

# Energy Credit Cycle Analysis

2020 Debt Math Meets 2026 Energy Markets

# Refinancing trends for energy assets

Energy commodity markets are riding high, and companies have committed to new capex to serve qualified demand.

That capex cycle is intersecting with new constraints in debt markets as a multi-year “maturity wall” takes hold and massive post-pandemic borrowing must be refinanced under new conditions.

Relying on trade-aligned market pricing rooted in fundamental analysis can keep troubling debt math from locking companies out of the boom.

## The scale of the problem

Lenders, private credit funds and buyers of syndicated loans are combing through the energy market fundamentals underlying tens of billions of dollars of outstanding debt coming due for refinancing or restructuring in the next 18 months.

More than half a trillion dollars was raised from debt markets at the start of the 2020s to support new power generation capital expenditure, and the urgency to build has only increased since as AI-supporting data center power demand has caused capacity pricing to surge higher.

The share of private credit lending to energy projects has also jumped since, with private infrastructure funds holding an estimated \$300–500 billion of outstanding debt from the last five years.

This debt cycle is different from earlier cycles not only in scale, but in the details.

Banks and private credit firms competed to lend into the dawning boom for energy financing during the first half of the decade, and those projects are now increasingly hitting COD, earning revenue and starting to refinance just as broader economic headwinds worsen and interest rate trajectories become less predictable.

## Marking Debt to Energy Markets

For lenders and bond buyers exposed to the covenant-light paper issued in the opening years of the decade, often rife with documentation trapdoors, the coming months provide an opportunity to rework their exposure on new terms.

Where business models for energy assets now rely more on capacity payments or environmental attributes sales than they did in 2020–2021, recommitting those new revenue streams into cash flow models as part of the investment process is becoming increasingly common among lenders.

Many of these exposed debt funds and bond buyers are relying on special purpose vehicles, SPVs, in which they ringfence either outperforming or underperforming assets in order to refinance them on more custom terms.

The mismatch between debt terms assigned to these assets at the consolidated fund level and the energy market fundamentals underpinning asset level cash flow is what makes these loans and bonds primed for either favorable refinancing or challenging restructuring.

A more granular understanding of the true mark-to-market value of these SPVs is central to debt workout discussions taking place ahead of second-half 2026 and early 2027 debt maturities.

Capital structure reevaluations ahead of debt discussions generally begin 12-18 months ahead of a debt refinancing deadline, and funds are being encouraged by their lawyers and bankers to start even earlier as the maturity wall swells.

## Looking for Upside

For opportunistic funds with new cash to deploy into energy and infrastructure credit, the rest of 2026 into 2027 represents the beginning of a feast of troubled debt with exceptional potential return profiles.

An increasing share of both private credit and broadly syndicated lending business to lower-rated or privately held energy companies and assets is facing challenging interest rate math. Even though spreads to US Treasuries or the SOFR benchmark rate are still tight in historic terms, the higher base level means realized debt costs have roughly doubled since 2020–2021.

Even where the capital structure for companies and assets is defensible, pricing for debt refinancing or restructuring is complicated by the widespread difficulty energy companies have in syncing capital expenditure commitments with cash flow.

While interconnection queue backlogs and permitting slowdowns and reversals are widely understood problems across the sector, the difficulty of timing debt raises with cash disbursement and revenue realization has never been greater in the highly regulated US energy sector.

Funds armed with better pricing information and more granular understanding of the niche fundamental data that drives revenue realization in the real world for energy projects are better able to see through seemingly troubled balance sheets or capex syncing problems.

Competition for the best, most underpriced assets will intensify as special situation lenders and newly raised energy and infrastructure private credit funds bargain hunt. With more than \$20.2 billion raised for three opportunistic credit fund closes announced on just one day in late March 2025, the competition for the best deployment opportunities against troubled balance sheets has already begun.

## Trade alignment

Lenders, bond buyers and credit funds have become increasingly impatient with the use of energy forecasting models that no longer reflect market reality.

The difference between a broad strokes econometric analysis and a trade-aligned forecast in identifying the likely revenue stack for an indebted energy asset is apparent as creditors increasingly turn to differentiated valuation models.

Noreva recently conducted an exercise comparing the revenue potential from capacity payments, RECs sales and PPA-based energy sales from representative solar, wind and natural gas power generation assets in MISO and SPP, two of the most promising regions in the US for developing energy assets to serve data centers.

Traditional econometric analysis rooted in realized historical prices and interconnection queue analysis implied much lower prices for capacity and RECs and slightly higher prices for PPA-based energy revenue than using Noreva's trade-aligned methodology.

By incorporating both the modeled effect of previous trading cycles and proprietary Noreva forward trade capture data, capacity revenue was roughly 400% higher in SPP and roughly twice as high in MISO.

RECs sales prices in both regions are highly tied to the voluntary REC market and the National CRS benchmark assessment, and Noreva's merchant curve forecast indicates that pricing has defied political headwinds and headline risk to settle into a higher and more stable price regime than traditional price forecasting approaches imply.

Realized PPAs, however, remain under pressure at the unit \$/MW or kWh level, with transaction costs higher as energy market complexity grows and shifting fuel economics create significant dispersion in longer-term energy price outlooks.

Lenders and bond buyers looking only at legacy PPA indices or recent price histories would be misled on the valuation of their assets, and unprepared for refinancing and restructuring discussions with the equity holders and operators of new generation projects in MISO and SPP.

With roughly \$30 billion of outstanding debt for power assets in SPP and MISO and a regular drumbeat of expanded capex budgets from companies operating in both regions that presage much higher investment needs in the next five years, the difference in price forecasting approaches for lenders and bond buyers is material.

## On needing a bigger boat

A historic wave of energy capex is intersecting with an equally historic wave of refinancing deadlines just as broader economic headwinds compound the effect of interest rates that have nearly doubled since 2021.

Refinancing activity is robust and spreads are tight, but at much higher base rate levels.

With 2026 refinancing volume looming at roughly 300% of already-elevated 2025 levels, the call on debt capital is high and lenders and bond buyers can begin to be far choosier about asset exposure, counterparty choice and business model risk than at any other part of the cycle to date.

The much-discussed “maturity wall” in credit, as bonds and loans issued in the super low interest rate post-pandemic period come due for refinancing, is not actually forecast to peak until 2028.

This year, however, is likely the first test of the credit market’s ability to absorb the massive volumes of refinancing demand from borrowers in much different conditions than when the loans and bonds were underwritten.

A significant share of near-term maturities has already been addressed through amend-and-extend transactions that defer rather than resolve underlying credit pressure. The eventual refinancing reckoning, when it comes, is likely to surface more acute deterioration than headline maturity schedules suggest.

As the tide of competition turns in favor of investors and underwriters, buy sides unaccustomed to the upper hand in debt negotiations will need to know what to ask for from energy borrowers.

Trade-aligned energy market forecasts and associated fundamentals data and insights are increasingly essential tools in dissecting the business models of companies that are being brought back to their fundamentals.

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