Defence Infrastructure: Europe's Opportunities

IN A NUTSHELL

- Europe's defence pivot could unlock a multi-year infrastructure capex cycle, driven by NATO's higher spending targets and the EU's focus on resilience and strategic sovereignty, potentially with capital flowing into transport, energy, digital and industrial sectors.
- The opportunity for infrastructure investors will likely be in dual-use infrastructure and resilience upgrades, where governments are likely to prioritise existing networks over large, greenfield defence projects.
- Public funding and EU programmes could crowd in private capital, using PPPs and concession-style models and supporting capex through co-funding of upgrades of Europe's security and supply-chain infrastructure resilience.

Defence Infrastructure: Europe's Potential Opportunities

As the future of European security evolves from existing international relationships, there would be a growing call to mobilise investment into the defence sector, including for infrastructure investors. Both the commitments made by NATO members to spend 5% of GDP on defence as well as the European Union's (EU) efforts to take a greater role in the defence of member states, could result in an uptick of public and private capital flowing into infrastructure sectors that support overarching security goals. With Europe's historical reliance on the US for defence needs under greater scrutiny, the region is now tasked with addressing years of structural underinvestment in the defence sector to develop its sovereign capabilities.

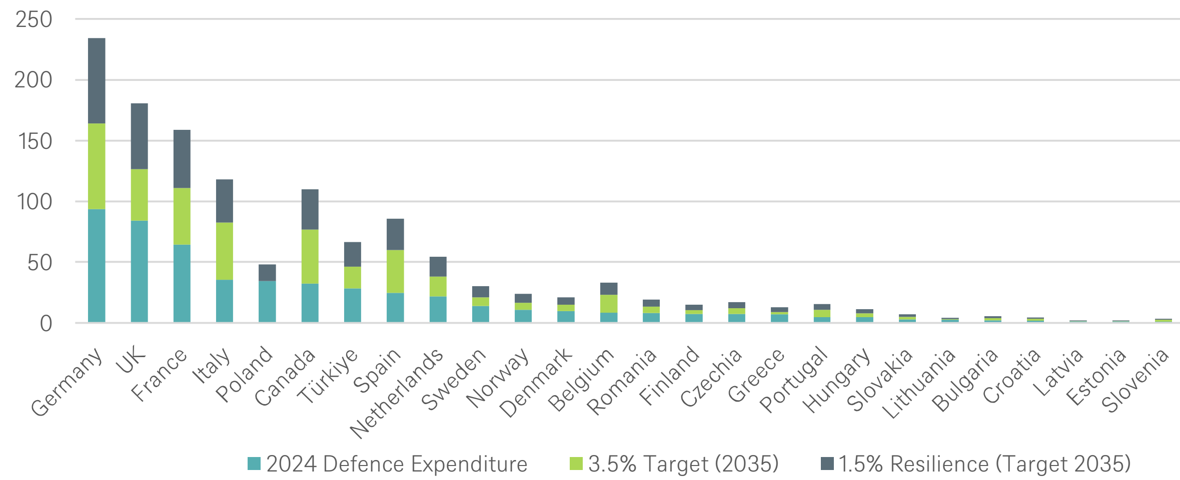
In June 2025, members of NATO agreed to increase their targeted defence expenditure to 3.5% of GDP by 2035, as well as spend an additional 1.5% of GDP on defence-related infrastructure, security, and resilience[1]. While the additional expenditure on defence to reach the 3.5% target may offer limited direct opportunities or infrastructure investors, we note the fiscal stimulus across multiple industries that will occur will likely add tailwinds to European economic growth. This should generally benefit transportation and energy assets, as large European defence companies (along with their significant supplier base) ramp up production of arms and equipment.

For infrastructure investment opportunities, it is the 1.5% resilience spending target that could see higher deal activity across transport, energy, digital and industrial assets. We have already seen a number of high-profile projects proposed as potential

[1] NATO, The Hague Summit Declaration | NATO Official text, June 2025

beneficiaries of this additional capital. However, we expect that increasing the capacity and resilience of existing infrastructure is likely to be a favoured option by governments in this regard, rather than large scale greenfield projects, given the overlap in the aims of the EU to focus its defence infrastructure focus on dual-use assets (see below).

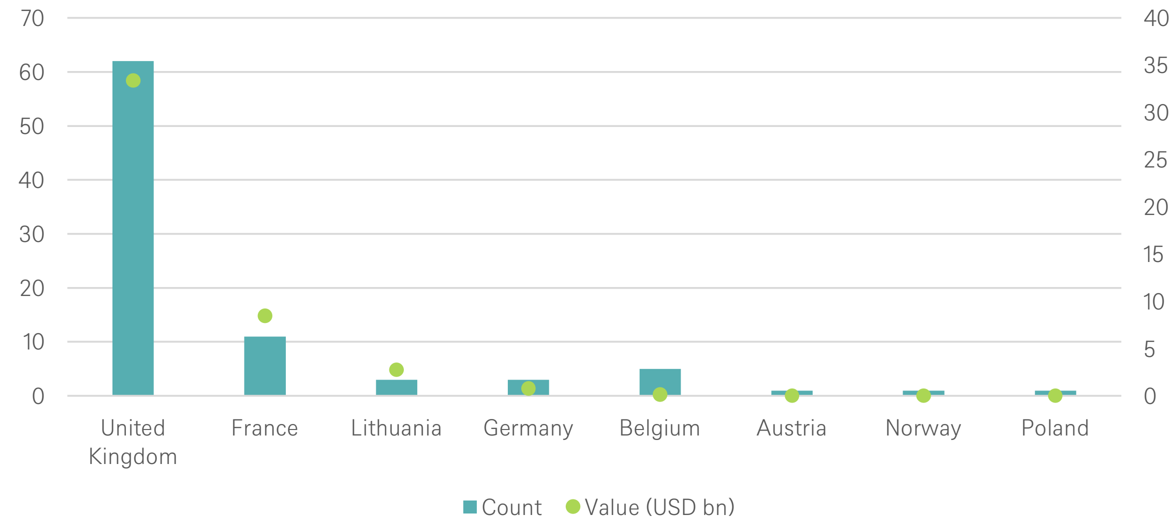
Figure 1: Major European Markets: 2024 Defence Spending vs. and NATO 2035 Target Increases (USD bn)



Source: NATO, The Hague Summit Declaration | NATO Official text, June 2025, DWS Infrastructure Research, January 2026.

From a private infrastructure perspective, historical transaction activity in the defence sector has remained concentrated in public-private partnerships (PPPs), used to deliver facilities like barracks and aircraft hangers. Furthermore, the breadth of infrastructure investor involved in the sector has also been narrow, limited largely to those with experience with public and defence procurement processes. Given investment restrictions on the defence sector for many investors, and the defence sector remaining a challenging and competitive procurement market to navigate, we do not expect that infrastructure investors will move to allocate significant capital to explicitly defence assets. However, the linkages between infrastructure and overarching defence goals are expected to broaden, and with that is expected to come the opportunities for a wider selection of infrastructure investors to play a significant role.

Figure 2: Historical (2016-2024) Infrastructure Transaction, Defence Sector, Count (LHS) & Value (RHS)



Source: Infralogic, DWS Infrastructure Research, January 2026.

Dual-use infrastructure, defined as assets, networks and facilities that can serve both military and civilian purposes, are at the centre of the EU's defence strategy. With estimates of a EUR70bn funding gap for the EU to reach its defence readiness and mobility targets[2], this potentially opens the door for private capital to upgrade and boost the resilience of strategic infrastructure assets. To incentivise investment in critical infrastructure by asset owners to upgrade capacity to meet defence requirements, the EU's 2025 Mobility White Paper suggests that long-term predictable funding should be made available to lower costs for private capital[3]. While still at an early stage, we expect this long-term co-funding, alongside other models like PPPs, will be the main avenue through which infrastructure investors may support and benefit from defence expenditure goals and Europe's overall security. Public funding being made available alongside private capital for infrastructure upgrades is expected to supplement the reforms to areas such as cross-border rules and streamlined customs processes, which could have significant commercial benefit to existing logistics infrastructure.

Sector Opportunities

At the core of the EU's focus on dual-use infrastructure, many of Europe's focus areas for defence overlap with the concurrent objective of building the region's strategic sovereignty across economic, industry and digital sectors. In many instances, these goals for sovereignty also align with the major infrastructure investment themes of energy transition, digital economy, decarbonisation and supply chain resilience, therefore we foresee additional tailwinds in these sectors too. Below follows an assessment of where these longer-term opportunity sets and the defence tailwinds are most likely to overlap.

Transport infrastructure looks set to undergo major upgrades across Europe – roughly 30% of the EU rail network and over 40% of bridges are more than 50 years old and capacity and interoperability gaps persist across key TEN-T freight corridors, particularly at borders[4]. As freight volumes increase and military mobility requirements put greater demands on civilian

[2] Euronews, 'Kubilius: EU needs at least €70 billion to strengthen military mobility', March 2025
[3] European Commission, White Paper for European Defence – Readiness 2030, March 2025
[4] European Court of Auditors; European Commission. Note: Trans European Transport Network (Ten-T) freight corridors are major cross border transport routes designed to ensure seamless movement of goods across the EU.

transport networks, the resilience of Europe's rail, road and logistics assets become a key priority to ensure security. The next Multiannual Financial Framework (MFF 2028–2034) proposes a tenfold increase in the military mobility budget, with EUR17.65bn under the Connecting Europe Facility (CEF) for dual-use transport infrastructure. In addition to upgrades to four key multi-modal corridors, the EU has also stated it will look to boost civilian airlift, sealift and heavy-rail capacity, creating direct support for aircraft, ship and railcar leasing. There is also the need to upgrade port and airport capacity for military logistics.

Energy security is a major strategic priority, with particular focus on alleviating supply bottlenecks for fuel and electricity that affect troop movements and wider military logistics. We foresee a sustained uptick of investment into pipelines, fuel storage facilities, grid networks and power generation assets to ensure Europe can support both civilian and defence related demand under higher stress conditions. It is important to note that the EU consistently emphasises that low carbon energy remains central to Europe's long-term security, with no meaningful signs of a decarbonisation rollback in favour of defence needs. Resultingly, we are likely to see tailwinds in alternative energy sourcing and advanced production technologies - such as alternative fuels and next generation energy storage - which aim to bolster domestic energy production, enhance supply stability, and strengthen military capabilities by reducing vulnerability to traditional energy supply chains.

Digital infrastructure has been described by the EU as a 'strategic enabler' and a core element of defence readiness, underpinning increasingly data intensive military operations. Modern warfare scenarios require command and control systems, Intelligence, Surveillance, and Reconnaissance (ISR) platforms, secure cloud environments and AI driven decision tools. As a result, the EU is prioritising sovereign cloud capabilities and independent AI development to enhance security and reduce reliance on major US providers. To achieve this degree of autonomy, Europe will need to upgrade fibre networks, modernise communications systems and expand data centre capacity, while also building secure satellite links and ground station networks to limit dependence on non-EU space infrastructure. Strengthening cyber resilient platforms that can withstand hybrid attacks on critical systems is equally essential, aligning with new regulatory frameworks such as NIS2, the CER Directive and the EU Cybersecurity Act. Given the pace of innovation in this sector, AI in particular, we expect to see governments leverage private-sector expertise to deliver these capabilities through PPPs, long-term service agreements and concession-based delivery models.

Most industrial investment linked to Europe's defence push is expected to flow directly into arms manufacturing - an area that generally sits outside the remit of infrastructure investors. However, the broader industrial ecosystem is still likely to generate indirect opportunities. As major defence manufacturers experience rising demand for components and materials, associated economic activity is expected to place greater pressure on transport networks and logistics capacity. This should position transport infrastructure to benefit from higher utilisation, accelerated upgrades and increased policy attention, creating adjacent opportunities for infrastructure asset managers in the networks that enable industrial scale up rather than in the manufacturing facilities themselves.

Funding Streams & EU Programmes

While many of the EU funding mechanisms for increasing defence expenditure remain in development, the Readiness 2030 agenda is now being implemented. Early evidence of accelerating defence momentum is becoming visible – notably, an uptick in EU defence expenditure from 1.6% of GDP in 2023 to 1.9% in 2024. At the European Commission level, infrastructure has been emphasized as a central pillar to the Europe's defence capabilities, with strong encouragement for member states to continually fund and upgrade infrastructure to strengthen security. Key funding instruments such as SAFE - a loan facility supporting member states' investment in defence, infrastructure and joint procurement – is just one of many instruments designed to support the industrial scale-up of weapon production and strengthen the wider infrastructure base underpinning European capabilities. NATO members' pledge to commit 5% of GDP to defence related by 2035 also includes 1.5% targeted at resilience measures – which may be heavily weighted towards infrastructure, potentially offering additional tailwinds for defence-adjacent infrastructure opportunities.

Table 1: EU Potential Funding Streams for Defence

Programme / Instrument		Definition
SAFE (Security and Action for Europe Instrument)	–	Proposed EU financial instrument (up to €150bn in loans) to support Member States' investments in defence capabilities, infrastructure, and joint procurement.
EDIP (European Defence Industry Programme)	–	EU programme to strengthen the defence industrial base, support collaborative procurement, ramp up production, and foster innovation.
EIB (European Investment Bank)	–	The EU's long-term lending institution, funding infrastructure, innovation, and defence-related projects through loans and guarantees.
Cohesion/ERDF (European Regional Development Fund)	–	EU funds to reduce regional disparities by supporting economic development, including infrastructure and security-related projects.
TEN-T/CEF (Trans-European Transport Network / Connecting Europe Facility)	–	TEN-T is the EU's policy for a Europe-wide transport network; CEF is the funding mechanism supporting TEN-T and other infrastructure, including dual-use upgrades.
Joint Procurement	–	EU mechanism for Member States to collectively purchase defence equipment, infrastructure, or services for economies of scale and interoperability.
EDF (European Defence Fund)	–	EU fund supporting collaborative research and development of defence technologies and capabilities, including digital and dual-use innovations.
EIC/TechEU (European Innovation Council / TechEU Scale-up Fund)	–	EIC funds high-potential startups and SMEs in breakthrough technologies; TechEU Scale-up Fund helps scale such companies, including dual-use and defence.

Source: DWS Infrastructure Research, January 2026.

Conclusion

Europe is entering a new era in which defence readiness and strategic sovereignty are becoming major drivers of the continent's infrastructure priorities. Years of underinvestment, coupled with escalating geopolitical tension, have created a structural necessity to improve Europe's transport, digital, energy and industrial systems. While traditional defence manufacturing sits outside the remit of infrastructure investors, the surrounding ecosystem - like dual-use assets, cross border corridors, secure digital systems and resilient energy infrastructure - offers a potentially materially expanding opportunity set. Crucially, EU level policy momentum, rising national spending commitments and emerging funding instruments should provide confidence around the outlook for long term capital deployment opportunities.

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