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Investing for a
world of change

Scorching summer could heat up the energy transition



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Europe's record-breaking summer could add further momentum to the energy transition. There are multiple ways investors can access the opportunity.



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Key takeaways

- Heatwaves and weather-related disruption in Europe have highlighted the human and economic costs of climate change.
- With climate back on the agenda, investment in renewables and clean-tech solutions may accelerate further.
- Investment opportunities in the energy transition are global - and growing fastest in emerging markets, where the transition is gaining momentum.
- Ninety One's transition-related investment strategies provide exposure to this structural theme across the capital structure, and in both public and private markets.

Hot summer reveals the economic impact of climate risk

Record-breaking temperatures¹ this summer provided stark evidence that climate risks can have a significant economic impact. Among the striking datapoints to emerge during the hot spell, the extreme heat cost EU nations an estimated €180 billion, reducing GDP by 1%. It also revealed a lack of preparedness: only 23% of European homes have air conditioning, compared with about 90% in the US².

With governments and companies counting the cost of unprecedented temperatures, climate is rising up the agenda – with the potential to accelerate spending on adaptation and mitigation. In this paper, we discuss how investors with various objectives and risk tolerances can invest in sectors being propelled by the energy transition.

Momentum growing behind the global energy transition

The so-called ‘ESG backlash’ in recent years has led some people to believe the shift from fossil fuels to clean tech and renewables has stalled. The data shows this is plainly wrong: global energy-transition investment hit a record US\$2.3 trillion in 2025, up 8% on 2024³. According to the International Energy Agency, the world is spending two dollars on clean energy for every dollar spent on fossil fuels⁴.

- The primary driver of this spending is the cost advantage of clean technology, which is now the cheapest form of new energy generation in most regions. With low-cost Chinese solar panels now readily available, for example, rooftop solar capacity in the Philippines is estimated to have doubled over the last 12 months, with a payback time of c.3 years. Africa is forecast to install 17GW of solar in 2026, while panels are being added to Indian households at the rate of 500,000 homes per month⁵.
- Russia’s 2022 invasion of Ukraine gave the energy transition an additional spur: the desire to bolster energy security. Facing sharply higher energy costs, gas-dependent Pakistan, for example, imported 17GW of solar panels in 2024 alone, more than any other country and double its 2023 total⁶. The Iran war has further strengthened the resolve to improve energy security, especially in countries most reliant on fossil-fuel imports.
- Now, the original engine of the transition has fired up again. With many countries and companies having to cover the costs of weather impacts over the summer, climate adaptation and mitigation are rising back up the agenda.

Looking forward, AI is adding another driver to clean-tech demand. With renewables often the fastest form of energy to bring online, it is seen as key to meeting the increased power demand caused by AI adoption and alleviating the additional strain on traditional energy systems. In short, we see potential for a further acceleration in the energy transition, creating opportunities for investors across the capital stack.

¹ Copernicus, European Commission, September 2026.

² Triodos Bank, August 2026; Kiel Institute for the World Economy, Montel News; June, July 2026.

³ Bloomberg NEF, January 2026.

⁴ Forbes, IEA, June 2026.

⁵ Financial Times, Ember; September 2026.

⁶ Pakistan Today, Renewables First, June 2025.

An underused opportunity set

The energy transition requires a vast amount of financing across public and private markets, debt and equity, and government and corporate sectors. For investors, there are:

- Multiple financial instruments and asset classes that offer exposure to the return opportunities being created by the transition.
- Multiple roles that a transition-related allocation can play in a portfolio.

Historically, investors have tended to view this opportunity set through the lens of climate-risk management. Today, we believe the conversation is shifting towards its potential to help investors pursue specific return objectives, given the range of diversifying return streams that transition solutions can generate.

Transition exposures can be implemented within growth and income portfolio sleeves, within allocations to real assets or other investments that benefit from an illiquidity premium, and as part of an allocation to impact or sustainability-aligned investments.

- **Growth.** Transition growth investments include the equities of companies whose products and services enable decarbonisation across renewables, electrification and resource efficiency. Exposure can be gained through active equity strategies that focus exclusively or significantly on the decarbonisation equity universe.
- **Income.** Transition income investments include both sovereign and corporate fixed income. They can include portfolios that focus on the debt of countries considered as having policies and initiatives that benefit the environment, and/or that invest in green, social and sustainability-linked bonds; as well as debt from corporates that are decarbonising their own operations or producing a product that can advance the transition.
- **Real assets and illiquidity premium.** These transition investments include lending against physical assets linked to the transition and climate adaptation, such as transmission grids, renewables, water, transport and logistics. These assets typically generate long-dated, contracted cash flows, in parts of the market where private capital is most additional (funding that adds to, rather than replaces, capital from public sources).

Case study: investing across the transition supply chain, and the capital stack

The breadth of the opportunity set is illustrated by the transition investments Ninety One has made across the global energy transition supply chain on behalf of clients (see graphic), which include private debt to fund energy transmission infrastructure and the equities of companies that provide cooling systems and electrical components essential for data centres and industrial units to function efficiently.

Engaging as investors across the capital spectrum provides us with deep insights into the transition value chain. We show overleaf examples of private loans made in emerging markets by Ninety One teams, giving us proximity to the transition supply chain and generating insights relevant to holdings in Ninety One equity strategies.

Investing right across the transition supply chain

1 Critical minerals

Private markets lending

Project Poly Oman (US\$480m)

Lending to largest polysilicon producer ex-China



Relevant insights

More demand for polysilicon today (to make solar panels) points to more demand for copper tomorrow (to install them/upgrade the grid).



Equity investment

Teck Resources

Copper/other producer
(Global Natural Resources)

2 Generation

Private markets lending

Project Phesi Philippines (US\$35m)

Lending to renewable energy sponsor for a wind/storage project



Relevant insights

Project shows us what it actually costs to build and run renewable power in emerging markets – insight that sheds light on Enel's EM growth plans.



Equity investment

Enel

Power company
(Global Environment)

3 Transmission

Private markets lending

Project Connect Brazil (US\$155m)

Lending to maker of conductors used for Brazil's grid build-out



Relevant insights

Borrower's order book shows how fast Brazil is building out its power grid – an early signal for grid equipment demand.



Equity investment

Valmont Industries

Provider of products for infrastructure/agriculture
(Global Environment)

4 End demand

Private markets lending

Project LatAm Data Latin America (US\$1,225m)

Lending to builder/operator of low-carbon data centres



Relevant insights

Data-centre building schedule shows how fast that business is growing – a potential demand indicator for cooling equipment.



Equity investment

Trane Technologies

Heating, ventilation and air conditioning solutions
(Global Environment)

*Portfolio as at end-August 2026.

This is not a buy, sell or hold recommendation for any particular security. For further information on specific portfolio names, please see the Important information section. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.

Source: Ninety One. Teck/Anglo American merger expected to complete Sept 2026–Mar 2027.

Summary

The impacts of extreme weather on populations and economies are a stark reminder of the need to deploy capital across developed and emerging markets into decarbonisation and adaptation solutions. We see an opportunity for investors to access additional sources of return and diversification that are underpinned by long-term structural tailwinds. Just as the transition has evolved, so has transition investing – from ‘policy arbitrage’, in which opportunities were created by regulation, to the more durable and pervasive driver of ‘cost-curve arbitrage’ in which opportunities are created by entities seeking to optimise profits.

The fact that there are multiple avenues to gain exposure to them means transition investments can play a diverse range of roles in portfolios, including growth, income, diversification and liability matching. For an overview of Ninety One’s transition-related strategies, please see Appendix 1.

General risks: The value of investments, and any income generated from them, can fall as well as rise. Costs and charges will reduce the current and future value of investments. Past performance does not predict future returns. Investment objectives may not necessarily be achieved; losses may be made. Target returns are hypothetical returns and do not represent actual performance. Actual returns may differ significantly. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Specific risks: **Currency exchange:** Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Default/Credit:** There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. **Derivatives:** The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. **Emerging market:** These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems. **Equity investment:** The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. **Interest rate:** The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise. **Liquidity:** There may be insufficient buyers or sellers of particular investments giving rise to delays in trading and the ability to settle trades, and/or large fluctuations in value. This may lead to larger financial losses than might be anticipated. **Concentrated portfolio (Geographic/Sector):** Investments may be primarily concentrated in specific countries, geographical regions and/or industry sectors. This may result in wider fluctuations in the value of the portfolio compared to more broadly invested portfolios. **Sustainable Strategies Risk:** Sustainable, impact or other sustainability-focused portfolios consider specific factors related to their strategies in assessing and selecting investments. As a result, they will exclude certain industries and companies that do not meet their criteria. This may result in their portfolios being substantially different from broader benchmarks or investment universes, which could in turn result in relative investment performance deviating significantly from the performance of the broader market.

Restrictions on Transfer and Withdrawal; Illiquidity of Shares: The shares are highly illiquid and should only be acquired by an investor able to commit its funds for the duration of the Fund. Currently there is no public or developed private market for the shares. Investors will not be permitted to transfer their shares without the consent of the General Partner, and the satisfaction of certain other conditions.

Appendix 1

Ninety One investment strategies providing exposure to the energy transition⁷

- **EM Transition Debt.** Backs the companies and sovereigns doing the heavy lifting on decarbonisation in emerging markets: utilities switching fuel mix, industrials cutting process emissions, issuers with credible, capital-backed transition plans. The premise is that the largest emissions reductions available globally are in EM, and that transition credibility is a credit factor, not just an ESG one.
- **Global Environment.** A concentrated global equity strategy investing in companies whose products and services enable decarbonisation across renewables, electrification and resource efficiency. Every holding is required to contribute to avoided emissions, and the portfolio deliberately spans developed and emerging markets to capture the full supply chain of the transition.
- **Global Sustainable Equity.** Invests in high-quality companies whose growth is aligned with, rather than exposed to, long-term sustainability outcomes, including climate solutions and adaptation. The focus is on durable business models with genuine positive impact and the balance-sheet strength to fund it, with active stewardship used to hold management to their commitments.
- **EM Sustainable Blended Debt.** Combines hard currency, local currency and corporate EM debt, with ESG weighted 50% in the scorecard alongside credit and macro factors. Applies three proprietary tools – the Net Zero Sovereign Index, Sovereign Climate Risk Index and Sovereign Biodiversity Index, covering 115 countries – to identify which governments have the policy credibility and buffers to manage transition and physical risk.
- **EM Infrastructure Debt.** Finances the physical assets the transition and adaptation agenda depends on: grids, renewables, water, transport and logistics across emerging markets. This is where the capital gap is widest and private capital most additional, in an asset class offering long-dated, contracted cash flows.

⁷ For more information on investment processes, please see the Important information section.

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