

Emerging trends in infrastructure 2024

Enabling transitions



All at one time, we want to change our energy mix, our climate, our economies, our global trade patterns, our cities, our technology and our social equity. And we plan to do it all against a backdrop of a non-stationary environment, divisive geopolitical rhetoric and deep economic uncertainty. It is a mammoth task.

Humanity's success or failure will largely rest on the shoulders of our infrastructure. Infrastructure will be central to the energy transition and achieving our climate adaptation goals. It catalyses economic growth and facilitates trade. It underpins urban renewal, lays the foundations for digital transformation and — when done well — can help embed social equity.

To achieve this we need to change (and improve) the way we plan, fund, develop and operate our infrastructure. It will require collaboration, new funding mechanisms, innovative regulatory regimes, new construction techniques, broader skill sets and — more than anything — a high degree of flexibility and creativity. Enabling the world's transitions, therefore, must start with a transition in the infrastructure sector.

This summary of KPMG's 2024 *Emerging Trends in Infrastructure* highlights ten trends that KPMG professionals believe will shape the world of infrastructure in 2024. To learn more about the trends and topics raised in this report, we encourage you to contact your local KPMG member firm.



Trend 1: A broader focus for the Just Transition

To date, much of the conversation around the 'just transition' has been focused on jobs. Yet the bigger challenge will be in ensuring that investment, development and sustainability outcomes are spread equitably between developed and emerging markets. Over the coming year, expect to see some governments and international organisations start to broaden the definition of 'just transition' and, with it, encourage greater collaboration between nations, sectors and citizens.



Trend 2: A turn in geopolitics

With collaboration, partnership and trust in short supply and geo-political and economic head winds dominating the headlines, the actual and perceived risks to businesses have grown multi-fold. This year, expect to see infrastructure players and investors focus on finding ways to measure, manage and mitigate the risk of uncertainty. KPMG is cautiously optimistic about the triumph of economics and good policies over protectionism and divisive short-term strategies.



Trend 3: The rise of philanthropic capital

The quantum of philanthropic capital being allocated to infrastructure development is rising. Working in partnership with MDBs and development agencies, these philanthropic investors are using their financial strength and different return expectations to help MDBs crowd more private sector capital into projects using forms of 'blended finance'. Should they be successful, a greater volume of projects start to come to market — particularly in the emerging markets.



Trend 4: Towards the 'infrastructure mesh'

The magnetism of city centers is diffusing. At the same time, there seems to be a continued shift towards infrastructure decentralisation. It is a fundamentally different world for infrastructure planners and investors. And regulators may struggle with this new environment. New mechanisms will need to be found. Infrastructure designers and developers will also need to rethink their approaches to incorporating whole system thinking into their designs and connectivity into their models.



Trend 5: Contracting for technology

Many governments and asset owners see technology as a way to maximise the value of existing assets and investments. And, recently, a growing number of governments and international institutions have started to think much more critically about how they might more appropriately contract for innovation and technology. Expect to see further progress and adoption of infrastructure innovation, particularly within critical sectors like energy, built environment and urban infrastructure.



Trend 6: Driving the energy transition

The path to Net Zero is becoming increasingly complicated. And it's not just politicians that are being jolted awake to the dire need for action. This year, investors should be expected to ramp up their pressure through capital allocation. Regulators will get better at forcing the issue. Consumers will become more open to shouldering the financial costs. And global institutions will create innovative mechanisms and programs to help drive capital towards energy transition initiatives in the emerging markets.



Trend 7: Reforming the regulatory remit

Regulator scope has expanded to include risks like cyber security, resilience, decarbonisation, financing and innovation — topics many would argue are actually the remit of politicians and policymakers, not regulators. This year, expect this debate to come to a head in many markets. It will start with continued challenges that, eventually, should lead to a level of regulatory reform, supported by a concerted effort on the part of regulators and governments to upskill and expand regulatory capabilities.



Trend 8: Bending not breaking

Accelerating the drive for nature-based solutions is the increasing body of evidence that suggests these 'green infrastructure' solutions can be more effective, sustainable and affordable than traditional 'grey infrastructure'. The widespread adoption of valuing nature-based assets and solutions would enable companies to better account for these assets on their balance sheets. Indeed, it won't be too long before developers default to nature-based solutions over pouring concrete.



Trend 9: The race to green growth

While most governments will not be able to compete with the firepower of the IRA, there is still much they can do to improve investment flows into their own green energy and resilience markets. While, in the short term, some countries might gravitate towards protectionism, policymakers and leaders should realise that equitable green growth — evenly dispersed — is the solution to a wide range of problems. But it requires collaboration not competition.



Trend 10: The next frontier

Technological progress is happening in shorter cycles with greater impact. As such, expect to see governments and infrastructure planners place greater emphasis on creating flexibility in their infrastructure designs and assets. It won't stop a new technology from disrupting your plans. But it will allow you to make better use of your existing investments for longer and give you the confidence that — when disruption does come — you will have options for dealing with it.

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