly valuation update

## Equity valuation trends – infrastructure funds

### Infrastructure funds have continued to trade at deep discounts to NAV



- Listed infrastructure funds continued to trade at discounts to NAV during Q1 2026, with these discounts deepening in March. Although many of the underlying assets were demonstrating relatively stable performance, higher government bond yields increased required returns for investors, reducing the relative attractiveness of infrastructure yield vehicles. In addition, assets with revenues linked to demand faced a more uncertain growth outlook.
- There remains a disconnect between public market valuations and underlying NAVs. Transactions in Q1 2026 continued to demonstrate asset valuations in line with published NAVs, whilst share prices of listed funds were more likely to be impacted by short-term changes of sentiment.
- It is worth noting also that whilst asset valuations are not immune from higher discount rates, asset revenues in the infrastructure sector often have some link to inflation. As it is common for higher risk-free rates to be linked to higher inflation expectations, it is not inevitable that higher discount rates resulting from macro-economic instability leads to lower valuations. The result will often vary from asset to asset.

*“This disposal demonstrates once again the quality of HICL’s portfolio and our proven ability to generate value through disciplined asset rotation in all market conditions. We have completed over £1 billion of disposals since 1 April 2023 at a weighted average premium of 11%; this underscores HICL’s active approach to asset rotation to create long-term shareholder value.”*

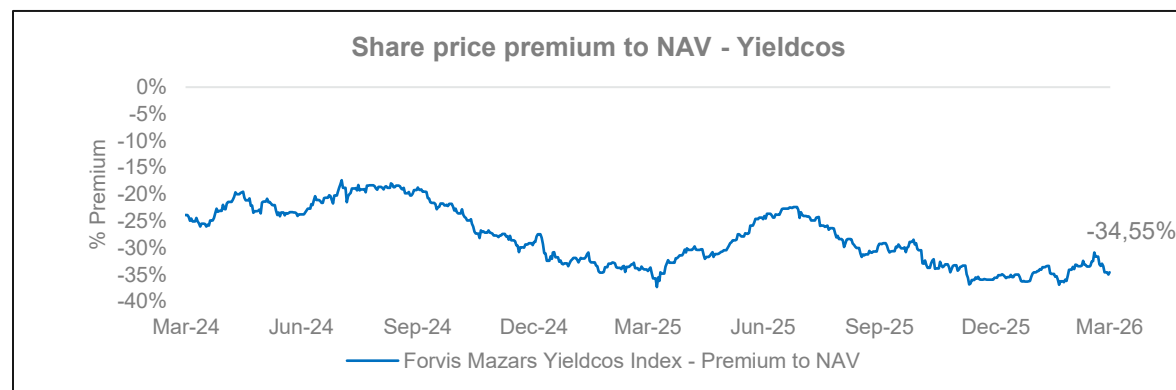
**-HICL, Disposal of A63 Motorway**

Source: Capital IQ, Reports from Funds, Forvis Mazars analysis

# Quarterly valuation update

## Equity valuation trends – renewable energy funds

Yieldcos recovered in Q1 2026, but discounts to NAV have remained elevated



- Listed renewable energy funds have experienced more pronounced share price weakness vs infrastructure funds\*, resulting in materially wider discounts to NAV. The average discount to NAV across the sector was approximately 35% by the end of Q1 2026.
- In addition to the impact of higher discount rates, the sector has continued to be affected by changes in power price expectations, as well as adverse policy changes or broader policy uncertainty. Similar to the listed infrastructure fund sector, however, there continues to be transactional evidence that supports the NAV, including transactions to take listed funds and IPPs private. A good example from Q1 2026 is the take-private of Boralex – this was done at a 32% premium to its closing share price.
- The Middle Eastern conflict has had mixed impacts on this sector, some of which are explored in further detail in the remainder of this blog.

*“Renewables assets are subject to the same principal risks today as in 2013, when the first renewables infrastructure investment companies, including TRIG, were launched. This principally includes exposure to movements in power prices, underlying portfolio performance, and regulatory and public policy risk. The increased risks have weighed on sector NAVs and sentiment over the past 24 months, overlaid with an increase in the cost of capital to levels not seen for almost 20 years.”*  
**-TRIG, December 2025 Annual Financial Report**

\* The share price chart shows divergent trends depending on whether the weighting is based on market-caps or on an equal basis – this reflects the dominance of Brookfield in the market-weighted lines.

Source: Capital IQ, Reports from Funds, Forvis Mazars analysis

# 02

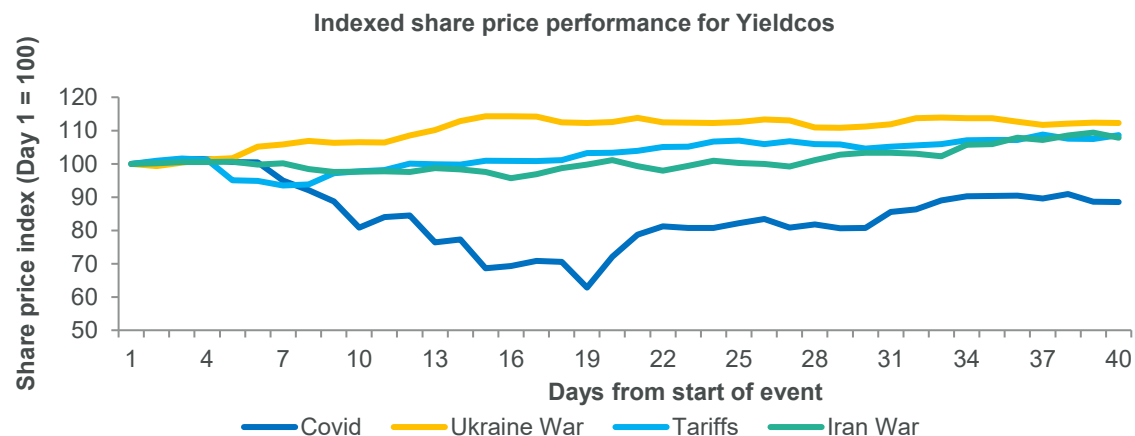
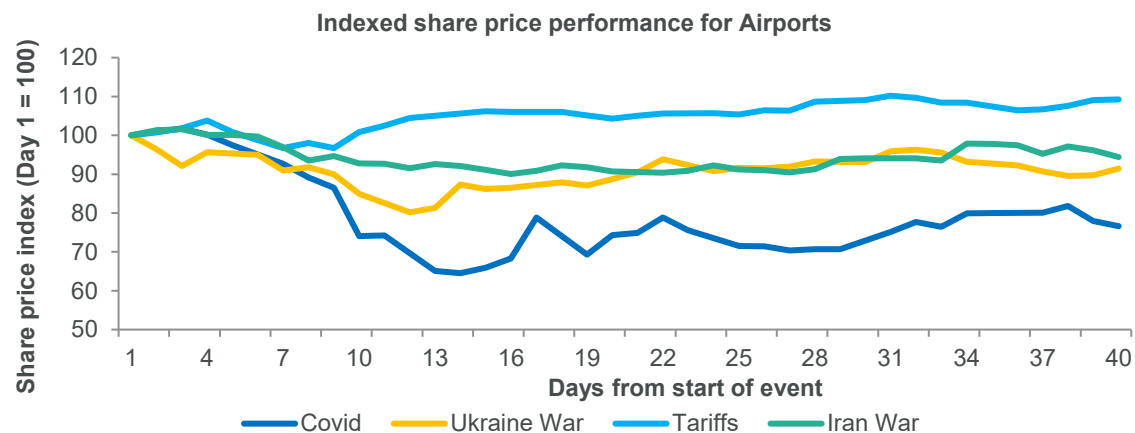
## Valuation in times of uncertainty



# Valuation in times of uncertainty

## Trends in equity metrics in times of crisis

In recent times of crises, equity markets in the infrastructure sector have reflected limited volatility



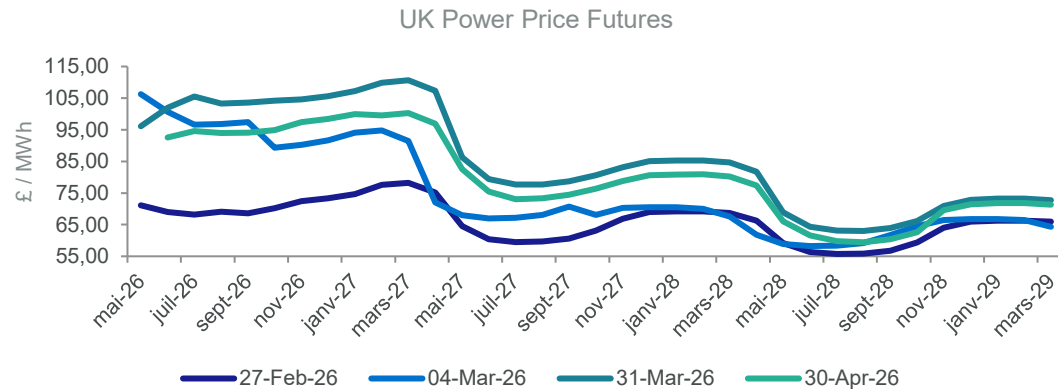
- Historical periods of market disruption demonstrate that impacts on infrastructure valuations are not uniform, and not necessarily always negative.
- While there can be an initial market reaction that is sentiment-driven, this tends to be replaced quickly by an assessment of how the value drivers in a particular sector are impacted.
- Airports are examples of assets which have often been most exposed to the consequences of crises, including for instance:
  - Restrictions on travel
  - Impacts on the price / availability of fuel
  - Expected impact on passenger numbers and spending from lower growth projections
- In the renewable energy sector, valuations have sometimes gone up rather than down, with power producers benefiting from higher power prices. Structural characteristics such as contracted revenues, essential service provision and inflation linkage have also helped to reduce volatility.
- Beyond direct impacts on specific assets, macroeconomic changes also feed into valuations across sectors. We explore some of these on the next two pages.

# Valuation in times of uncertainty

## How do crises impact on valuation cashflows

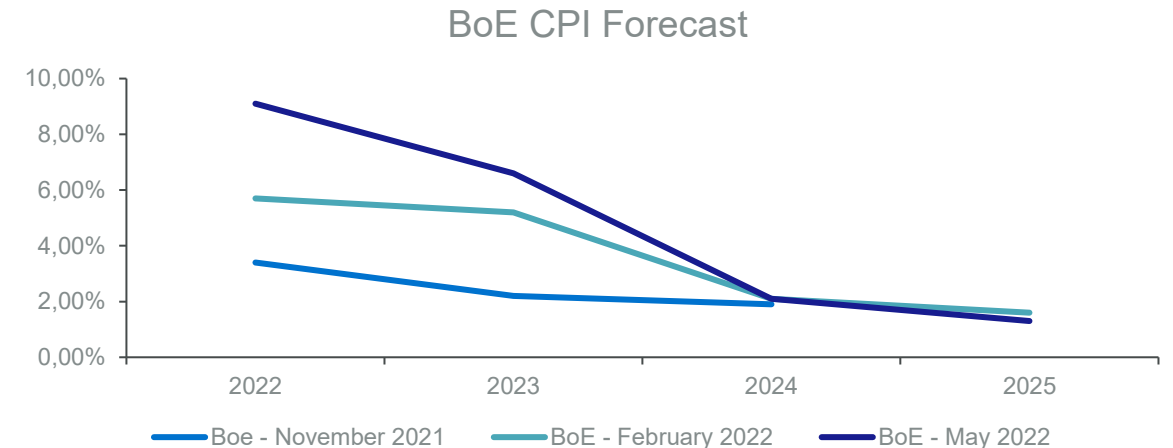
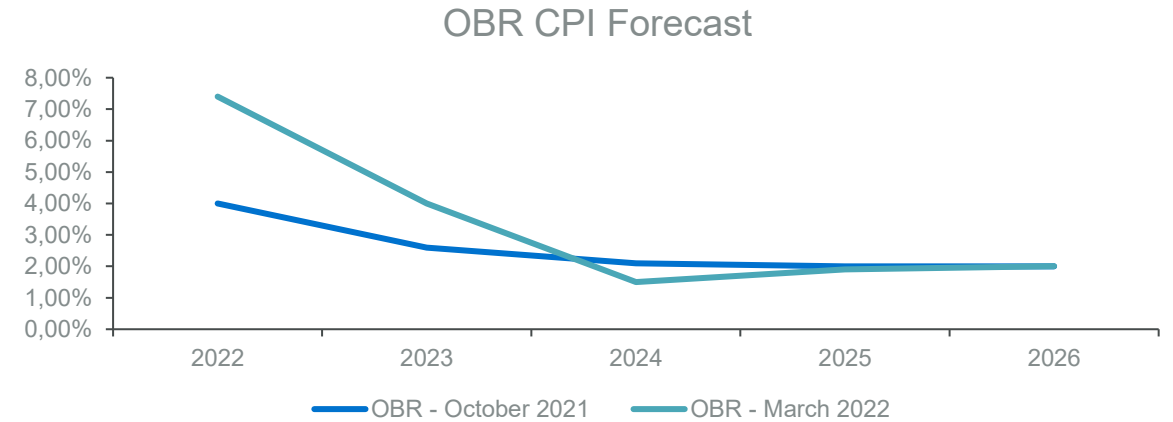
Short-term volatility and uncertainty is often directly recognised within cashflows and macroeconomic assumptions

### Power price – conflict in the Middle East



- Supply shocks or geopolitical instability can lead to increases in wholesale power prices, which may positively impact revenues for merchant or partially contracted power generation assets.
- Higher energy costs feed higher inflation, which can lead to uplifts in cash flows for assets with index-linked revenue structures, supporting valuations despite macro uncertainty.
- These potential positive valuation factors may be offset by higher construction and operating costs as well as the second-order impacts on cost of funding and discount rates as markets price in the need for central banks to raise interest rates.

### Inflation – war in Ukraine



# Valuation in times of uncertainty

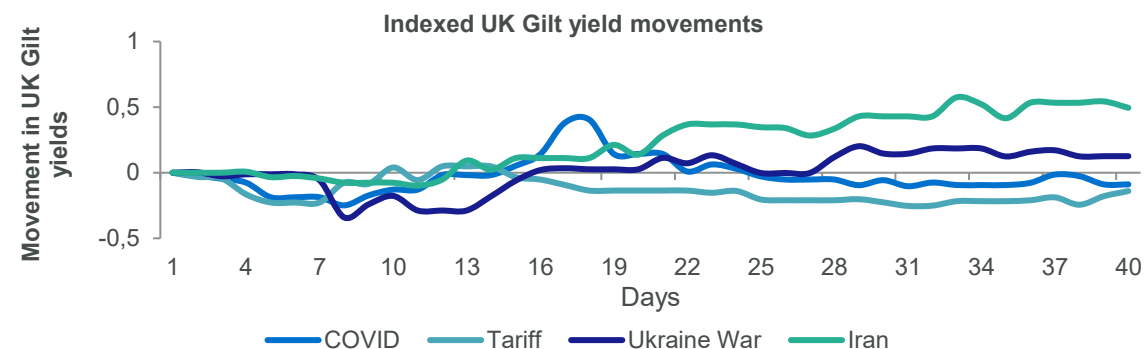
## Examples of reactions to recent crises

Most listed funds have demonstrated limited reactions to periods of volatility, allowing assumptions to naturally shift

### Direct discount rate updates

Funds Name	Covid 19	Ukraine War	Tariff
HICL Infrastructure Company Limited	↓	↑	-
International Public Partnerships Ltd	↑	↑	-
Greencoat Renewables	-	-	↑
The Renewables Infrastructure Group Limited	↓	-	↑
Foresight Solar Fund Limited	↓	-	↑

### Effect on risk free rate



- The chart on the left indicates the direction of any discount rate movements reported by 5 listed funds in the first financial report they published following the onset of each event.
- It shows that three funds actually reduced discount rates in response to the Covid crisis, linked to low gilt yields and the expectation of monetary stimulus in response to widespread demand destruction. For the other events, the chart shows an apparent difference of approach across infrastructure funds and renewable energy funds. This may partly have been matter of timing.
- The more important points to note are: 1) funds do not apply automatic risk premia to discount rates at times of macroeconomic shock, and sometimes do nothing at all until real-world transactional data provide evidence of market change; and 2) generally where changes have been made, they have been small – often just 25bps. Funds tend to prefer a gradual wait-and-see approach rather than reflecting the full impact of changes to risk free rates

# Quarterly valuation update

## Conclusions

### Three key themes from Q1 2026:

#### Persistent upwards pressure on discount rates

- Rising yields have pushed discount rates higher for a number of renewables and infra funds.
- Impact of the war in Iran not yet fully reflected in listed fund assumptions, suggesting discount rates may continue to rise. But may be offset by inflation rises and other changes to forecast assumptions.
- Risk free rate increases may not always result in higher discount rates, historically some rises have been absorbed by reducing the equity risk premium that investors hold when acquiring infrastructure assets.

#### Infrastructure can often be insulated from volatility, but sub-sector disparities exist

- Evidence from historical crises indicates the relative insulation of infrastructure as an asset class. However, this is not always true and depends both on the nature of the crisis and the attributes of the specific sub-sector.
- For example, airports, despite being seen as core infrastructure have cashflows which are highly linked to fluctuating global demand, limited travel restrictions, and global fuel prices. Recent crises have negatively impacted all of these leading to more valuation uncertainty than availability-linked PPP assets and parts of the energy sector.

#### Assessment of direct and secondary impacts remains key to valuations

- Valuations need to focus on expected impacts on forecast cashflows rather than assuming a crisis necessitates a write-down – it could be that the crisis is actually value-accretive.
- In relation to discount rates, applying risk premia may be justified to the extent that cashflow effects are expected to be negative but difficult to quantify. Otherwise though, the question becomes a more standard one of the extent to which changes in risk free rates should be absorbed in a changed equity risk premium or passed on. Evidence continues to suggest that infrastructure funds and other active investors tend to take a longer-term view when answering this question and do not tend to apply short-term changes to risk-free rate until and unless they become both significant and sustained.

# Contact

## Forvis Mazars

### Ben Morris

Partner

[ben.morris@gif.mazars.com](mailto:ben.morris@gif.mazars.com)

### Karishma Merchant

Partner

[karishma.merchant@gif.mazars.com](mailto:karishma.merchant@gif.mazars.com)

### Charlie Williams

Manager

[charlie.williams@mazars.co.uk](mailto:charlie.williams@mazars.co.uk)

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