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Guest CEO Insight:

Investor Appetite for Sustainable Infrastructure Strengthens — Confirmed by KGAL's New Mandate

Europe is entering a new phase of infrastructure investment. Policy alignment, industrial transformation and rising capital needs are creating conditions that many international investors had long been waiting for. Against this backdrop, Debeka – a major German insurance group – has decided to invest up to 400 million euros in two KGAL evergreen funds, marking an important signal for the market. It stands out at a time when fundraising in Germany and across Europe has become noticeably more selective, and it underscores the role that institutional investors can play in renewable energy and social infrastructure.



Florian Martin
Co-CEO KGAL

The mandate is being implemented through two evergreen open-ended funds, which bring together two areas that we believe will define Europe's next infrastructure cycle:

renewable energy across Europe and sustainable, socially purposeful real estate in Germany. This means direct investments in the generation, storage and processing of renewable energy on the one hand, and in assets such as schools, daycare centres, medical centres, administrative buildings, local amenities and housing on the other.

The message is about Europe itself. Some international investors still view Europe as a mature market with limited upside. We see something different: a region in which policy, industrial transformation and capital needs are now aligning in a highly investable way. The build-out of renewable energy is not only a climate objective. It is also a matter of competitiveness, energy security and strategic resilience. The Ukraine conflict had already sparked an energy crisis that laid bare Europe's dependency on Russia and on foreign supplies of fossil fuels. Recent political developments in the Middle East have further strengthened this argument. This makes sustainable infrastructure strategically relevant, extending well beyond the traditional debate on environmental, social and governance (ESG) issues. As some investors become more cautious about markets where policy visibility has become harder to assess, Europe's policy direction in this field appears comparatively clear.

It is in this context, that the European Investment Bank's Board of Directors agreed to support REPowerEU in July 2023 by providing 45 billion euros in loans and equity, and approved a financing package to support investments to manufacture and install the needed components for wind farms. The additional funds are intended to trigger more than 150 billion euros in new investments so that Europe can reduce its CO2 emissions to net zero by 2050.

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This matters especially at a time when many investors are reassessing where they can find long-duration assets supported by clear policy direction and real economic demand. In that context, European renewables stand out. They offer exposure to essential infrastructure that is scalable, aligned with policy and anchored in the region's long-term priorities.

The second area relates to social infrastructure, which is shifting from being a niche topic of discussion to becoming a practical theme of allocation. In Germany, the need is unmistakable. Municipalities face an infrastructure investment shortfall of more than 186 billion euros, with roughly 90 billion euros relating to schools, daycare centres and administrative buildings alone. Over ten years, the broader gap is estimated at around 1.5 trillion euros. Public budgets by themselves will not be sufficient to close this gap. Private capital therefore has an important role to play. For municipalities, such structures can accelerate delivery and preserve budget flexibility; for investors, they create visibility through long-term contractual arrangements.

What makes social infrastructure so compelling is that it combines social relevance with institutional-quality cash flow. These are assets that people use every day and that communities cannot do without. At the same time, they often benefit from long leases, inflation-linked rent structures and tenants connected to the public sector or other essential services. In other words, they are not simply attractive from an ESG perspective; they are also highly relevant from a portfolio construction perspective.

For investors in Japan, this combination may be especially compelling. Many institutions are looking for dependable income, downside resilience and measurable sustainability outcomes. Europe's social infrastructure segment speaks to all three. It gives the "S" in ESG real substance, while also offering the contractual visibility and long-term orientation that institutional portfolios require. That is why we regard this mandate as more than an individual success.

Our partner Debeka is one of the top five insurance companies in the German market. With this mandate we illustrate how capital can be deployed where financial strength and societal value reinforce one another. Renewable energy supports Europe's energy future and independence. Social infrastructure supports the foundations of everyday life. Both can generate stable, long-term returns when they are selected and managed with care.

Europe is at the beginning of its most important infrastructure cycle in decades. Investing in renewable energy and social infrastructure today means investing sustainably – and strategically – for the long term.

Florian Martin, Co-CEO KGAL

