

# De-escalation or Gridlock:

## Private Infrastructure portfolios under two Iran-Conflict paths

(5-minute read)

### Where are we today

**A Major Energy Shock:** In recent weeks, renewed conflict in the Middle East has triggered a material energy supply-side shock, pushing international oil and gas prices higher. A ceasefire between the US and Iran has paused the conflict but the economic damage is already meaningful and will emerge over the coming months. The closure of the Strait of Hormuz, and damage to gas production facilities have meaningfully curtailed approximately 20% of global oil and gas reserves.<sup>1</sup>

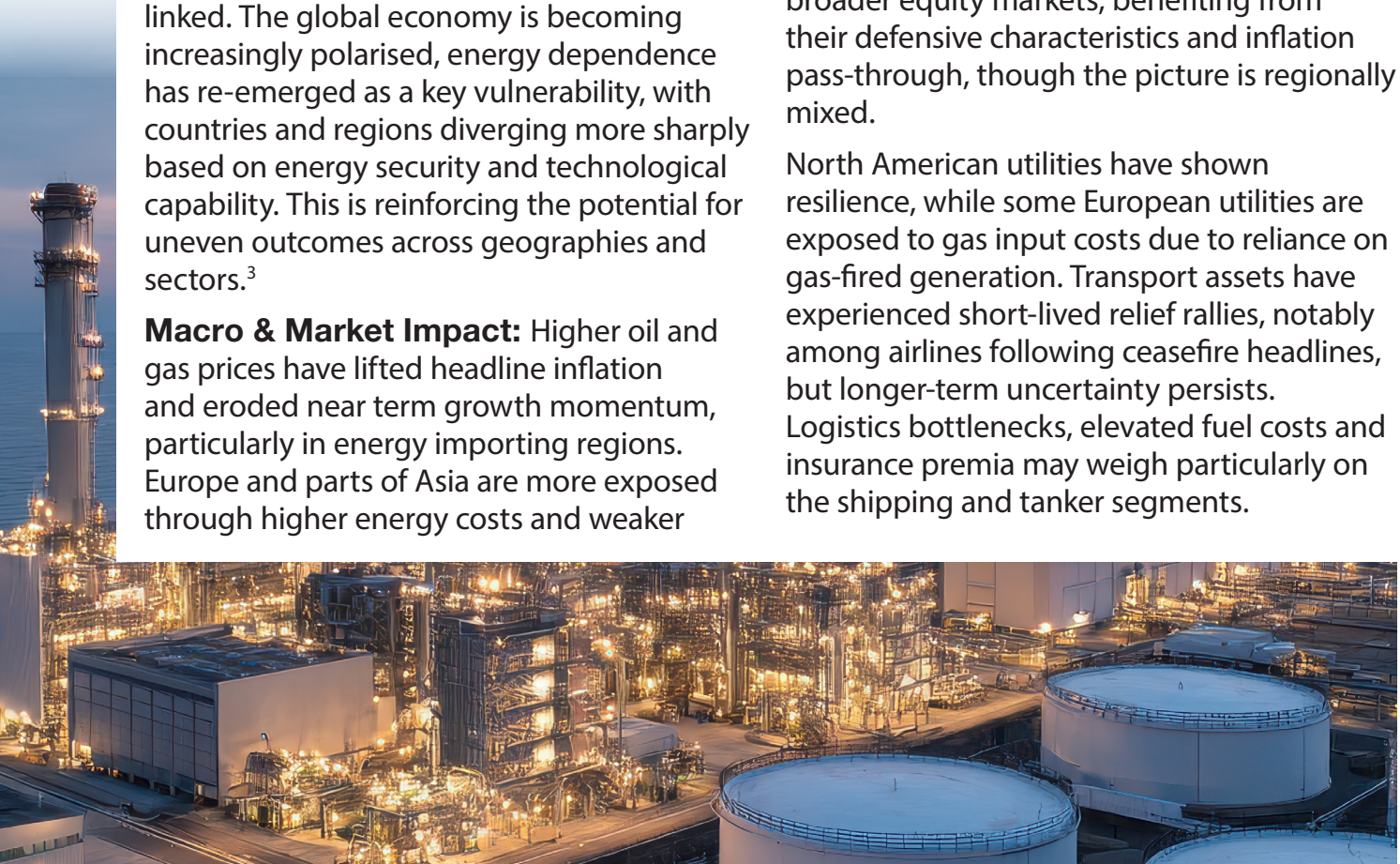
**Part of a Broader Structural Shift:** Viewed beyond the immediate shock, recent developments align closely with the longer-term structural geopolitical shift that we have previously highlighted<sup>2</sup>, as energy, trade and security become more tightly linked. The global economy is becoming increasingly polarised, energy dependence has re-emerged as a key vulnerability, with countries and regions diverging more sharply based on energy security and technological capability. This is reinforcing the potential for uneven outcomes across geographies and sectors.<sup>3</sup>

**Macro & Market Impact:** Higher oil and gas prices have lifted headline inflation and eroded near term growth momentum, particularly in energy importing regions. Europe and parts of Asia are more exposed through higher energy costs and weaker

confidence, while North America has so far appeared comparatively resilient given its domestic energy base. Central banks have responded by pushing out expectations for rate cuts, reinforcing a “higher for longer” bias, while long term bond yields, equity and credit markets have experienced volatility.<sup>4</sup>

**Infrastructure Performance:** Within listed infrastructure, sector performance since the escalation has been uneven, reflecting differences in exposure to energy prices, regulation and demand sensitivity. Energy equities have shown sharp divergence: refiners, North American shale producers and LNG-linked companies have rallied on tighter global supply and higher global gas prices. Markets have initially rotated defensively seeking regulated and contracted exposure. Utilities have generally outperformed broader equity markets, benefiting from their defensive characteristics and inflation pass-through, though the picture is regionally mixed.

North American utilities have shown resilience, while some European utilities are exposed to gas input costs due to reliance on gas-fired generation. Transport assets have experienced short-lived relief rallies, notably among airlines following ceasefire headlines, but longer-term uncertainty persists. Logistics bottlenecks, elevated fuel costs and insurance premia may weigh particularly on the shipping and tanker segments.



<sup>1</sup> Macrobond, April 2026

<sup>2</sup> InfraRed Capital Partners, Geopolitics and Infrastructure Investment, February 2026

<sup>3</sup> Macrobond, April 2026

<sup>4</sup> Macrobond, April 2026

For private infrastructure, the impact of the initial shock is more muted than in public markets, and more focused on fundamentals, with long-dated contracts, regulated cash flows and appraisal-based valuations providing a degree of insulation from short-term volatility. The effects on private infrastructure will unfold over time through inflation pass-through, financing conditions, demand dynamics and discount rates effects, if the conflict persists and inflation remains elevated.

### Diverging Scenarios Ahead

After a likely initial phase in the first half of 2026 characterised by higher energy prices,

inflation and weaker global growth, outcomes for private infrastructure hinge on two scenarios that that will likely begin to unfold in the second half of 2026: one in which a ceasefire holds, and the shock gradually dissipates, and another in which conflict becomes protracted, prolonging uncertainty, volatility and supply chain disruptions. These scenarios carry materially different implications for macroeconomic conditions, infrastructure subsectors and portfolio positioning. We briefly assess below how infrastructure assets may respond across these two divergent paths.

## Scenario Analysis: Macro and Infrastructure (12 to 18 Months from Q1 2026)

Scenario 1: Ceasefire Holds	Scenario 2: Prolonged Conflict
<b>Macro</b>	<b>Macro</b>
Energy prices ease but supply constraints unwind slowly. Inflation pressures and stagflation risk moderate, allowing central banks to stabilise policy and resume cautious easing if growth decelerates. Negative real rates likely persist for remainder of 2026 before normalizing.	Energy markets remain tight, sustaining inflation and weighing on growth, particularly in Europe. Central banks are constrained in a high for longer environment, with limited scope for easing and likely beginning to rely on QE measures to support the economy. Negative real rates persist for 18 months or longer, particularly across Europe.
<b>Infrastructure</b>	<b>Infrastructure</b>
<p><b>Energy:</b> Outperformance fades as scarcity premia unwind; returns normalise toward long term averages.</p> <p><b>Utilities:</b> Benefits from inflation pass through and falling real rates; defensive characteristics remain attractive as volatility subsides.</p> <p><b>Transport:</b> Gradual recovery in volumes; rail and public transport outperform, while airports and toll roads recover more slowly.</p> <p><b>Digital:</b> Remains structurally attractive; easing financing conditions support new development, with North America outperforming Europe.</p>	<p><b>Energy:</b> Gas infrastructure remains a clear beneficiary of sustained scarcity and security concerns.</p> <p><b>Utilities:</b> Relative winners, as inflation protection, regulated returns and falling real rates outweigh higher nominal financing costs.</p> <p><b>Transport:</b> Prolonged pressure on volume sensitive assets (airports, toll roads, ports); passenger rail remains comparatively resilient.</p> <p><b>Digital:</b> Existing assets outperform due to pricing power and scarcity; new development slows, especially in high energy-cost European markets.</p>

Source: InfraRed Capital Partners, April 2026. There is no guarantee that the forecast highlighted will materialize.

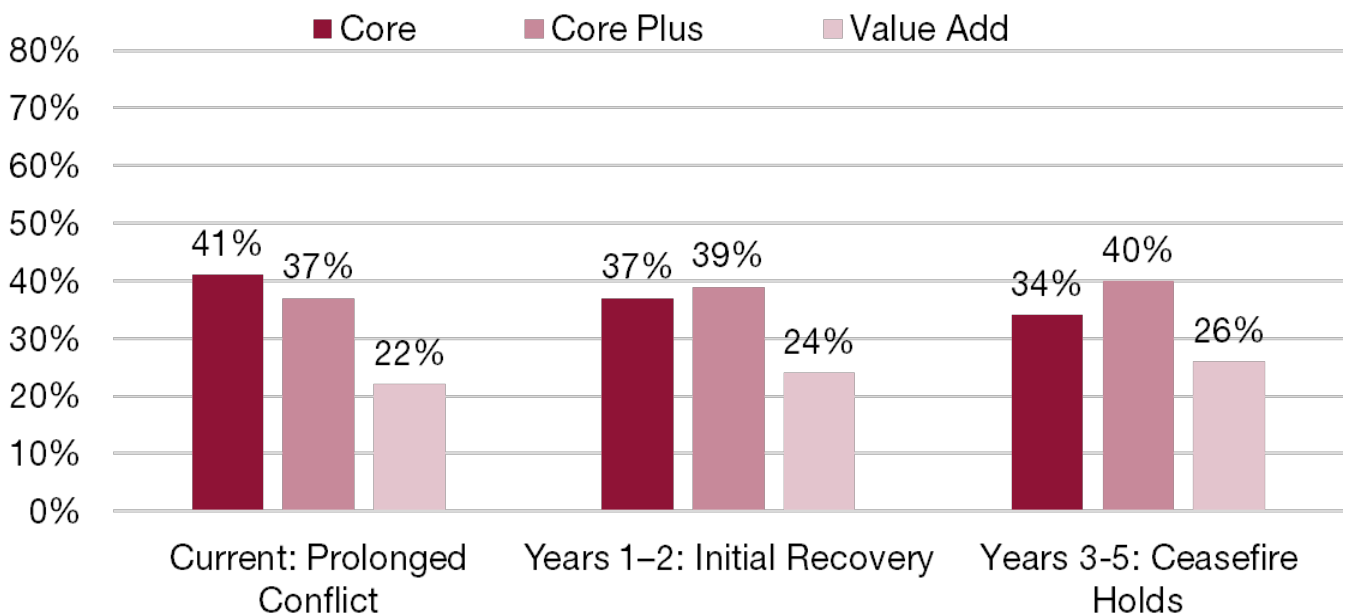
### Positioning Infrastructure Portfolios Across Scenarios:

When viewed through a medium- to long-term portfolio construction lens, well-diversified private infrastructure portfolios are expected to continue to demonstrate resilience. Across both scenarios, optimisation over a long-term investment horizon suggests portfolios should tilt only modestly across strategies rather than reallocate in a binary manner, reflecting primarily the net impact of shifts in real rates.

The relative emphasis between strategies across scenarios is driven by whether investors seek to prioritise downside protection against persistent stagflation via core assets, assuming a prolonged conflict scenario, or if they also want to focus on recovery-led upside through incremental core-plus and value-add exposure.

Under a prolonged conflict scenario, more elevated inflation and widening risk premia are expected to favour a more defensive tilt toward Core infrastructure, underpinned by inflation linkage and the resilience of long-term contracted cash flows. In a prolonged ceasefire scenario, characterised by moderating inflation, compressing long-end yields and a resumption of growth, portfolio adjustment supports a measured and balanced rotation, and the focus gradually moves from inflation-linked stability toward capital growth. Overall, while dynamic allocation remains important as real rates, risk premia and exit visibility evolve, Core, Core Plus and Value-Add strategies continue to play complementary and foundational roles within a well-diversified infrastructure portfolio.<sup>5</sup>

### Infrastructure Portfolios Across Scenarios By Strategy



Source: InfraRed Capital Partners, April 2026. For illustrative purposes only. There is no guarantee that the forecast highlighted will materialize.

<sup>5</sup> Allocations are derived from portfolio optimisation outputs and reflect relative shifts in risk preference rather than absolute return forecasts.



**Megatrends At A Crossroad:** A prolonged conflict may accelerate the direction of infrastructure megatrends but will also likely lead to greater regional divergence, particularly when it comes to energy transition and digitalisation.

The North American market stands out due to its expected level of resilience, underpinned by energy security and deeper capital markets. Europe and parts of Asia face a more challenging outlook due to higher energy dependence and tighter financing conditions. Electrification, biofuels and transport decarbonisation are likely to gain further momentum as energy security moves to the forefront of policy priorities. Governments are expected to place greater emphasis on oil and gas supply-chain resilience, particularly

storage and strategic reserves, with several countries seeking to expand national reserve coverage from limited levels toward materially higher benchmarks. Digital infrastructure is expected to remain structurally attractive; however, persistently higher power costs may increasingly shape geographic deployment, favouring markets with access to cheaper and more reliable energy, notably the United States.

Finally, it's worth remembering that against this backdrop, infrastructure remains well positioned to generate durable, long term value for investors who are able to navigate regional divergences and align capital with the structural forces reshaping energy systems and digital demand.

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