

SLAUGHTER AND MAY/

Digital Infrastructure

Looking Back, Looking Ahead

HORIZON SCANNING

Digital





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Introduction

Digital Infrastructure has continued as one of the fastest-growing infrastructure asset classes, with record recent investment (driven by data centres and AI compute) expected to carry strong momentum through the rest of 2026 and beyond. Forecasts indicate annual growth of around 14% through to 2030 and capital requirements exceeding US\$3 trillion, underscoring the sector's structural importance. The crucial constraint is now power availability, which is concentrating investable value around access to bankable power and grid connections, alongside spectrum, fibre, and network resilience.

In this edition of *Looking Back, Looking Ahead*, our team examines the developments that materially reshaped delivery models, risk allocation, and cost structures across the digital infrastructure landscape in recent times. We also explore the forces likely to influence sponsor and investor decisions through the rest of 2026: from evolving power procurement arrangements to shifting compliance frameworks and the continued re-pricing of risk across the sector.



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Recent themes

01 Power plays: electricity networks as investable infrastructure

Multi-gigawatt compute projects continue to drive demand. Examples include AI infrastructure programmes (such as the US Stargate initiative and the UK’s AI Growth Zones). Government-led programmes typically combine fiscal incentives, streamlined planning, environmental reviews, and preferential power access. We have seen several Southeast Asian jurisdictions competing to capture investment: Malaysia and Thailand offering 10-year corporate tax holidays and dedicated power procurement agreements, while Indonesia is positioning itself as a lower-cost hub for non-sensitive AI workloads.

Several programmes (especially in the US and UK) are also exploring nuclear-enabled compute campuses. These facilities look to unlock the potential of advanced reactors and SMRs to provide stable, low-carbon baseload power. Sponsors able to secure dedicated generation offtake or ownership (particularly in baseload capacity) could establish formidable structural advantages, although development timeframes are challenging.

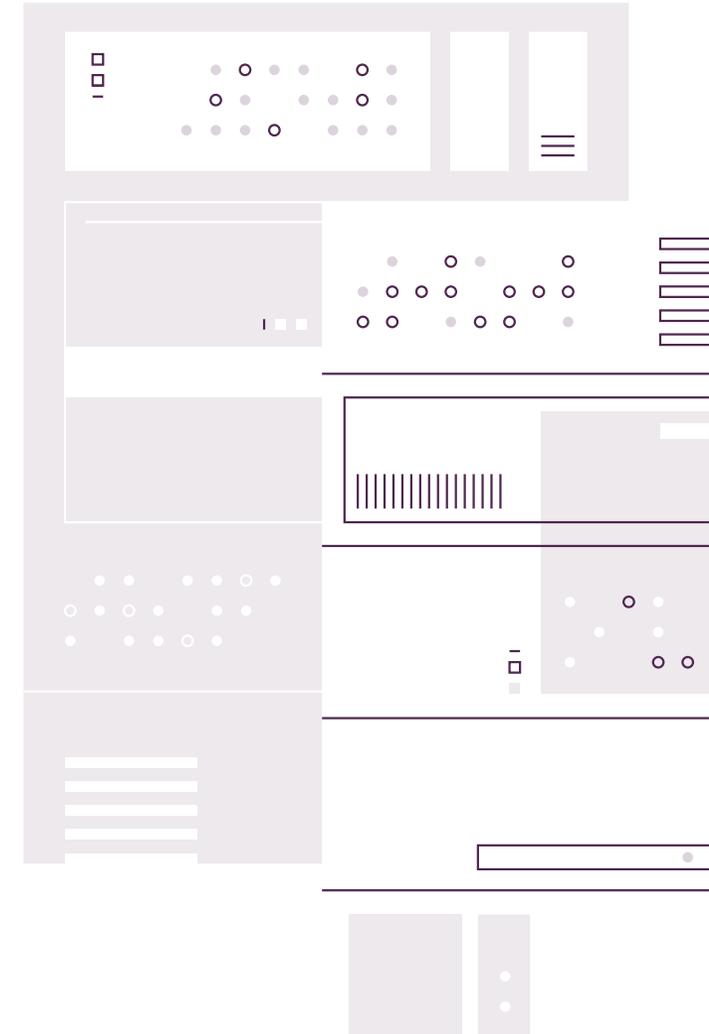
The 2026 Strait of Hormuz crisis added a further dimension to this calculus: by demonstrating that geopolitical chokepoints can simultaneously constrain energy supply and amplify price volatility, it has reinforced the structural case for on-site and behind-the-meter generation solutions that insulate data centre operators from wholesale market disruptions.

02 Gigawatt appetites: AI infrastructure thinks big

Investment momentum continues, yet the market’s centre of gravity has evolved and the route to power is crucial. It is increasingly important to understand not only grid connections but also cost, timing, and risk around delivery of off-site power infrastructure. Grid operators continued to prioritise projects combining secured land and planning consents.

Sponsors, developers and operators are increasingly exploring alternative options as they seek accelerated connection timelines and control over delivery and operations - with creative acquisition structures and delivery routes coming to the fore.

We have also seen increased interest in “behind the meter” solutions, including private wire networks and vertical integration across generation and demand assets. The ability to monetise these assets independently (together with the cashflows from stabilised data centres and other end uses) is a key attraction for sponsors, alongside the practical benefit of retaining control over delivery and operations.





Recent themes

03 Nice to meet you, NIS2

The digital infrastructure sector is now subject to maturing regulatory frameworks across Europe.

Regulators are progressively elevating digital infrastructure within national security regimes. For example, under the EU's Critical Entities Resilience Directive and NIS2 Directive, data centre providers now operate as "essential entities", which are subject to uniform, auditable risk management standards.

The UK is mirroring this approach - classifying data centres as 'Critical National Infrastructure' in September 2024, and including them in its NIS2 equivalent legislation (the Cyber Security and Resilience Bill or CSRB). The CSRB, which was published in November 2025 and is currently working its way through the legislative process, includes tiered thresholds to bring data centres in scope (RITL of ≥ 1 MW for co-location and ≥ 10 MW for enterprise) and aligns with the European push for 24-hour incident notification and risk management requirements for key supply chains.

Simultaneously, measures such as the EU's Cloud and AI Development Act aim to incentivise secure, high-density compute capacity, including potential tax relief or accelerated permitting for facilities meeting specified cyber-resilience and data sovereignty standards.

04 Don't put all your data in one cable: diversifying routes

Physical resilience has similarly emerged as a global priority. Subsea cable disruptions in the Red Sea throughout 2025 exposed the fragility of global data corridors, underscoring dependence on a handful of physical routes. These events demonstrated that geopolitical chokepoints can sever physical connectivity, with cascading consequences for the data centre facilities that underpin global digital infrastructure. These shocks reinforced the need for diverse infrastructure with built-in redundancies.

In parallel, resilience efforts expanded beyond the seabed. Emerging connectivity pathways such as satellite direct-to-device (or "D2D") services have begun to offer a complementary layer. Implemented through national frameworks (including Ofcom's 2025 D2D Statement), these services provide a multi-layered architecture to maintain continuity.

By late 2025, regulators in the EU, UK and major Asian markets had advanced spectrum and gateway workstreams designed to complement terrestrial networks. They reframe D2D connectivity as a practical hedge against subsea cable outages, landing-station chokepoints, and route concentration risks. Although commercial D2D capacity is expected to add 5-8% to blended connectivity costs, this is being accepted as a risk premium to reduce single point-of-failure exposure across global digital systems.



Future Watchlist

01 Build it and they will come: the \$750 billion AI bet

Hyperscaler capital expenditure on AI infrastructure has reached unprecedented levels, with the Big Five (Amazon, Microsoft, Google, Meta, and Oracle) projected to deploy between US\$660 billion and US\$750 billion in 2026.

This capital expenditure is being deployed in the short term in the expectation that similarly unprecedented levels of revenue will follow. Some analysts are sounding a warning note: Goldman Sachs has warned that, if AI workload adoption falters, data centre utilisation could drop to 80% by 2030, rendering significant capacity stranded and threatening returns on the \$1.5 trillion debt hyperscalers are expected to raise. We continue to expect investment to sustain over the longer term, with bespoke deal structures and creative solutions that reflect the current dealmaking environment (more on that [here](#)).

02 Exit planning: when fund life meets asset maturity

Sponsors continue to explore their options for exiting existing investments, whether at an asset level or indirectly.

In 2026, we will continue to see innovative exit solutions, particularly for assets or platforms of a scale too large to exit through conventional means (e.g. outright sale or flotation).

We have already seen sponsors engineering flexible fund structures with extended hold periods (or co-investment vehicles) that synchronise with asset stabilisation rather than fund life cycles. These include the “YieldCo” model and platform structures that allow incoming investors to participate solely in the risk and return from specific assets (or types of asset). We are already seeing new products enter the market which allow actual or synthetic exits through more innovative means, such as securitisation structures and the use of insurance capital, which will only develop as the scale of investment continues to grow and mature.

We expect to see increasing demand for deep-pocketed, patient capital in the sector, alongside continued appetite for investment by sovereign wealth and pension funds (particularly in stabilised assets).





Future Watchlist

03 Chips and geopolitics: supply chains become national security

Semiconductor and component supply chains now constitute a material source of infrastructure risk, driven by escalating US-China export controls on advanced GPUs (including H20, H100, and HBM3 technologies), EU critical minerals licensing frameworks and enhanced screening of foreign investments in chip fabrication.

These interventions have compressed delivery windows for AI accelerators and exposed the fragility of single-jurisdiction manufacturing dependencies. We expect to see developers and operators seeking enhanced contractual flexibility to mitigate these risks, including the ability to substitute technology and suppliers where performance is not compromised. However, it remains to be seen how the market adapts to increased tariffs and the extent to which these additional costs will be absorbed by end users or the supply chain.

04 To infinity and the seabed: reaching new heights and depths

Resource constraints (on power, water, and land) are now driving ambitious innovations in data centre siting. SpaceX's February 2026 acquisition of xAI in a US\$1.25 trillion deal illustrates the scale of capital now being committed to the convergence of launch infrastructure and AI compute, with orbital data centres among the frontier opportunities attracting serious investment: facilities that could potentially offer access to near-continuous solar power and eliminate water-cooled systems entirely. Deployment requires reusable launch systems and in-orbit assembly; Starcloud and parallel ventures raised \$21 million for demonstrator missions in 2026-2027, with commercial operations expected by 2030-2032.

Subsea deployment addresses the same constraints through a different vector: seawater cooling eliminates conventional chilled-water systems, whilst proximity to coastal demand centres mitigates land scarcity. Commercial deployment is advancing (Subsea Cloud in the South China Sea and SubSea Data Centres in the US), with timelines mirroring orbital infrastructure, although maintenance complexity and marine environmental regulation remain constraints.

Significant investment in Arctic-located facilities offers a third approach, exploiting sub-zero ambient temperatures to reduce cooling energy demand, access to renewable hydropower, and land availability in jurisdictions actively competing for data centre capital. Across all three frontiers, the common driver is the same: the search for sustainable, cost-competitive power and cooling at scale.



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