DREW & NAPIER

Data Centres in Southeast Asia: Emerging Financing Structures and Litigation Risks

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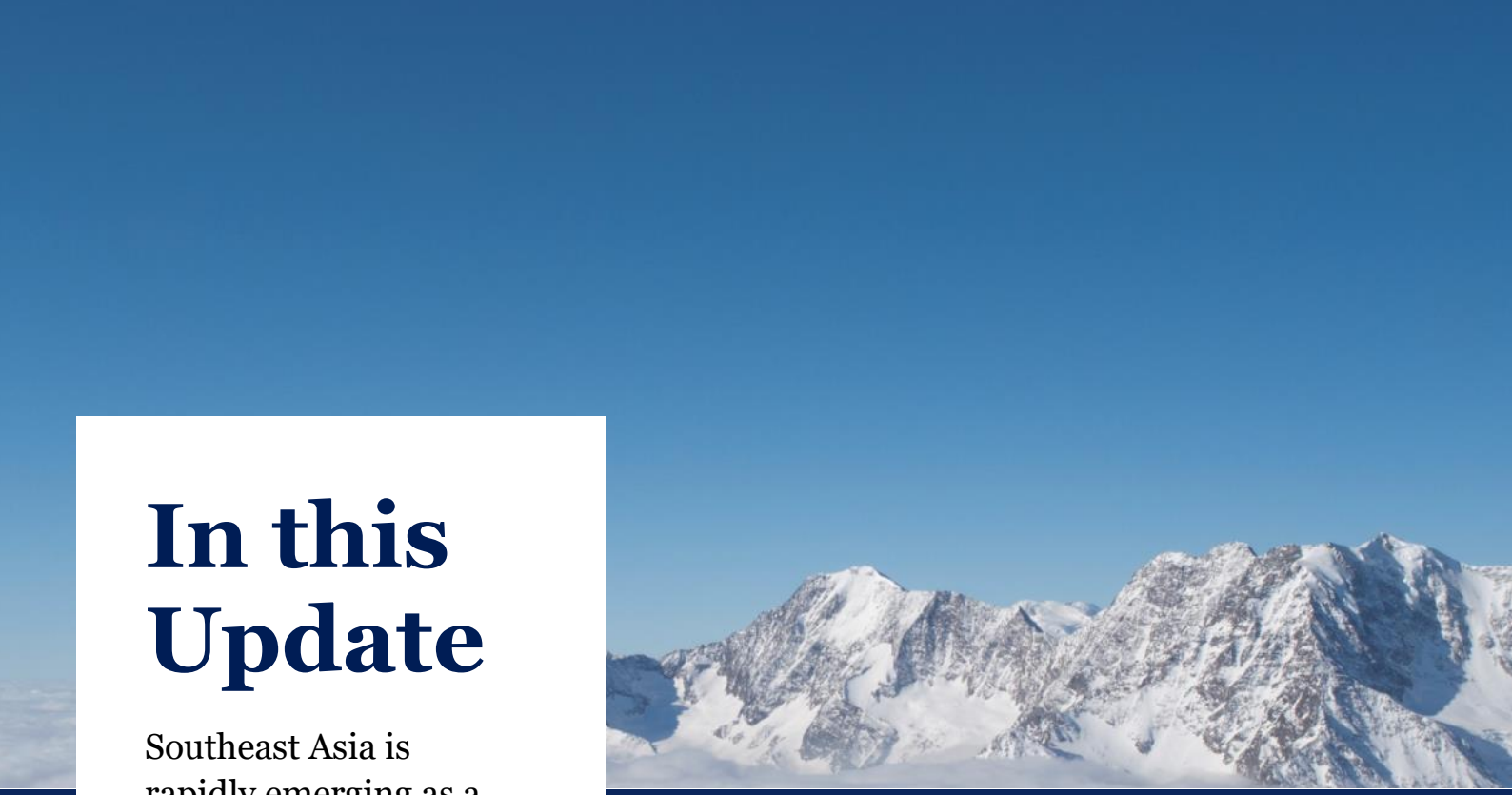
LEGAL UPDATE



In this Update

Southeast Asia is rapidly emerging as a key corridor for data centre development. In this update, we examine the scale of the regional buildout, the financing structures underpinning these projects, and the key litigation risks that may arise. These risks include (1) construction delays; (2) structured finance disputes; (3) private credit exposure; (4) investor-State and sovereign interference risks; (5) regulatory and geopolitical exposure; and (6) sustainability-linked financing and greenwashing risks.

BACKGROUND

Artificial Intelligence ("**AI**") has evolved into an arms race involving governments, multinational corporations, and technology firms. Data centres, which house the advanced compute, network and storage architectures required to run AI applications and services, form the critical infrastructure backbone driving this arms race.

Southeast Asia ("**SEA**") is rapidly emerging as a major buildout corridor. Malaysia, Indonesia, and Thailand are actively selected as sites of choice for the construction of data centres. While Singapore faces physical (both land and power) limitations for the construction of such projects, it remains the region's primary connectivity and legal hub, often acting as the headquarters for both the hyperscalers and the special purpose vehicles ("**SPVs**") exercising ownership of these assets[1].

Feeding this frenzy of construction requires massive infrastructure investment. Globally, hyperscalers are forecasted to borrow an estimated US$140 billion over the next three years[2]. In SEA, financing needs have been largely met through syndicated financing, often structured using off-balance-sheet SPVs and other layered financing arrangements. Private credit is likely to be another source of financing. These large investments foretell the coming litigation risks regardless of when (or whether) the AI bubble pops. Apart from the risk of defaults, valuation gaps will occur given that the large scale of borrowing and investment is predicated on the *perceived* creditworthiness of hyperscalers and AI demand, which may change rapidly if the market projects a fall in AI revenue[3].

In this update, we look at the key data centre projects in SEA and their typical financial structures, before dealing with various litigation risks that may arise in the region.

SCALE OF BUILDOUT IN SOUTHEAST ASIA

Singapore operates as SEA's central connectivity hub. However, constraints in power and land availability have led to a redistribution of physical infrastructure into neighbouring jurisdictions[4]. Consequently, Malaysia, particularly Johor, has emerged as the principal spillover market, while Indonesia is increasingly positioned as a second-tier hyperscale

[1] See CBRE, Asia Pacific Data Centre Boom to Continue in 2026 (5 February 2026), accessible at https://www.cbre.com/insights/articles/asia-pacific-data-centre-boom-to-continue-in-2026
[2] See Reuters, AI hyperscalers will drive higher US corporate bond supply in 2026, analysts say (16 January 2026), accessible at https://www.reuters.com/business/finance/ai-hyperscalers-will-drive-higher-us-corporate-bond-supply-2026-analysts-say-2026-01-15/
[3] See Yahoo!Finance, AI may generate only half the profit needed to justify the investment, Goldman analyst warns (7 January 2026), accessible at https://finance.yahoo.com/news/tech-companies-may-only-half-115338788.html
[4] See The Business Times, Power crunch, red tape forcing Asia's data centres out of hyperscaler hubs (13 January 2026), accessible at https://www.businesstimes.com.sg/international/global/power-crunch-red-tape-forcing-asias-data-centres-out-hyperscaler-hubs

location. Vietnam and Thailand, although later in development, are also beginning to attract investment through state-linked partnerships and cross-border collaborations.

While the United States and Europe lead the market in terms of existing live capacity of data centres[5], growth in these regions is constrained by power and infrastructure bottlenecks[6]. In comparison, the scale of the data centre buildout in SEA is expanding at a markedly faster pace. Asia-Pacific's data centre pipeline reached approximately 19,371 megawatts ("**MW**") in the second half of 2025, with 3,677MW under construction and a further 15,694MW in planning stages[7]. SEA accounts for a substantial proportion of this expansion, and is expected to see capacity triple by 2030, driven primarily by AI workloads and hyperscaler expansion.

KEY SEA PROJECTS AND FINANCING STRUCTURES

The current wave of development is financed through increasingly sophisticated and layered capital structures. We note several consistent financing patterns. First, there is a heavy reliance on syndicated bank debt, often involving a combination of regional and international lenders. Second, capital stacks are becoming increasingly layered, incorporating sponsor equity, sovereign participation, project-level borrowing and sustainability-linked instruments. Third, although not always explicitly described as such, the use of project-level entities strongly suggests the widespread adoption of SPV structures and ring-fenced financing. Finally, there is a growing integration of environmental, social and governance ("**ESG**") considerations into financing arrangements, particularly through green loans and sustainability-linked facilities.

A) Singapore

Singapore remains the choice destination for hyperscalers and SPVs to raise capital and headquarter their operations in SEA.

Bridge Data Centres, a Singapore-headquartered hyperscale data centre platform backed by Bain Capital, announced plans in March 2026 to invest between S$3 billion and S$5 billion into next-generation digital AI

[5] See Brookings, The future of data centres (5 November 2025), accessible at https://www.brookings.edu/articles/the-future-of-data-centers/

[6] See McKinsey & Company, The data center balance: How US states can navigate the opportunities and challenges (8 August 2025), accessible at https://www.mckinsey.com/industries/public-sector/our-insights/the-data-center-balance-how-us-states-can-navigate-the-opportunities-and-challenges. See also Reuters, Power supply constraints slowing EMEA data centre rollout, report says (7 November 2025), accessible at https://www.reuters.com/business/energy/power-supply-constraints-slowing-emea-data-centre-rollout-report-says-2025-11-06/

[7] See Cushman & Wakefield, APAC Data Centre Update H2 2025 (2025), accessible at https://www.cushmanwakefield.com/en/singapore/insights/apac-data-centre-update

infrastructure, targeting approximately two gigawatts of regional capacity by 2030[8].

Similarly, DayOne, a Singapore-headquartered operator, is developing AI-focused infrastructure locally by raising more than US$2 billion in equity financing to support regional expansion[9].

Last year, AirTrunk (backed by Blackstone and CPP Investments) secured a S$2.25 billion green loan organised by the Singapore-based teams of a consortium of banks, including Crédit Agricole CIB, DBS Bank and ING Bank to support the development of its SGP2 data centre[10].

B) Malaysia

Malaysia, and Johor in particular, has become the focal point of hyperscale development in the region. Proximity to Singapore appears to be a key consideration.

AirTrunk's JHB2 project in Iskandar Puteri, scalable to more than 270MW, forms part of a broader investment programme exceeding RM9 billion[11].

Yondr has similarly secured over US$900 million in project financing for its Johor campus through syndicated loan financing from various international and regional banks[12], including DBS, HSBC, ING, Natiis and Deutsche Bank.

DayOne's Johor platform project is financed by a RM15 billion multicurrency financing package structured across both onshore and offshore tranches, combining Islamic financing with conventional U.S.-dollar denominated term loans[13].

C) Indonesia

Indonesia is beginning to exhibit similar patterns, with the added factor of state investment.

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[8] See The Business Times, Bridge Data Centres to invest up to S$5 billion in Singapore AI push (12 March 2026), accessible at https://www.businesstimes.com.sg/companies-markets/telcos-media-tech/bridge-data-centres-invest-s5-billion-singapore-ai-push

[9] See DayOne, DayOne Data Centers Announces Over US$2.0 Billion Series C Financing to Accelerate Global Digital Infrastructure Expansion (5 January 2026), accessible at https://dayonedc.com/headliners/dayone-data-centers-announces-over-us2-0-billion-series-c-financing-to-accelerate-global-digital-infrastructure-expansion

[10] See AirTrunk News, AirTrunk secures landmark S$2.25 billion green loan, advancing Singapore's role as Asia's green finance hub (18 August 2025), accessible at https://airtrunk.com/airtrunk-closes-a16-billion-ex-japan-sustainable-financing-to-accelerate-apj-growth-and-impact/ (To date, the loan is Singapore's largest loan and green loan for a data centre.)

[11] See AirTrunk, AirTrunk grows Malaysia platform with second cloud and AI-ready data centre in Johor (12 February 2025), accessible at https://airtrunk.com/airtrunk-scales-up-in-malaysia-with-announcement-of-second-malaysia-hyperscale-data-centre-jhb2/

[12] See Yondr, Yondr Group secures over US$900m in project financing to complete 98MW Johor data center development (23 December 2024), accessible at https://www.yondrgroup.com/newsroom/press-release/yondr-group-secures-over-us900m-in-project-financing-to-complete-98mw-johor-data-center/

[13] See The Business Times, DayOne raises RM15 billion in green financing to develop Johor data centres (11 June 2025), accessible at https://www.businesstimes.com.sg/international/asean/dayone-raises-rm15-billion-green-financing-develop-johor-data-centres

The DayOne Indonesia Investment Authority ("**INA**") project in Batam is one key example, which has been financed through an IDR 6.7 trillion (approximately US$411 million) loan provided by DBS and UOB[14]. This transaction is the largest rupiah-denominated data centre financing to date, combining private-sector development with significant state investment. The project involves the development of three data centres with a combined capacity of approximately 72MW and marks INA's first investment in the data centre sector.

Further, Digital Edge, backed by infrastructure fund, Stonepeak, has announced a US$4.5 billion investment in its CGK campus in Bekasi, with a US$665 million green loan secured for the first phase of development[15]. The project is financed by a syndicate loan comprising a lender group which includes a number of major international and regional banks.

Notably, the financing for both the DayOne-INA project and the Digital Edge project are structured at the level of project subsidiaries, indicating the use of ring-fenced SPVs.

LITIGATION RISKS

The financing structures outlined in Section III above present various litigation risks:

A) Construction and Delay Disputes
B) Structured Finance and SPV Liability Disputes
C) Private Credit Exposure and Spillover Risks
D) Investor-State and Sovereign Interference Risks
E) Regulatory and Geopolitical Exposure
F) Sustainability-Linked Financing and Greenwashing Risks

A) Construction and Delay Disputes

The most obvious source of disputes is construction and delay risks. AI data centres are technically dense infrastructure assets which depend on grid power, cooling systems, fibre connectivity, and sophisticated hardware environments. Disruptions to construction, energisation or commissioning will have immediate legal consequences.

This risk is amplified by the financing arrangements common in the region. Large project financings including Yondr's Johor campus, DayOne's Johor campuses, and Digital Edge's CGK development in Bekasi are likely tied to strict construction and completion milestones. Delays at any point can

[14] See Reuters, DBS, UOB provide $411 million loan to DayOne-INA data centre project in Indonesia (5 June 2025), accessible at https://www.reuters.com/markets/asia/dbs-uob-provide-411-million-loan-dayone-ina-data-centre-project-indonesia-2025-06-05/
[15] See Digital Edge, Digital Edge Secures Indonesia's Largest Data Center Green Loan of US$665 Million to Advance AI-Ready Hyperscale Campus (16 March 2026), accessible at https://www.digitaledgedc.com/news/digital-edge-secures-indonesias-largest-data-center-green-loan/

therefore trigger liquidated damages under EPC contracts, as well as disputes over responsibility for delays among contractors, utilities, sponsors and project companies.

B) Structured Finance and SPV Liability Disputes

Structured finance disputes are likely to arise when the protections built into these transactions fail at the point they are meant to provide support. As observed in Section III above, a defining feature of SEA data centre financing is the use of ring-fenced SPVs and layered debt arrangements. These features are meant to allocate risk and limit recourse. However, they may also obscure where leverage truly sits when data centre spending is not reflected as a liability on parent companies' balance sheets.

This risk is already visible in transactions where financing is raised at the project or subsidiary level within a wider sponsor platform. Digital Edge's CGK campus, for example, was financed through a project subsidiary, while the broader platform sits under Stonepeak sponsorship. That structure is intended to isolate project-level liabilities. But if the project enters distress, lenders may argue that the sponsor's operational control and strategic oversight undermine the formal separation between parent and SPV. The dispute will be whether the SPV boundary was real, or whether it gave only the appearance of insulation.

DayOne's Johor financing raises similar concerns. The project appears to combine onshore Islamic financing with offshore conventional debt within a broader sponsor structure. That may improve funding flexibility, but it also creates multiple layers of rights, priorities, and enforcement risk. If the project underperforms, disputes are likely to arise over inter-creditor rights, claim priority, and whether the structure operated in the way investors and lenders were led to expect.

More broadly, if these projects fail, courts may be asked to look past the SPV structure altogether. Where sponsors retain strong operational control or significant economic exposure, plaintiffs may argue that the SPV was not truly independent. That opens the door to alter ego, veil-piercing, or substantive consolidation arguments. The central question would then be whether the SPV had genuine economic substance, or whether it was merely a legal shell used to contain liability.

C) Private Credit Exposure and Spillover Risks

A further category of risk comes from the growing role of private credit in financing the data centre buildout globally, which has potential spillover effects to SEA. According to a Quinn Emanuel article, private credit is a major source of debt capital for AI infrastructure in the United States, and presently constitutes "*the main source of external financing*"[16] for AI data

[16] See Quinn Emanuel, Client Alert: Emerging Litigation Risks in Financing AI Data Centers Boom (13 March 2026), accessible at https://www.quinnemanuel.com/the-firm/publications/client-alert-emerging-litigation-risks-in-financing-ai-data-centers-boom/ ("**Quinn Emanuel Client Alert**") at [14]

centre projects, with outstanding loans to AI-related companies exceeding US$200 billion.

Recent reporting suggests that private credit markets globally are under strain, with rising defaults, liquidity constraints, and concerns over valuation and transparency in large, leveraged transactions[17]. Stress in the private credit sector—such as tightening liquidity and investor redemptions—may have material effects on SEA projects.

While the SEA projects mentioned above do not appear to be directly financed by private credit at the project level and remain predominantly bank-led, there is evidence that operators are exploring private credit facilities to support expansion. As discussed in Section III above, major regional platforms are backed by private equity sponsors, including Blackstone, Stonepeak, and Bain Capital, whose investment strategies are closely linked to global private credit markets. Large campus developments such as Digital Edge's CGK project or AirTrunk's Johor expansions are typically funded in stages, with initial phases financed through a combination of equity and debt, and subsequent phases dependent on further capital raising[18]. If private credit markets tighten, sponsors may face constraints in raising additional capital, potentially leading to delays or scaling back of projects. Defaults will trigger lender enforcement actions.

D) Investor-State and Sovereign Interference Risks

The risks are compounded with sovereign involvement. Data centre projects are dependent on state input, such as "*licenses, permits, land rights, grid access, connectivity, data-residency infrastructure, and capital transfer rules*"[19]. Accordingly, where state action "*impair*[s] *the economic use of the investment*"[20], treaty claims may arise.

Projects may also receive direct state investment. By way of example, the DayOne-INA Batam project is developed in partnership with the Indonesia Investment Authority, a sovereign wealth fund wholly owned by the Indonesian state. Disputes could result in a suite of investment treaty and domestic foreign investment law arbitrations.

Further, government measures affecting land rights, power allocation, foreign investment rules, or data regulation may not give rise to contractual disputes alone. Instead, they may also give rise to arbitration claims under bilateral investment treaties or domestic investment laws, particularly where foreign investors can characterise the measures as attributable state conduct.

[17] See Dialectica, The 'Private Credit Crisis' Explained: Why a $3 Trillion Shadow Market Is Facing Its Biggest Test (16 April 2026), accessible at https://www.dialectica.io/blog/the-private-credit-crisis-explained-why-a-3-trillion-shadow-market-is-facing-its-biggest-test
[18] See Data centre financing 2026: Structuring for scale, risk, and AI infrastructure (2 March 2026), accessible at https://www.gridlines.com/blog/data-centre-financing-developments-and-trends-in-project-finance/
[19] Quinn Emanuel Client Alert at [14]
[20] Quinn Emanuel Client Alert at [14]

E) Regulatory and Geopolitical Exposure

A further category of risk arises from regulatory and geopolitical exposure. AI data centre projects in SEA are susceptible to changes across multiple legal regimes, such as energy and grid regulation, as well as environmental or sustainability requirements. Changes in domestic regulation and cross-border geopolitical circumstances therefore have a direct impact on the success of ongoing data centre projects in the region.

The risk is not merely theoretical. In Singapore, the Government imposed a moratorium on new data centre developments between 2019 and 2022 due to energy and land constraints, effectively suspending new capacity approvals[21]. Though the moratorium has since been lifted, that policy intervention illustrates how grid limitations can materially delay or constrain project timelines, with direct consequences for construction schedules and financing covenants.

The same risk is reinforced by regional conflict. The recent escalation in the Middle Eastern conflict has disrupted key global oil and gas supply routes, triggering an oil and gas supply crisis with the effective closure of the Strait of Hormuz, to the point that various SEA countries had to resort to fuel rationing[22]. Higher energy costs could cause data centre projects to be unviable politically, leading to pressure for them to be cancelled *en masse* or delayed.

F) Sustainability-Linked Financing and Greenwashing Risks

Finally, litigation risks may arise from green and sustainability-linked financing.

AirTrunk's S$2.25 billion green loan, Digital Edge's green loan for CGK, and DayOne's green and sustainable financing for Johor are examples where compliance and disclosure obligations are embedded within the financing package itself. Obligations include performance indicators relating to energy efficiency, carbon intensity, or renewable energy usage.

It remains to be seen whether, once operational, data centres can perform at the requisite standards mandated by the terms of the green loans financing them. Disputes could arise if lenders contend that failures to meet these obligations trigger pricing adjustments or constitute breaches of covenants. In severe cases, inaccurate or overly optimistic sustainability disclosures at the time of financing may give rise to misrepresentation or greenwashing claims, particularly where investors relied on those representations in underwriting the transaction.

[21] See The Business Times, Moratorium on new data centres to be lifted soon; operators seek green edge (18 January 2022), accessible at https://www.businesstimes.com.sg/companies-markets/moratorium-on-new-data-centres-to-be-lifted-soon-operators-seek-green-edge

[22] See The Straits Times, WFH, vehicle curbs, shorter school weeks: How Asia's coping with soaring energy prices amid Iran war (24 March 2026), accessible at https://www.straitstimes.com/asia/wfh-vehicle-curbs-shorter-school-weeks-how-asias-coping-with-soaring-energy-prices-amid-iran-war

CONCLUSION

The risks identified above only scratch the surface of potential disputes. As data centre projects in SEA continue to multiply, the likely disputes they generate will become more sophisticated. Optimistic revenue assumptions for AI may also mean greater financing risks. Care should be taken by organisations participating in the SEA data centre buildout to weigh their financing needs against potential legal implications, which often only present themselves years later.

How Drew & Napier LLC and Drew Network Asia can assist

Drew & Napier LLC is a full-service law firm which is well positioned to support clients participating in the SEA data centre buildout at all project stages. The firm's Banking & Finance department can provide both lender and borrower support, and its Corporate/M&A department is well-placed to handle any mergers, acquisitions, joint ventures, and disposals.

In the event of a commercial dispute, Drew & Napier's Commercial Litigation department is well-placed to handle any client's needs. Prior to the onset of the dispute, the department's lawyers can also advise on potential litigation risks, appropriate risk allocation mechanisms, dispute resolution clauses and recovery options.

Drew Network Asia's premium legal network comprising legal powerhouses in each SEA jurisdiction can provide support for multi-jurisdictional transactions and disputes relating to hyperscale development in the region.

If you have any questions or comments on this article, please contact:

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