Global Credit Data
by banks for banks

RECOVERY RATE REPORT 2026
PROJECT FINANCE

1,134
Facilities

80%
Observed recovery rate

1.6
Time to peak recovery

Over 1,100 defaults in our LGD database

Green transition: the role of project finance

Project finance by banks is essential for the transition to green energy. Banks need to strategically manage differing risks of renewable and non-renewable energy projects.

Understanding project risks is the key factor, crucial for both regulatory modeling of advanced IRB models under Basel 3.1 as well as for IFRS 9, pricing and decision making. Project finance emerges as a key segment for banks when committing to financial backing for a sustainable future.

1,000 project finance defaults in GCD's database

We have collected bank internal loss and recovery data from 32 global banks since 2000. Typical project finance deals are large in size but low in number and the 1,134 defaulted facilities represent a substantial database. Historical observed recovery rates are shown here by common risk drivers: region and sector. GCD members receive data in many more categories. They use this to model their underlying risks.

Drivers of loss

Project finance risks vary based on project nature, location and involved parties. Common elements include construction, operating, supply and off-taker risk as well as environmental, social and political risks.

On the next page we investigate the specifics of energy projects and explain the differences between risks of renewable and non-renewable energy projects.

Sector

	Facilities	Observed recovery rate
Energy	398	81%
Infrastructure & Transport	191	71%
Intangibles	44	91%
Manufacturing	73	81%
Mining	167	84%
Other	26	86%
PPP/PFI	43	75%
Telecom	55	81%
Utilities & Environment	137	84%

Region

	Facilities	Observed recovery rate
Africa & Middle East	26	78%
Asia & Oceania	192	85%
Europe	426	76%
Latin America	50	79%
North America	440	83%

Observed recovery rate refers to the historical observed nominal average recovery cash flows divided by outstanding amount at default.

Time to peak recovery is calculated as the center point of recovered cash flow.

Recoveries and losses in crisis times

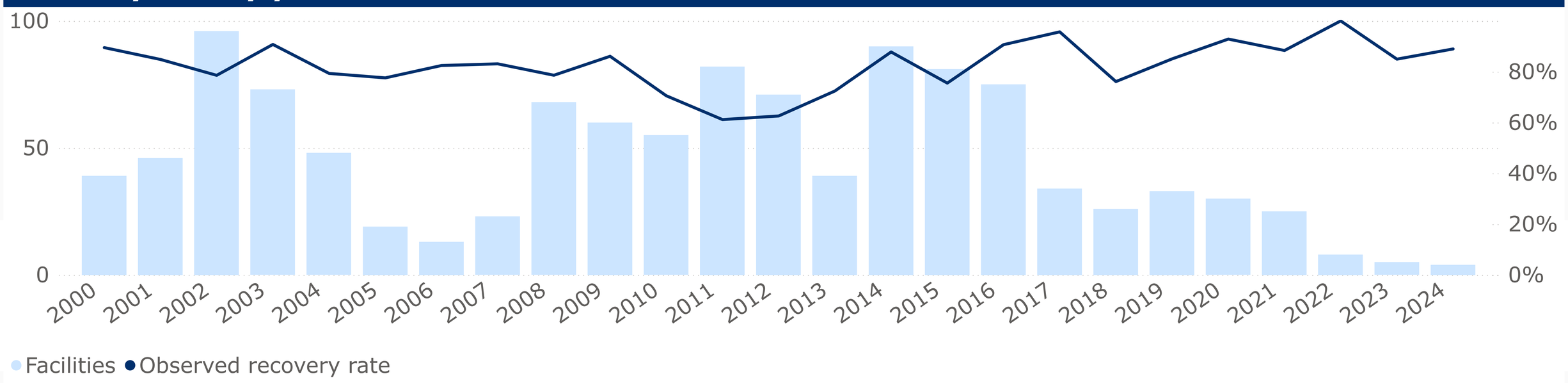
Recovery rates were lowest in 2011–2012, mainly due to defaults in Italian and Spanish infrastructure projects and US energy projects. The EU sovereign crisis following the GFC initially impacted toll-based infrastructure projects through revenue shortfalls, later affecting the energy sector as subsidies were reduced.

Recovery rate by crisis period

	Facilities	Observed recovery rate	Time to peak recovery
2008-2009: GFC	128	82%	1.3
2020: Covid	30	93%	1.3
Other years	976	80%	1.7

There is no noticeable impact of Covid-19 on either default numbers or recovery rates. However, in recent years the increasing portion of yet to be resolved cases adds uncertainty to the outcome.

Recovery rate by year of default



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Powering a sustainable future

Comparing green and fossil fuel energy projects

We have collected data on almost 400 energy projects, including 109 renewables. This provides a robust basis for analysing recovery rates and understanding the risks associated with different energy sectors.

Fossil fuel energy projects

Fossil fuel projects benefit from well-established practices and decades of operational experience. This leads to relatively low construction risks. However, they face increasing challenges due to new technical risks in extraction such as fracking and deeper, more remote sites and shifting regulatory landscapes. Stricter environmental laws, such as those targeting the handling of toxic byproducts, have heightened operational risks and compliance costs. This can lead to project defaults.

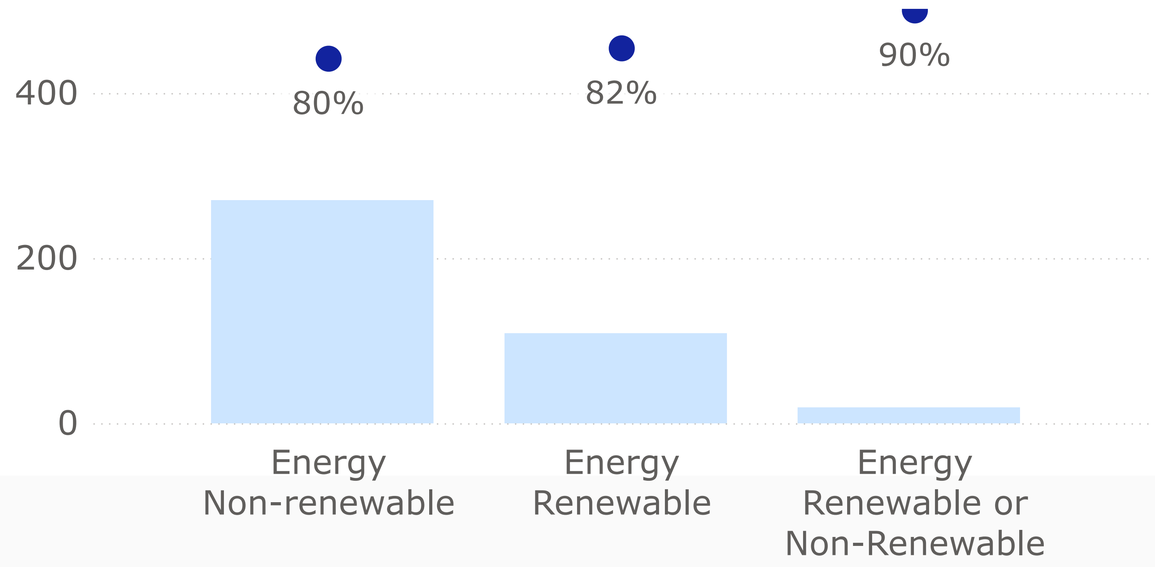
Renewable energy projects

The 109 renewable energy projects in our dataset span solar, wind, biogas, geothermal, and hydro technologies. On average, these projects result in higher recovery rates compared to non-renewable projects. Solar and wind, in particular, stand out with the best recovery rates which may be due to their "off the shelf" technologies with lower technological risk.

However, regulatory changes also impact the renewables sector. In 2014, Spain and Italy implemented reforms that reduced or eliminated feed-in tariffs and other incentives for solar energy projects. These policy shifts led to a peak in defaults during that year (see graph "Time line of defaults").

A key challenge remains energy transportation. For example, wind energy is often generated far from where it is needed, making the expansion of power grid infrastructure critical - a task that depends heavily on political will.

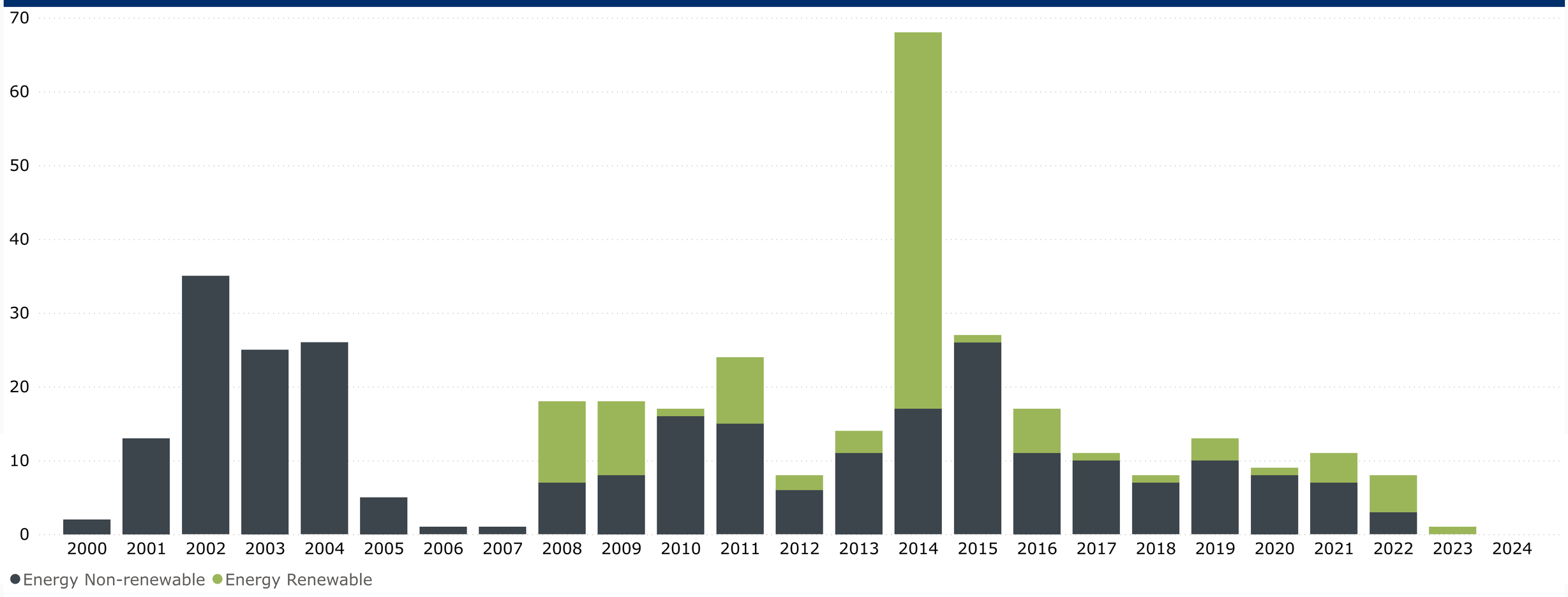
Renewable vs fossil energy fuel



Energy sub-category

	Facilities	Observed recovery rate
Energy Non-renewable	**270**	**80%**
Extraction (on and off-shore)	35	67%
Production - Gas/Coal	185	83%
Refinery	28	76%
Transport - pipelines, terminals, networks	21	78%
Upstream Reserves	1	0%
Energy Renewable	**109**	**82%**
Biogas	22	73%
Energy Source not specified	21	52%
Geothermal	4	71%
Hydro	1	43%
Solar	48	98%
Wind (on and off-shore)	13	93%

Timeline of defaults



MORE FROM GLOBAL CREDIT DATA

Based on internal ratings from 50+ member banks, Global Credit Data monitors the rating migrations on the basis of more than 300,000 facilities over the last 20+ years.

This report is based on the LGD Platform, find more information on our website.

Explore our other reports. They provide an instant insight into observed Recovery Rates and other key benchmarks for various exposure classes, industry sectors and collateral types: Corporates, Banks and Financial Institutions, Sovereigns, Real Estate Finance, Shipping Finance, Aircraft Finance.

To meet the standards set by global regulations like BCBS239, GCD has established a robust framework to measure, monitor and improve data quality.

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ABOUT GCD

At GCD, our mission since 2004 has been to empower banks and the financial industry with a deep understanding of credit risk through a unique data source. As a non-profit organisation owned by 50+ member banks, we collect valuable data directly from banks' books.

Our activities revolve around pooling credit data, particularly from low default portfolios. Beyond data pooling we foster knowledge exchange, facilitate research and information sharing services, creating a dynamic environment for insights and collaboration.

Join our community to access exclusive data insights, gain market understanding, and benchmark your performance against industry peers.

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