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Investing for a  
world of change



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# Investing in an evolving energy transition

## How are decarbonisation sectors positioned now?

Sentiment may have faltered over the past few years, but earnings have not. High-quality enablers of decarbonisation have continued to deliver strong, above-market earnings growth, even as valuations compressed amid policy uncertainty and higher interest rates. This disconnect has created a compelling entry point for investors.

Clean-tech markets have bounced back more recently. While for some lower-quality companies this may be just a technical recovery from oversold levels, for others we see a sustained path to longer-term value creation. Improving sentiment has been driven by structurally rising power demand in developed markets — most notably from data centres and industrial electrification — and by the accelerating, cost-driven adoption of clean technologies in emerging markets (EMs). What we saw in 2025 was an energy transition increasingly driven by economics, technology and efficiency gains, rather than policy cycles. We expect this shift to continue this year and beyond, with the clean-tech market projected to triple in value to >US\$2.1 trillion by 2035 (IEA, 2024).

## How would you characterise the state of the energy transition today?

The energy transition is still on, and it is accelerating in new ways. Emerging markets have become the growth engine of the transition. Clean technology has reached cost parity – or better – with fossil alternatives across much of the developing world, driven by China’s low-cost supply chain. It costs on average 25–45% more to produce solar, wind and battery technologies in the US, EU and India than in China. Consequently, Chinese exports of clean technologies are allowing countries to electrify and industrialise more cleanly and cheaply than ever before.

Meanwhile, in developed markets, rising electricity demand and the need for efficiency have created a significant market opportunity. After decades of flat consumption, power use is increasing across the US and Europe, driven by artificial intelligence, data centres, electrified heating and cooling, and some industrial reshoring in the US. McKinsey and the US Energy Information Administration expect US electricity consumption to grow by 38% over the next two decades, a sharp acceleration from the 9% increase seen in the previous 20 years. This has turned utilities, grid operators and efficiency specialists into some of the most important enablers of the next economic growth wave. From Amazon to Coreweave, investors in AI datacentres are increasingly calling out access to power as the key bottleneck to delivering on their plans.

This dual dynamic – structurally higher power demand in the West and cost-led acceleration of clean-tech adoption in the Global South – is redefining where and how decarbonisation is happening.

## How are emerging markets and China influencing the energy transition?

Emerging markets are transitioning not primarily due to policy, but because clean technology makes economic sense. As we saw last year more clearly than ever, China’s scale and cost leadership in solar, wind, batteries and electric vehicles are transforming access to affordable clean energy across the developing world. Nearly half of China’s clean-tech exports now go to emerging economies, enabling rapid adoption in countries such as India, Thailand and Brazil, with 63% of EMs now ahead of the US in solar deployment. The IEA projects China’s clean-tech exports to exceed US\$340 billion by 2035, matching the combined oil revenues of Saudi Arabia and the United Arab Emirates. The types of companies engaged in this are extremely diverse: from the operators of electricity transmission networks to companies in the EV and storage battery value chain.

These dynamics have prompted us to lean further into emerging markets, reflecting conviction that the EM-led, cost-driven phase of the transition will be both faster and broader than markets are currently pricing in.

## What type of companies may benefit from the evolving transition in developed markets?

Growth in electricity consumption in the US, which is expected to grow at its fastest rate in half a century, is a significant tailwind for utilities that can provide low-cost renewable generation and modernised grids. Meanwhile, companies that enable energy and industrial efficiency, whether through technologies or services, are critical to balancing growing power needs with decarbonisation goals.

With policy headwinds fading and fundamentals strengthening, we think developed-market clean-tech leaders have potential for a more sustained phase of growth than the broader market appears to believe.

## How is technology shaping the next phase of decarbonisation?

Over 75% of final energy demand can now be electrified, up from around 50% in 2000 (IIASA, IEA, BNEF). In addition, efficiency is a critical lever for reducing emissions as global electricity demand accelerates. This creates opportunities for companies whose technologies enable smarter, cleaner and more efficient use of energy across industries.

The rise in electrification potential and cost benefits of efficiency dramatically expand the investable opportunity set for power semiconductors, industrial electrification and electrification hardware/software. Interesting examples include semiconductor leaders that are integral to improving the power efficiency of electrification systems and data centres, and companies that enable more energy-efficient design and infrastructure planning. We also see exciting, differentiated investment potential in precision agriculture, where a select group of companies are providing solutions to decarbonise food systems, which are responsible for 30% of global emissions.

## How are you positioning the portfolio for this next phase of the transition?

Our focus remains on identifying companies with structural growth, durable competitive advantages and the ability to compound returns through cycles. The portfolio is balanced between defensive utilities that meet surging power demand in developed markets, and high-growth enablers of electrification, resource efficiency and industrial innovation. But as noted, we have increased exposure to EMs where the economics of clean technology are transforming adoption rates.

After a period when sentiment diverged sharply from fundamentals, we believe markets are turning in favour of active investors who can distinguish between cyclical hype and enduring structural growth. The ‘transition of the energy transition’ – from developed to emerging, and from policy to technology and economics – is creating new opportunities for high-quality decarbonisation solution providers.

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