

TRAGIC CONFLICTS AND CLIMATE IMPACTS HAVE MADE THE CASE FOR THE ENERGY TRANSITION IMPOSSIBLE TO IGNORE

Generation Investment Management's 10th annual Sustainability Trends Report highlights how the energy shocks from tragic conflicts in the Middle East and Europe have strengthened the case for the clean energy transition, exposing the far-reaching economic, security and humanitarian consequences of continued reliance on fossil fuels

London and San Francisco, 17 September 2026 – Generation Investment Management, the sustainable investment manager, today published its 10th Sustainability Trends Report, an annual assessment of where the world stands in relation to a low-emissions economy and the broader sustainability transition.

Marking a decade since the report was first published, this year's edition explores how the disruption to global energy markets following conflicts in the Middle East and Europe has exposed the economic, security and humanitarian risks of continued dependence on fossil fuels. The report explains that recent extreme weather events have provided a visible reminder of the costs of climate inaction and assesses the progress and priorities shaping the sustainability transition across the Power; Transportation; Buildings & Industry; and People, Land & Food sectors; and how Financing the Transition is progressing.

Al Gore, Chairman of Generation Investment Management, said: "There's an old saying that the definition of insanity is repeating the same actions over and over and expecting a different result. Now that the world is in the midst of the second fossil energy crisis in four years, it has never been more clear just how insane it is for the world to perpetuate its dependence on oil, gas and coal. As high prices reward oil and gas executives with exorbitant profits, they leave consumers worldwide with skyrocketing costs on everything from fuel to food. Markets and governments are now waking up to the new reality: the clean energy transition is the best path for energy security, economic prosperity, and a safer and cleaner future. We see the energy transition not as a distant prospect, but as an urgent global imperative, driven by innovation, investment and a growing recognition that energy security, economic stability and climate action are, increasingly, one and the same."

FOSSIL FUEL DEPENDENCE HAS BECOME AN UNTENABLE STRATEGIC LIABILITY

The energy shock that reverberated around the world after Russia's invasion of Ukraine was not an anomaly. Four years later, the disruption to the Strait of Hormuz exposed the same structural vulnerability by bottling up a quarter of global seaborne oil trade, a third of global seaborne fertiliser trade and nearly a fifth of global trade in liquified natural gas.

The effects quickly spread far beyond energy markets. Shortages of critical materials such as helium disrupted semiconductor production and increased costs for healthcare providers reliant on MRI technology, while concerns over fertiliser supply raised risks for global food production. These vulnerabilities are compounded by the concentration of key commodity flows through a small number of exposed maritime chokepoints, creating risks that reverberate across the global economy.

Fossil fuel dependence, once seen primarily as an environmental challenge, is now increasingly understood as a question of energy security, food security, national resilience and the rising cost of living.

ENERGY SECURITY AND CLIMATE ACTION ARE NOW THE SAME IMPERATIVE

Energy security and climate action are no longer separate policy agendas. They increasingly require the same solutions. The strongest response to future crises is building economies in which fossil-fuel shocks matter less.

Fossil fuel systems remain inherently vulnerable to geopolitical shocks, trade disruption and price volatility. Renewable energy technologies, by contrast, convert an upfront investment into decades of energy production, reducing exposure to external disruptions over time.

This transition is already underway and consumers are responding. Electric-car sales in Europe rose 30 per cent in 2025. Separately, in the first quarter of 2026, Chinese exports of solar technology to Africa rose 120 per cent compared with the same period a year earlier. Heat-pump sales across 11 European countries increased by around 17 per cent over the same period, while sales of induction cookstoves in India rose tenfold. The lesson from recent years is that the best way to protect economies from fossil-fuel shocks is to reduce their dependence on fossil fuels altogether.

CHINA SITS AT THE CENTRE OF THE ENERGY TRANSITION

China is the fulcrum, simultaneously, of the fossil economy under pressure and of the renewable economy that is poised to replace it.

China remains the world's largest consumer of fossil fuels and the largest emitter of greenhouse gases, while also being the dominant producer of solar panels, wind turbines, electric vehicles and large-scale batteries. Chinese investment helped drive the cost of solar panels down drastically over two decades, accelerating the deployment of clean technologies worldwide.

The latest fossil energy shock provides a reminder of why countries around the world are accelerating the energy transition, not only to meet climate goals but also to strengthen long-term resilience. But if they buy all the needed kit from China, will they be trading one set of dependencies for another? Unlike fossil fuels, which require continuous imports and expose economies to ongoing price shocks, technologies such as solar panels can generate electricity for decades once installed, reducing rather than perpetuating external dependence.

Nor does China's current dominance mean permanent dependence. Europe remains a global leader in offshore wind, a sector that would not have reached scale without British and European investment. The think tank Ember estimates that, with the right policies, Europe could meet domestic demand for wind turbines, electric vehicles and heat pumps through its own manufacturing base. New capacity is also emerging across North America and India, creating a more diversified clean-energy supply chain over time.

While this capacity is emerging across Europe, North America and India, the energy transition will be faster, cheaper and more resilient if China and the West can sustain a constructive commercial relationship.

Accelerating trends across sectors and activities outlined in the report include:

Power

- The power grid is emerging as the real bottleneck of the power transition. **Clean sources of electricity grew fast enough in 2025 to satisfy all demand growth on the global power grid,** and then some. Solar output jumped by 30 per cent in 2025, while global battery-storage capacity additions rose at least 40 per cent, showing that clean power and storage are scaling rapidly, but grid infrastructure is now lagging behind the technologies it needs to connect.

Transportation

- The transition away from petrol-powered road transport has passed a critical tipping point. **One in four new cars sold worldwide in 2025 had a power plug, and sales of petrol-only cars peaked in 2017** and will never recover to that level. While political opposition to electric vehicles is intensifying in some markets, many countries are determined to phase out petrol cars altogether. Furthermore, the economics and performance of the technology continue to drive adoption across both developed and emerging economies.

Buildings & Industry

- Heat pumps are emerging as a breakthrough technology for decarbonising buildings and industry. Long viewed as a solution for homes and offices, **heat pumps are now reaching a scale capable of replacing fossil-fuel boilers in factories,** with new projects in Finland, Germany and the United States using the technology to produce industrial steam and heat. The missing ingredient in the transformation of industry is public policy. Whereas many governments are finally pushing to clean up the electric grid and to clean up cars, efforts are inadequate for cleaning up industry.

People, Land & Food

- Food security remains deeply dependent on fossil-fuel supply chains and changes in weather. **Synthetic nitrogen fertilisers underpinned food production for almost one in every two people worldwide,** demonstrating how closely modern agriculture remains tied to fossil fuels and global trade. The Strait of Hormuz crisis has led to high prices and shortages of nitrogen fertiliser, offering a market opportunity for more environmentally benign alternatives.

Financing the Transition

- Capital is increasingly backing the energy transition over fossil fuels. **Global clean-energy investment reached a record \$2.2 trillion in 2025,** roughly double the amount invested in fossil fuels. Yet despite this acceleration, the International Energy Agency estimates that **meeting the global climate goal of limiting warming to 1.5°C requires clean energy investment to reach \$4.5 trillion per year by the early 2030s.** While there is momentum, we are only about halfway there.

Looking Ahead

- The world is becoming less stable and less predictable by the year. The heat accumulating across the Earth because of human-generated emissions continues to increase, with consequences

including intense heatwaves, remarkably heavy rainfall and continued sea-level rise, all of which have been evident in recent years. At the same time, **economic inequality has fed a growing public anger** that, while justified in principle, has often been harnessed by populist political parties offering false solutions.

- Artificial intelligence is potentially the most profound disruption of the 21st century. While it is difficult to predict how disruptive the AI wave will be for society at large, **AI could be a boon for the sustainability transition**. On the one hand, it may help improve efficiency, eliminate waste and solve longstanding problems. On the other, AI models are already being used to extract more fossil fuels and, in the near term, AI is placing sudden and profound demands on a power grid that is not ready for them.

About Generation Investment Management

Generation Investment Management is an independent, private, owner-managed partnership headquartered in London, with a US presence in San Francisco. Since its founding in 2004, Generation has played a pioneering role in the development of sustainable investing. Its vision is a sustainable world in which prosperity is shared broadly, in a society that achieves wellbeing for all, protects nature and preserves a habitable climate. Generation pursues its vision with urgency by seeking to deliver long-term, attractive, risk-adjusted investment returns and positive impact, and by advocating for the adoption of sustainable investing across the wider market. For more information, please visit us at generationim.com.

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