



Sustainable investing in charts

September 2025

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Sustainable and Impact Investing

UBS Global Investment Management

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September 17, 2025

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Key messages: Sustainable investment case remains robust amid uncertainty

- 1 | The UBS Chief Investment Office sees multiple approaches to sustainable investing, applying distinct approaches across asset classes. SI building blocks can provide diversification benefits, providing stability through the market cycle.
- 2 | Diversifying across Leaders, Thematic and Improver equity strategies has supported portfolios over periods of market volatility, as shown by CIO research.
- 3 | The global ESG leader index had a challenging start to 2025 ([p.4](#)), but remains on par with its traditional counterpart over the longer-term ([p.5-6](#)). Thematic indices are showing a strong performance year-to-date ([p.10-12](#)).
- 4 | In fixed income, thematic bond issuance had a strong 2024 but is slowing in 2025 ([p.14](#)), while multilateral development banks continue to enjoy a slight liquidity premium ([p.17-18](#)).
- 5 | This report includes a tracker of the transition across sectors, including the immediate effects of temperature rise ([p.24-25](#)), the deployment of renewables ([p.27-30](#)), corporate decarbonization commitments ([p.31](#)), and more.

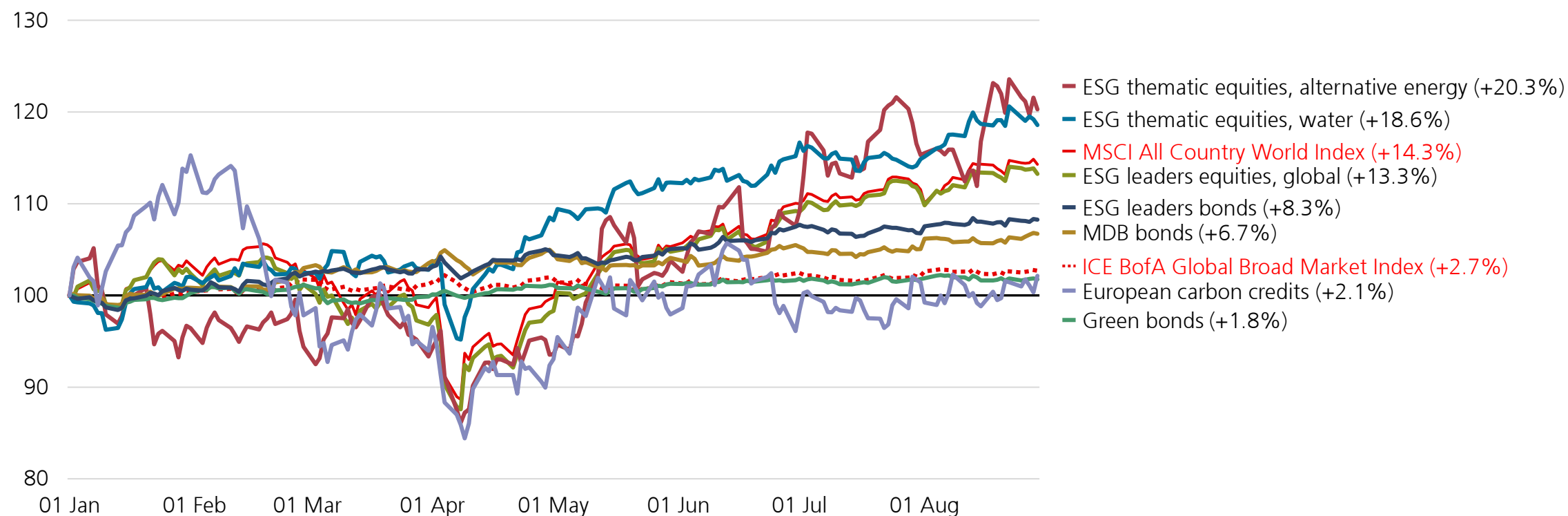
Financial performance of select sustainable investing strategies

Sustainable investing includes multiple strategies applying distinct approaches across asset classes



Asset class overview: Performance of select SI strategies through August-end

Sustainable investing is not a monolith, with diverging performance characteristics across asset classes



MSCI, S&P, ICE, and Solactive indices in USD total return, 1 January 2025 = 100.
Indices used (including longer history) are referenced throughout this document.
Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).

ESG leaders equities: Strong 2Q recouped some of first quarter performance lag

Global ESG leaders equities lagged traditional equivalent by 103bps in year to date

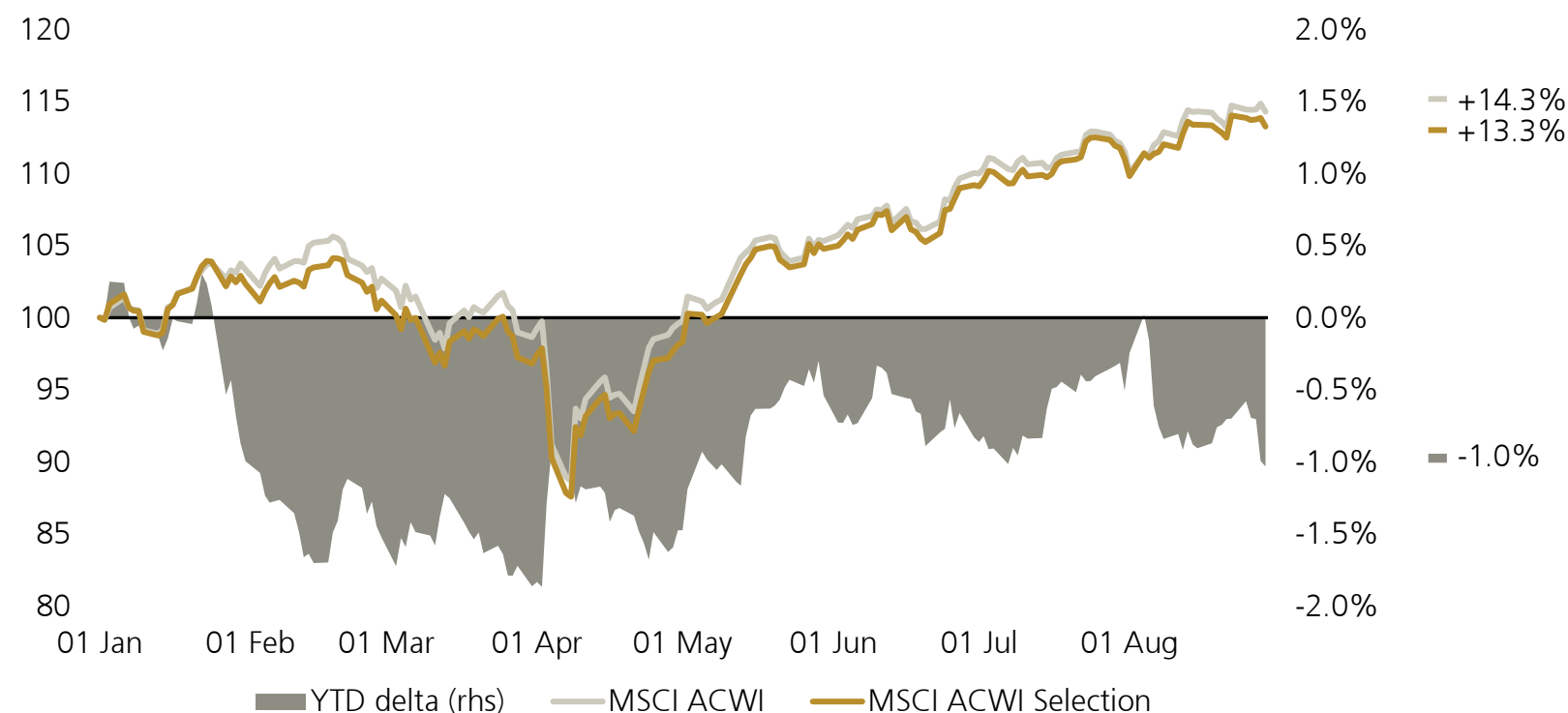
The MSCI index representing global ESG leader companies has lagged its traditional counterpart by 1.03% in the first eight months of the year, particularly falling behind in February. Some of the underperformance was recovered after President Trump announced tariffs: MSCI ACWI dropped 8.6% the two days following the announcement, MSCI ACWI Selection dropped by 7.8%. A particularly strong May further reduced the relative underperformance.

While the global ESG leader index excludes some members (Apple, Amazon, and Meta) of the Magnificent 7, the index is overweight the Mag. 7 in aggregate (especially Nvidia, at +4.6pp), which detracted from performance at the start of the year.

Actively managed ESG leader strategies may run into concentration restrictions on the Mag. 7 and therefore might not reflect index weights. Implementation selectivity is important given there is variance in the approaches managers apply to this sustainable investing approach.

Year-to-date performance of global ESG leaders

USD net total return (left axis) and delta in percentage points (right axis)



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
Note: MSCI 'ESG leaders' index suite was renamed to 'Selection' in February 2025.

ESG leaders equities: Annual performance comparison with traditional index

Global ESG leaders show comparable performance to traditional

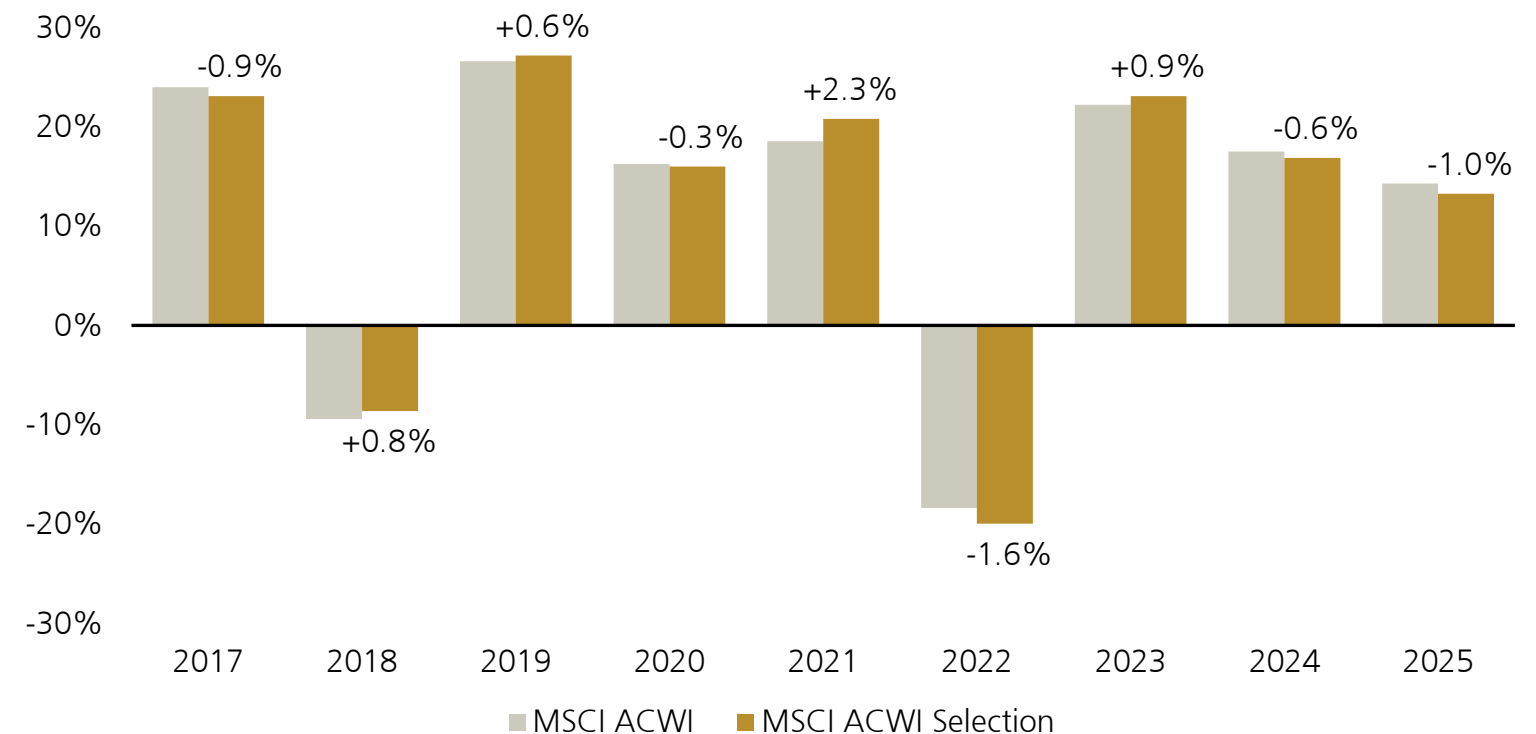
CIO believes that ESG leaders indices and strategies aim to be sector neutral, meaning global performance isn't significantly driven by sector- or country tilts. However, this might vary in implementation, where managers take a range of approaches.

Performance on a calendar-year basis of MSCI indices shows that ESG leaders have tended to perform similarly to their traditional counterparts, with some fluctuations of out- or under-performance.

The strongest (relative) year was 2021, followed by the weakest in 2022, when limited energy exposure dragged on relative performance.

At the index level, factor exposure shows a slight overweight to growth and quality, and the current valuation premium (as measured through 12m forward P/E based on Refinitiv data) stands below historical averages.

Calendar year performance of global ESG leaders
USD net total return (including delta in percentage points per year)



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
Note: MSCI 'ESG leaders' index suite was renamed to 'Selection' in February 2025.

ESG leaders equities: Longer-term comparative performance for the index

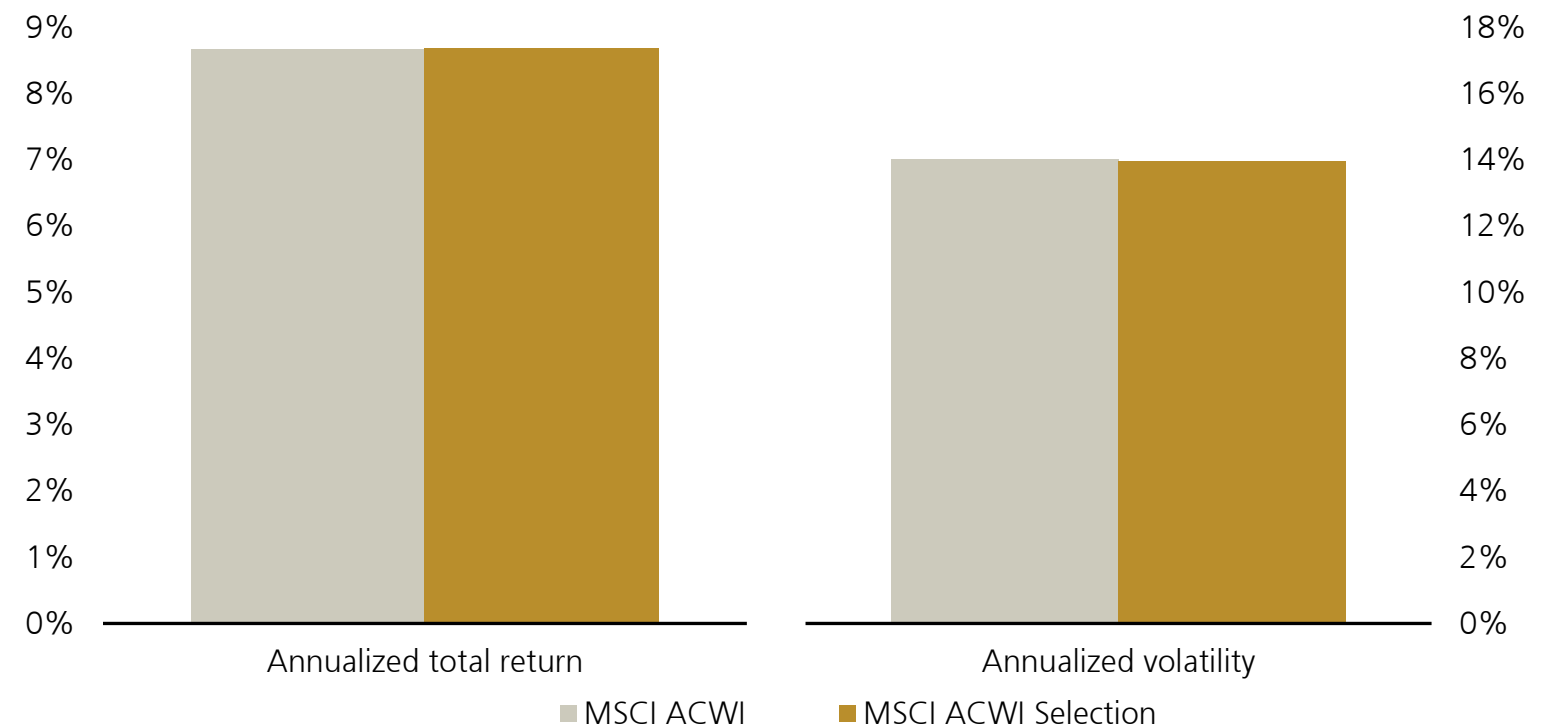
Global ESG leaders equities display comparable risk and return to traditional

CIO believes ESG leaders indices and strategies aim to be sector neutral, meaning global performance isn't driven by sector- or country tilts. However, this might vary in implementation, where managers take a range of approaches.

Factor exposure shows a slight overweight to growth and quality, and the current valuation premium (as measured through 12m forward P/E) stands below historical averages.

Since 2014, MSCI ACWI ESG Leaders has had stronger performance than its traditional counterpart in seven years out of 11.

Long-term performance of global ESG leaders
USD net total return; 1 January 2014 through 31 August 2025



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
Note: MSCI 'ESG leaders' index suite was renamed to 'Selection' in February 2025.

ESG leaders equities: Valuation premium dropped to all-time low in early Q2

Decline in valuation premium brings opportunity to enter ESG leaders

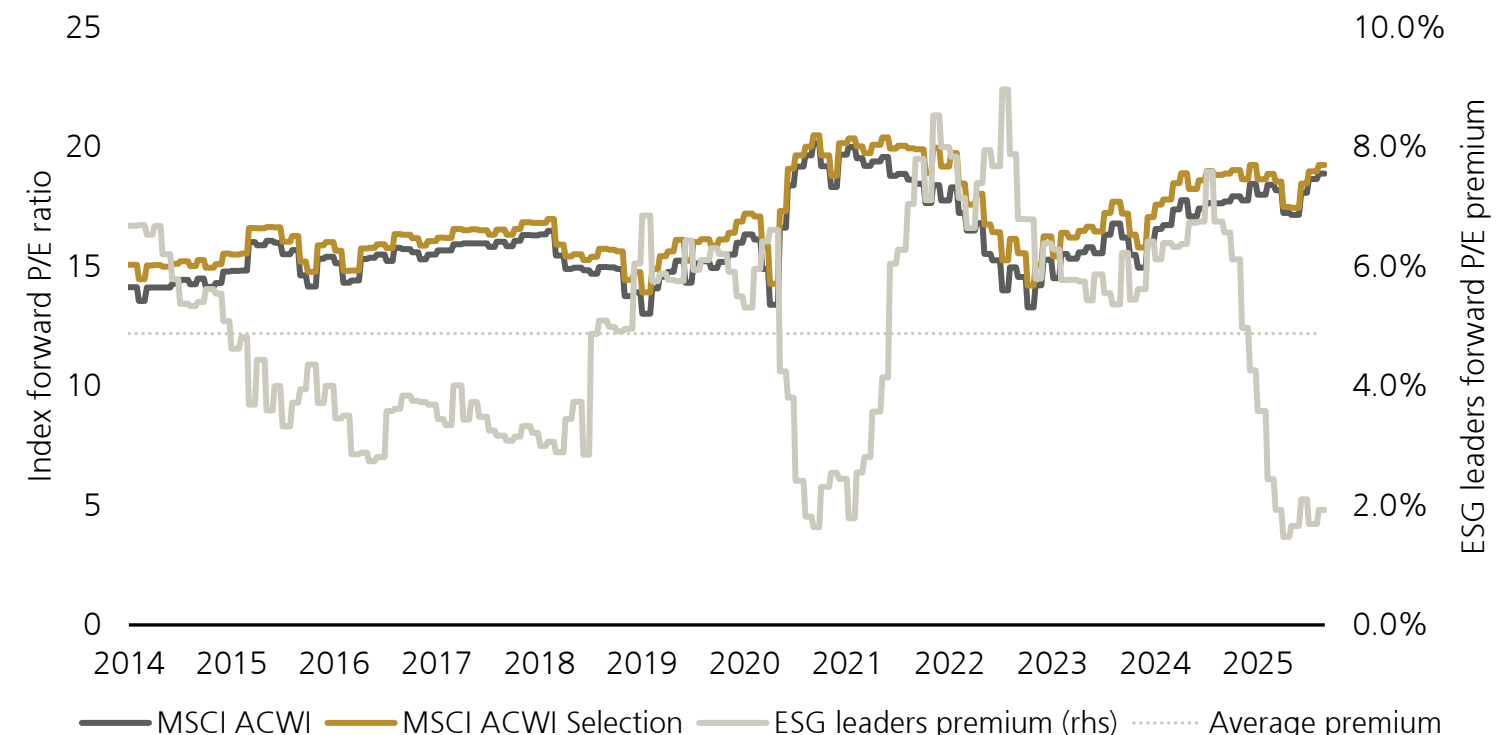
The global MSCI index representing ESG leaders trades at a forward price/earnings ratio premium of 5% on average, relative to the broader market, as of August 31, 2025.

Between 2021 and late 2024, this index of ESG leaders was trading above this historical average. After hitting a 7.6% premium in July 2024, the valuation premium has rapidly decreased, dropping to an all-time low of 1.5% in April 2025. Currently, investors are still willing to pay 1.9% more for future earnings of companies in this ESG leaders index than for the broader market (19.4 versus 19).

This decline in valuation premium helps explain the total return divergence between global markets and ESG leaders: although forward EPS estimates grew faster for ESG leaders, the multiple expansion of the broad market compared to that of the ESG leader index more than compensated for this difference. Dividend yields of MSCI ACWI and MSCI ACWI Selection are comparable (1.8% and 1.7%, respectively).

Forward valuation premium of global ESG leaders

Index forward P/E ratio; 1 January 2014 through 31 August 2025



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).

Note: MSCI 'ESG leaders' index suite was renamed to 'Selection' in February 2025.

ESG leaders equities: Relative performance differs across regions, and over time

ESG leaders continue strong EM performance, challenges in Europe

Regional MSCI ESG leaders indexes are more concentrated than the benchmark, as they invest in a subset of the parent. European MSCI ESG leaders indices have struggled over the past year, losing relative performance.

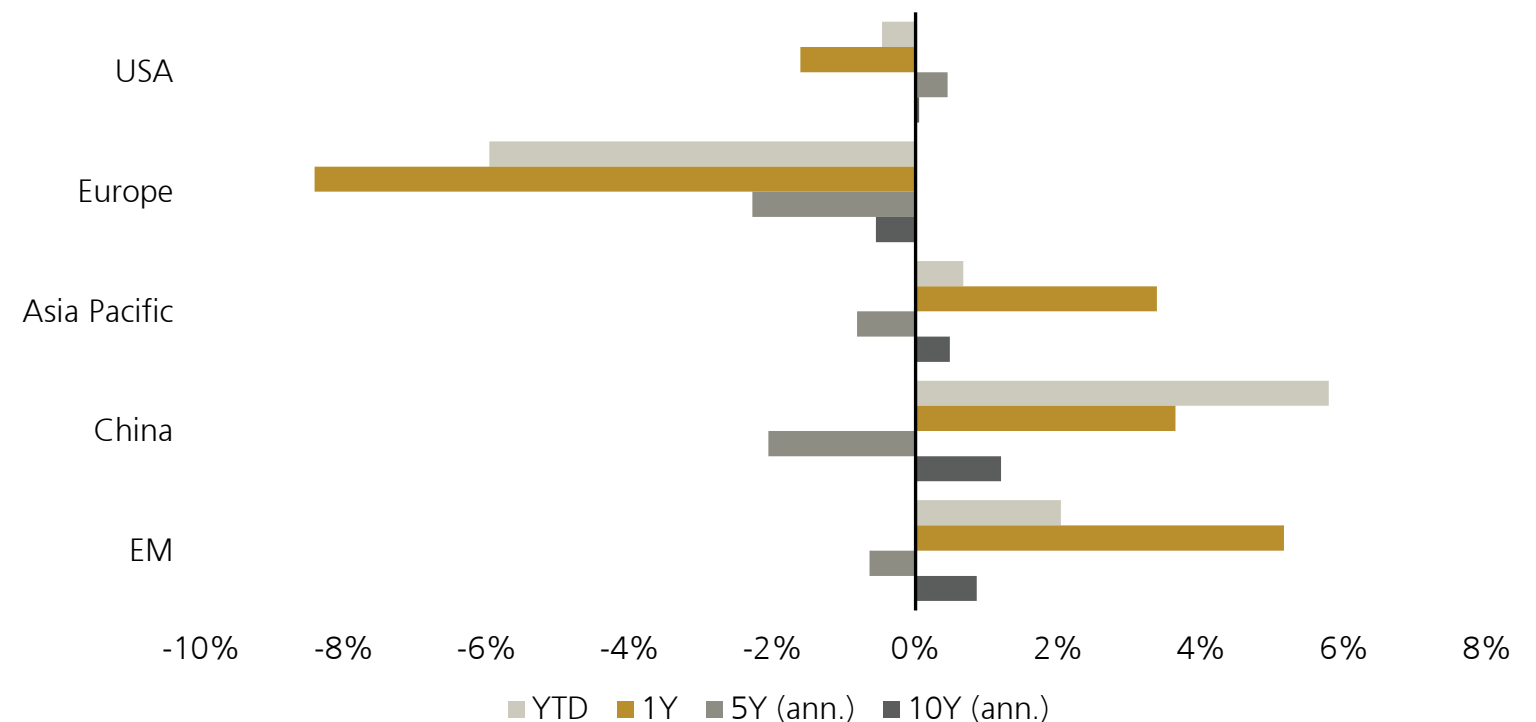
The *MSCI USA ESG leaders* index is overweight Microsoft (by 6.2 pps), Nvidia, and Alphabet compared to the parent, being a key determinant of relative performance compared to the parent.

The top 10 constituents of the *MSCI Europe ESG leaders* index make up 28% of the index, compared to 18% of the parent. Financials and Industrials hold the largest weights.

Tencent and Alibaba are significantly overweight, making up 43% of the *MSCI China ESG leaders* index and 14% of the *MSCI Emerging Markets ESG leaders* index. Strong performance of China tech has supported relative performance. However, this concentration also has driven significant fluctuations over the years.

Regional ESG leaders compared to parent benchmark

Regional MSCI indices in USD net total return



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
Note: MSCI 'ESG leaders' index suite was renamed to 'Selection' in February 2025.

ESG leaders equities: Valuation premia low across the globe

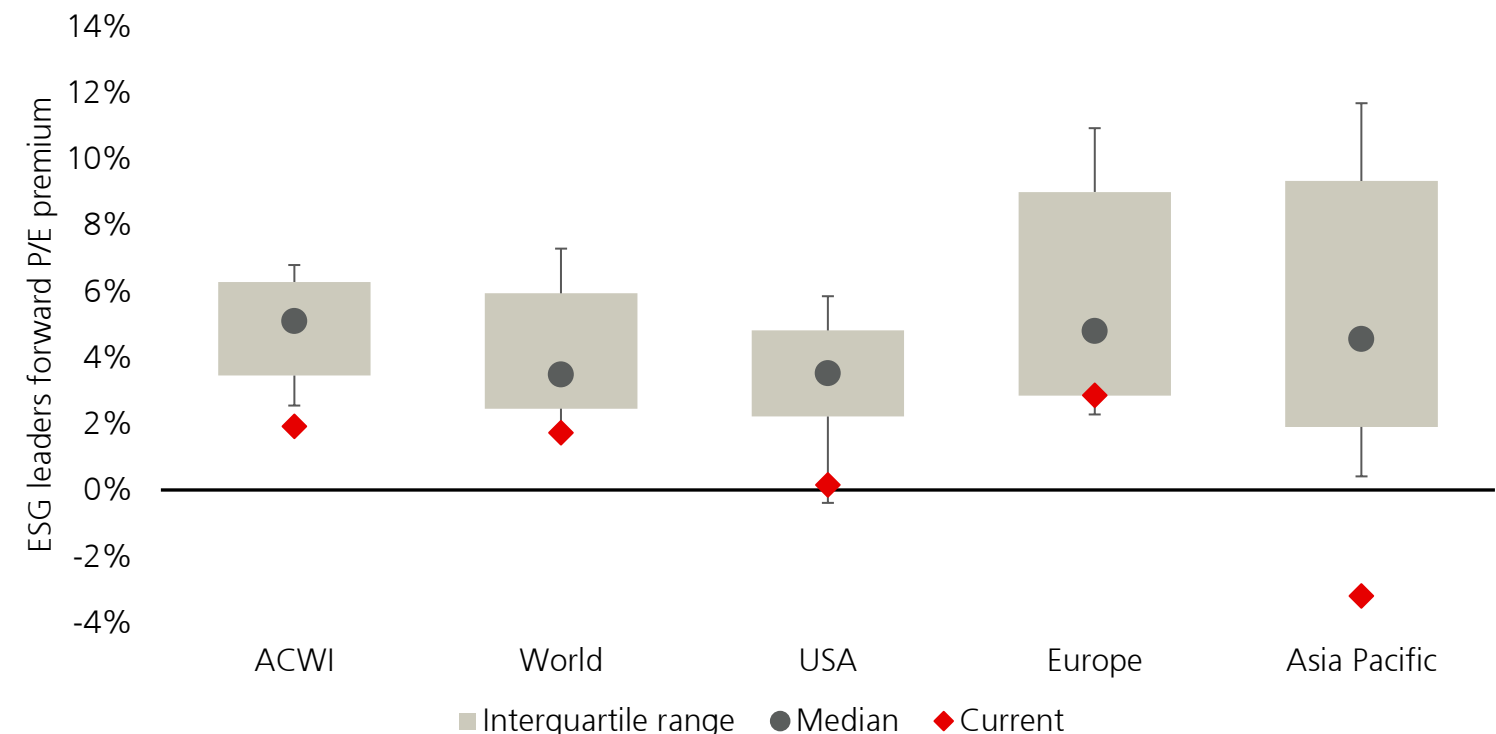
European ESG leaders' valuation premium dropped quickly in 2025

Historically, companies in the MSCI index representing ESG leaders have traded at a forward price/earnings ratio premium relative to the broader market. The median premium sits between 4% and 6% across regions, with European ESG leaders typically enjoying the largest valuation premium. This valuation premium has declined rapidly since 3Q24, across regions.

This decline in forward P/E ratio premium explains the significant underperformance of European ESG leaders indices over the past year (8.4% underperformance on a one-year basis). Where European ESG leaders were trading at a 14.3% premium in July 2024, this has dropped to a mere 2.9% premium at the end of August 2025. The current premium is below the median since 2014, while the valuation premium in 2024 was the highest recorded since inception.

Valuation premium of regional ESG leaders

Forward P/E premium of regional ESG leader indices; whiskers represent 10th and 90th percentiles since 2014



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
Note: MSCI 'ESG leaders' index suite was renamed to 'Selection' in February 2025.

ESG thematic equities: Alternative energy rallied after “Liberation Day”

Alternative energy theme off to a strong start in first half of 2025

Thematic investment ideas generally have more tracking error than broad-market indices due to higher sector/stock concentration in relatively fewer names. The higher concentration tends to result in more idiosyncratic risk.

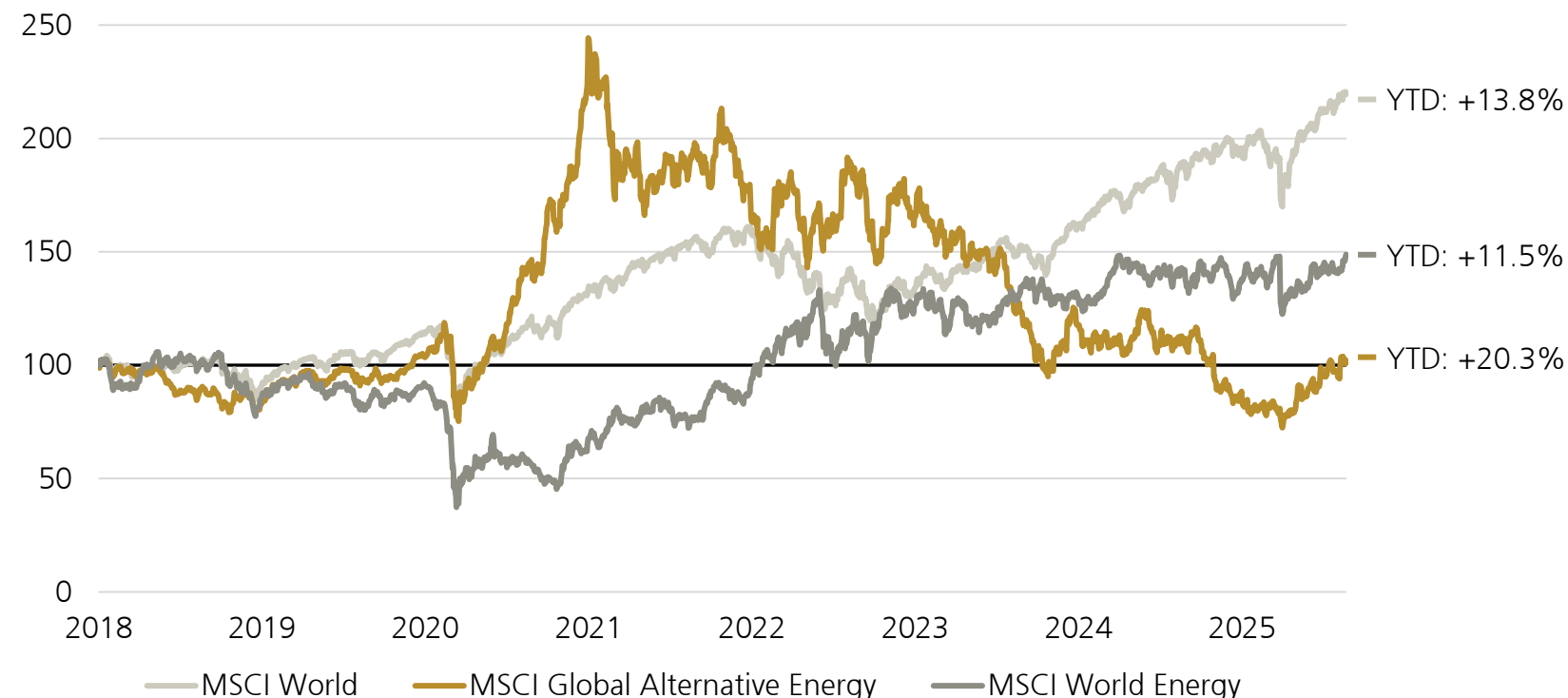
An example is alternative energy, where over the years we've seen rallies and selloffs, greater rate sensitivity, etc.

- The MSCI global alternative energy index only has 71 holdings, with 27% concentrated in two stocks (Vista Wind Systems and FirstSolar).
- The divergence between themes is significant, but typically we see a bias toward smaller capitalization companies in thematic indices like this one as compared to the broad market.

Many thematic indices (such as alternative energy) have struggled compared to their benchmark in 2022-24, but other themes (e.g., smart grids, water scarcity) have done well as shown by CIO research.

Alternative energy theme relative to benchmark and traditional energy

USD net total return



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).

ESG thematic equities: Alternative energy under pressure from higher rates

US elections and rising rates driven by uncertainty have put pressure on theme

Elections: The 2024 US election result led to a drop in alternative energy equities. Stocks with renewables and clean-tech exposure traded down, with the MSCI Global Alternative Energy index down 8.8%.

Yields: Because of the growth and small-cap focus of many of these companies, the theme has suffered as increasing yields weigh on future cash flows. However, the index (and often implementation of this theme) tends to be invested heavily in the utilities sectors, which had positive performance following the US tariff announcements on April 2.

Valuations: Current valuations stand at a full standard deviation lower than the past five-year average, implying potential for long-term-oriented investors to reposition in the sector.

Security selection matters in this area, in particular in the near-to-medium term as pure-play renewable energy providers and diversified utilities are positioned differently in volatile markets.

Alternative energy theme has faced challenges amid higher longer-term yields

USD net total return (left axis) and US 10-year yield in % (right axis)



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).

ESG thematic equities: Water theme has proven resilient in 2025

Defensive nature of water has supported performance

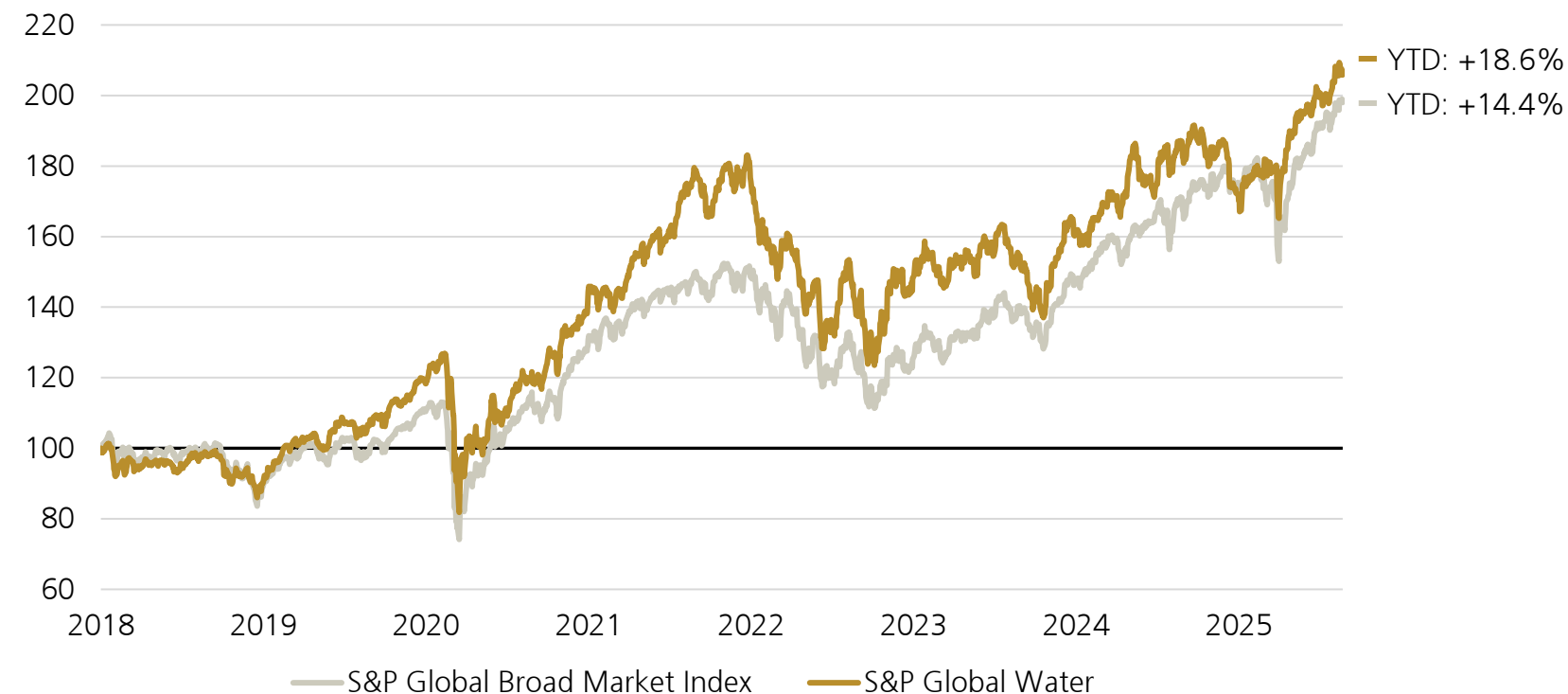
Water is in high demand for both municipal and industrial use, with several structural drivers that support growth. Structural drivers for global water demand growth include continued urbanization and industrialization in emerging markets and population growth.

The rapid expansion of data centers, which often require significant amounts of water for cooling, has supported water demand globally and is expected to continue to grow.

Following the US tariff announcements on April 2, the performance of an index tied to the water theme has proven resilient. The defensive nature of the theme, with significant exposure to utilities and a lower reliance on imports, has supported performance.

Water theme has proven resilient in the first months of the year

USD net total return



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).

ESG engagement equities: Bias to small- and mid-cap challenged performance

Dislocation between SMID and large-cap performance pressured engagement

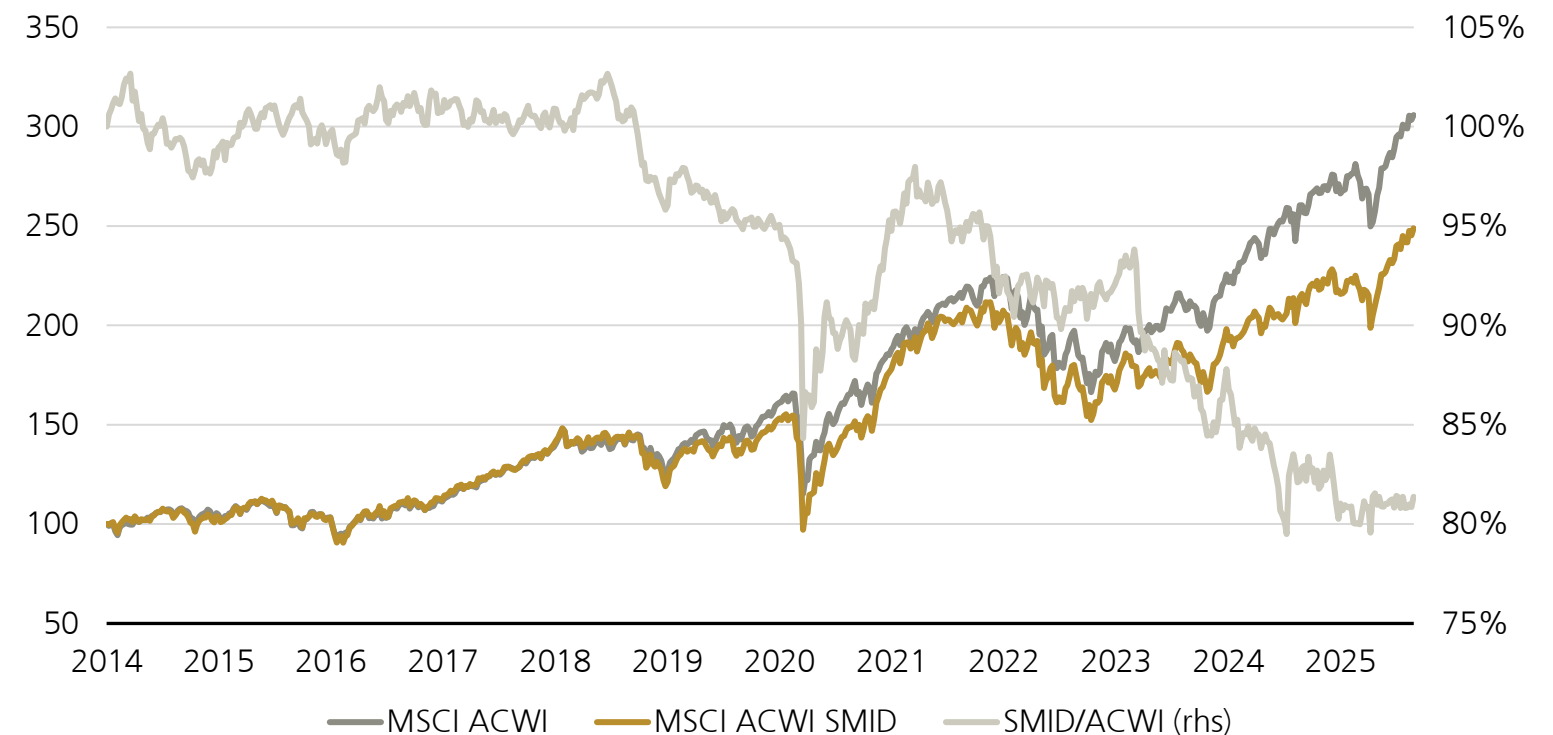
Given the highly active and concentrated nature of engagement strategies, there are no indices that represent ESG engagement equity strategies accurately.

Most engagement strategies focus on small- and mid-cap (SMID) companies, as managers have easier access to management teams. Nonetheless, some managers may still focus more on engagements with large-cap companies.

Market gains have been driven significantly by large-cap companies, causing SMID to lag the broader market. This divergence started in 2018 but has accelerated since 2023. Investors in engagement strategies should consider this potential SMID bias, and may observe performance divergence with large-cap strategies.

Small- and mid-cap stocks have struggled as rallies are driven by mega-caps

USD net total return (left axis) and relative performance of SMID versus ACWI (right axis)

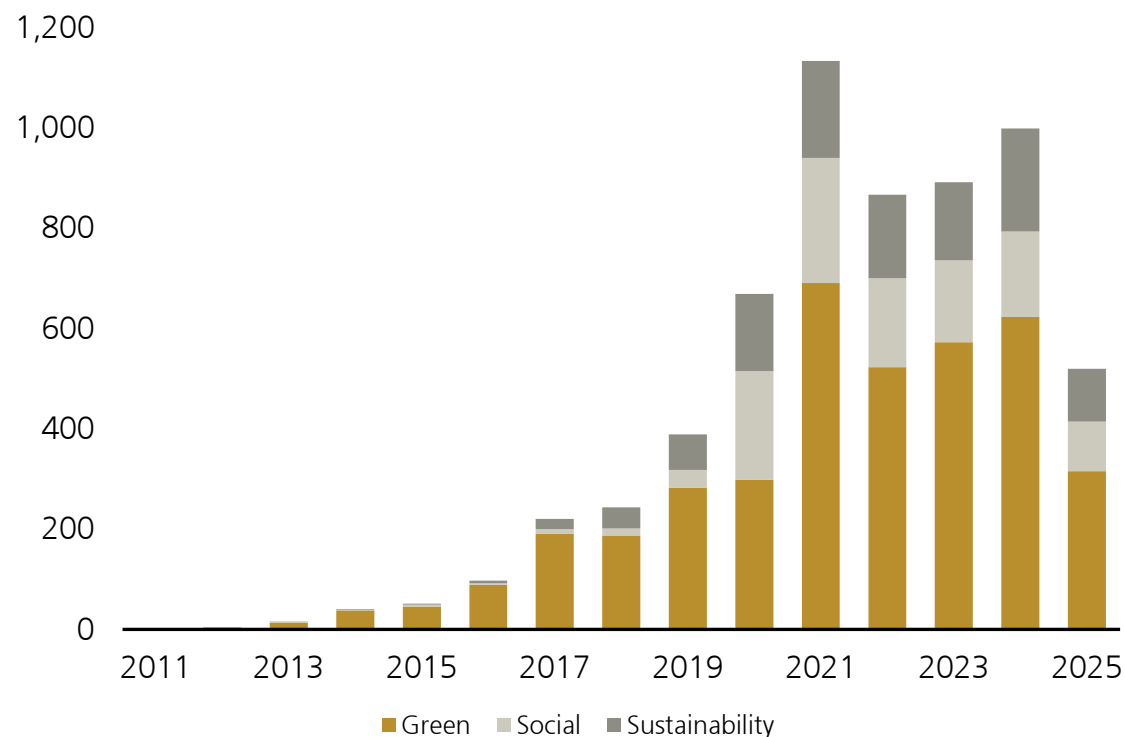


Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).

Thematic sustainable fixed income: Corporates dominate green bond issuance

Issuance of thematic sustainable fixed income, by type

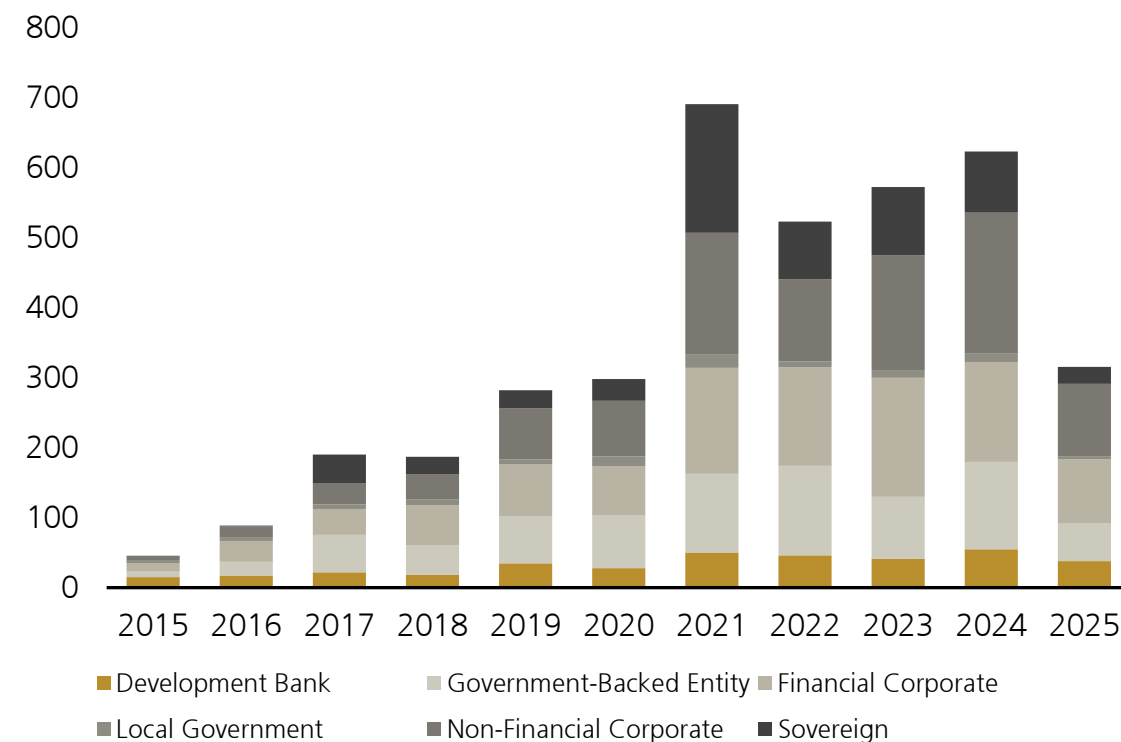
Annual issuance in USD bn



Source: Climate Bonds Initiative, UBS Global Wealth Management (as of 31 August 2025).

Issuance of green bonds, by issuer type

Annual issuance in USD bn



Source: Climate Bonds Initiative, UBS Global Wealth Management (as of 31 August 2025).

Thematic sustainable fixed income: Spread compression drove performance

Increased uncertainty and higher yields drives performance

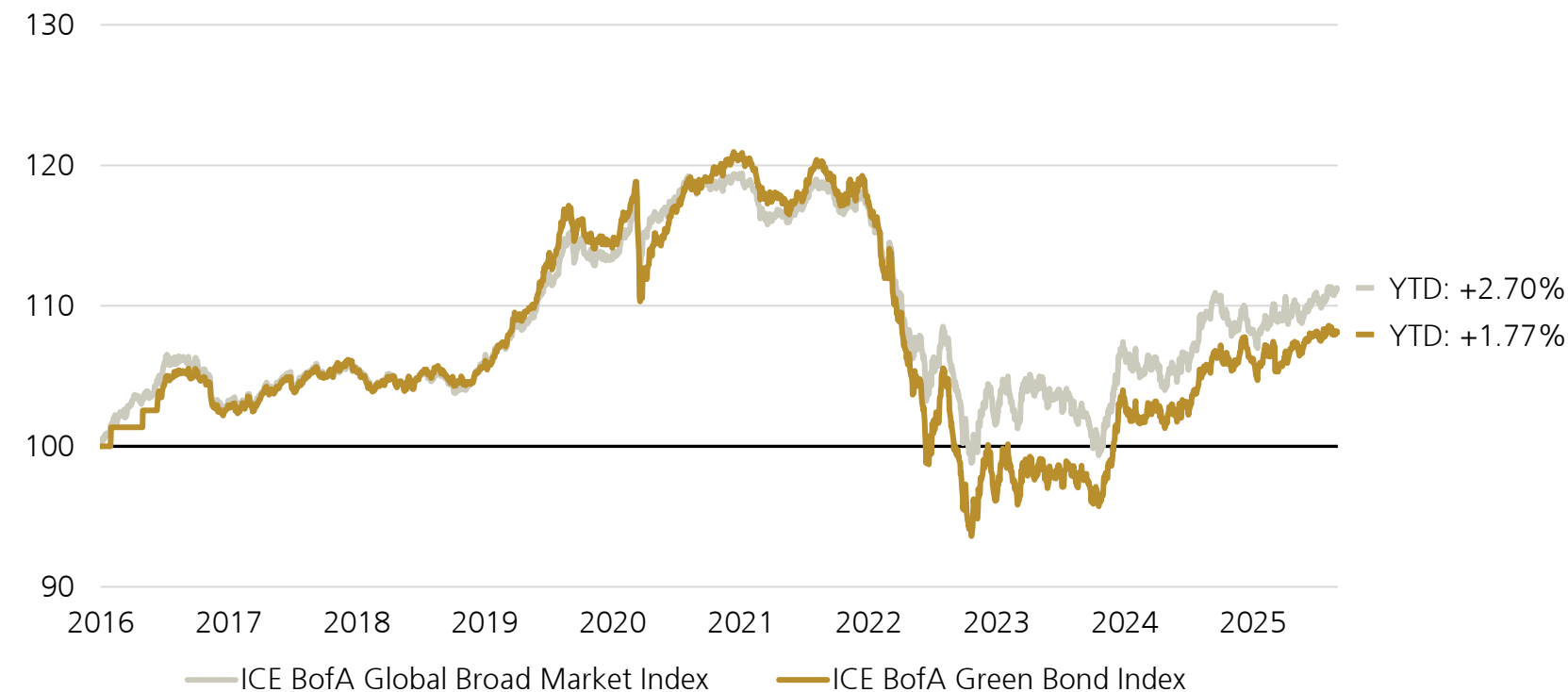
Thematic sustainable fixed income issuance (esp. green bonds) tilts to EUR-denominated, longer-tenor, European sovereign issuers, affecting performance. We have observed relatively lower corporate issuance for green bonds in 2025 compared to 2024, with particularly US corporate issuance slowing down on a relative basis.

Spreads have tightened over the recent years. Green bonds (and other labeled bonds) have had wider spreads than global IG, approximately 60bps and 35bps respectively, with spreads widening following the April 2 US tariff announcements and narrowing thereafter.

Further, a significant share of recent issuance is by supranational and sovereigns, which tend to choose longer tenors. The market composition exposes investors to greater duration risk, presenting greater valuation losses when interest rates rise.

Thematic sustainable fixed income performance

USD net total return



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
For more, see the CIO [Education primer: thematic sustainable fixed income](#) (07 June 2024).

Thematic sustainable fixed income: Spreads narrowed further in 2Q

Spreads of green bonds at lowest levels since 2018

Spreads have tightened over the recent years. Green bonds (and other labeled sustainability bonds) have had wider spreads than global IG, approximately 60bps and 35bps, respectively.

Spreads widened following the April 2 US tariff announcements and narrowed again thereafter.

Green bond spreads have narrowed since “Liberation Day” spike

Option-adjusted spread (OAS) in basis points



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
For more, see the CIO [Education primer: thematic sustainable fixed income](#) (07 June 2024).

MDB bonds: Close ties to US yield curve with small liquidity premium

Yields increase as markets price in uncertainty

The picture for Multilateral Development Bank (MDB) bonds has not changed since the index inception in 2018 as shown by index data.

The yield curve for MDB bonds closely follows the US Treasury yield curve, where MDB bonds provide slightly higher yields than US Treasuries. This spread ranges from 5 to 30 basis points across the cycle.

Yields have increased this year, as markets priced in uncertainty around US tariffs and geopolitical tension.

Global multilateral development bank bond performance

USD net total return



Source: Refinitiv Datastream, Bloomberg, UBS Global Wealth Management (as of 31 August 2025).
For more, see the CIO [Education primer: Multilateral Development Banks](#) (26 September 2024).

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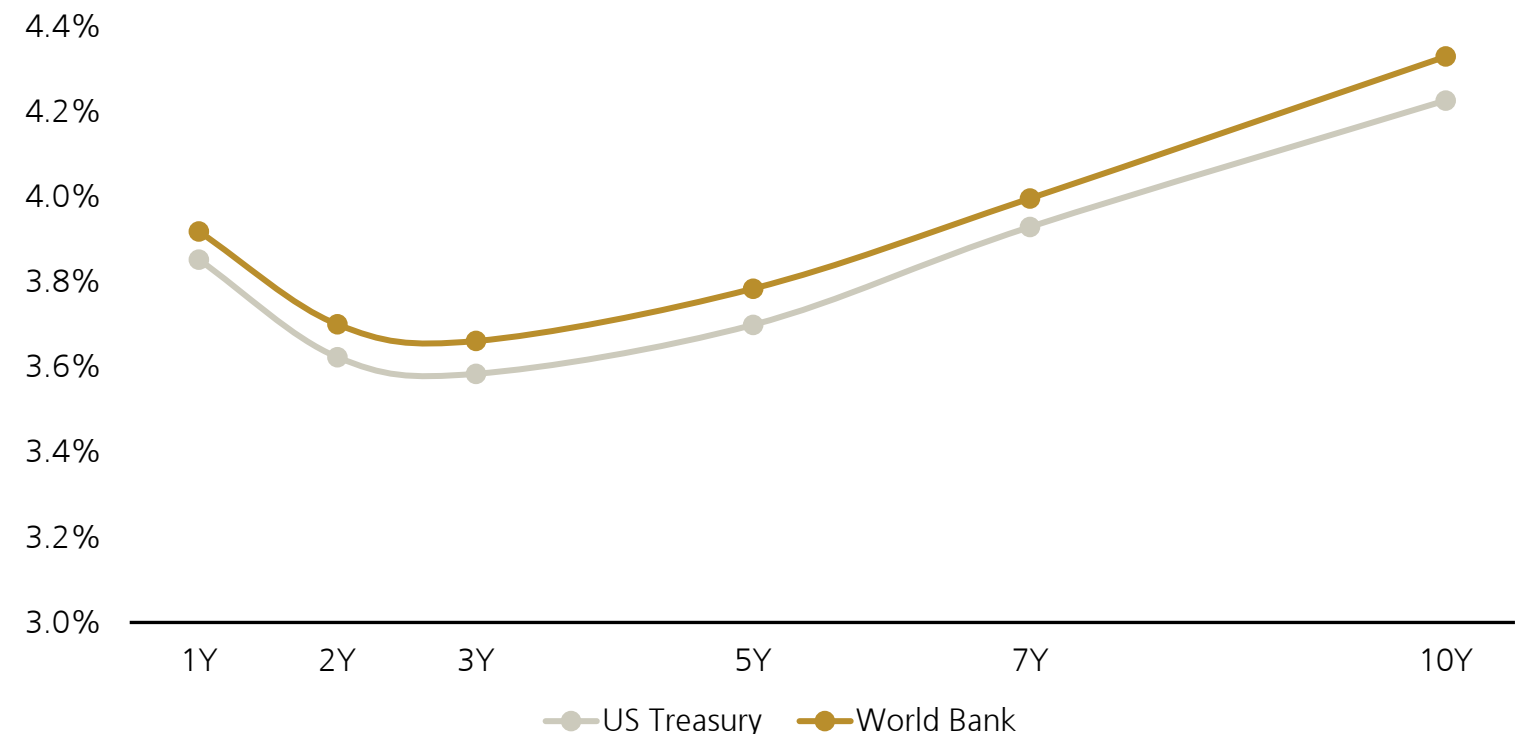
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USD yields on US Treasury and World Bank bonds

Yields as of 31 August 2025



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
For more, see the CIO [Education primer: Multilateral Development Banks](#) (26 September 2024).

ESG leader bonds: Sustainable alternatives show similar performance

Closer tracking of traditional counterpart in recent years

Much of the performance lag between indices tracking ESG leader corporate bonds and the traditional counterpart incurred prior to 2020. Since 2020, performance of the ESG leaders bond index has tracked the traditional counterpart more closely, with reduced tracking error.

The market remains focused on President Trump's policy priorities and policy sequencing. Although the US economy and the labor market continue to display resilience, in recent weeks the uncertainty associated with tariffs, migration, tax, federal government spending cuts and regulatory policies has started to weigh on sentiment surveys. The market has fluctuated between pricing one more Fed rate cut to now over two, and a terminal policy rate slightly below 4%.

ESG leader corporate bonds performance

USD net total return



Source: Bloomberg, UBS Global Wealth Management (as of 31 August 2025).

Carbon markets: EU ETS volatility remains, 25% of global emissions are priced

European carbon market volatility continues, constructive on medium term

European regulatory carbon allowance prices have given up all the gains achieved in January, when the carbon price peaked at EUR 82 per metric ton of carbon dioxide equivalent.

Since 2024, European carbon prices have fluctuated in the EUR 60-80 range. CIO views near-term prices range-trading around the EUR 70 mark, with positive supports emerging later this year.

As of 2024, approximately 25% of global emissions are subject to some price on carbon (whether an emissions trading system or a carbon tax). The Chinese market is the largest by absolute emissions covered, but the European market is the largest by activity.

Development of EU regulatory carbon price

EUR per ton of CO₂



Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
For more, see the [Sustainable investing in carbon markets](#) primer by CIO (20 July 2023).

Carbon markets: EU ETS volatility remains, positive support expected

Positive support for European carbon prices expected later this year

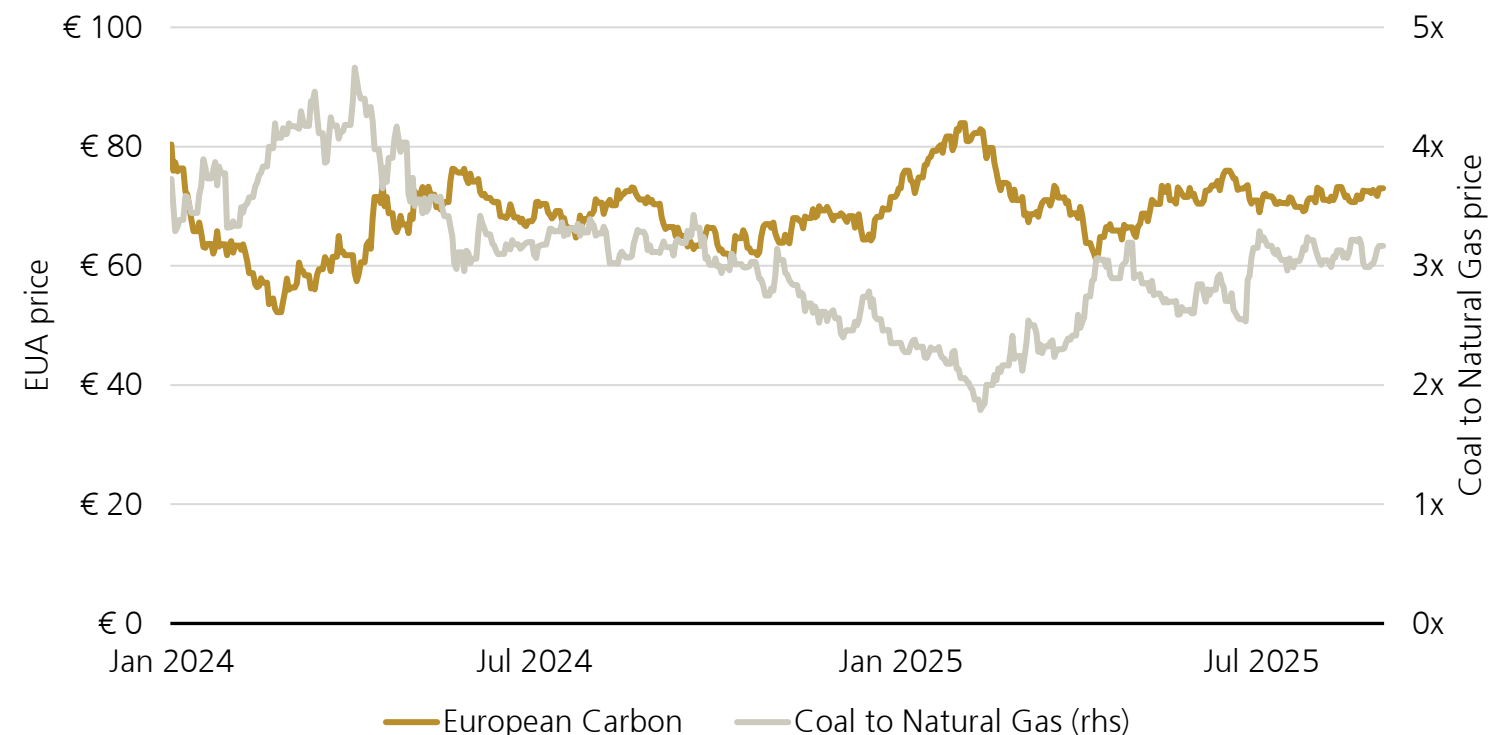
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The strong inverse correlation to the relative price of coal versus natural gas (as seen in early 2025 when natural gas prices climbed) has weakened since the second quarter of this year. CIO sees slow economic activity, as well as trade tensions, as further headwinds for the European carbon market.

Auction supplies will be reduced in September for 12 months, which should be a positive driver for European carbon prices as the market shifts into a larger deficit.

Furthermore, the European Carbon Border Adjustment Mechanism (CBAM) goes into effect in January 2026, meaning importers in six carbon-intensive industries will need to purchase carbon allowances, further supporting prices (all else equal).

Development of EU regulatory carbon price and price of coal relative to natural gas
EUR per ton of CO₂ (left axis) and price of coal per ton relative to natural gas per MWh (right axis)



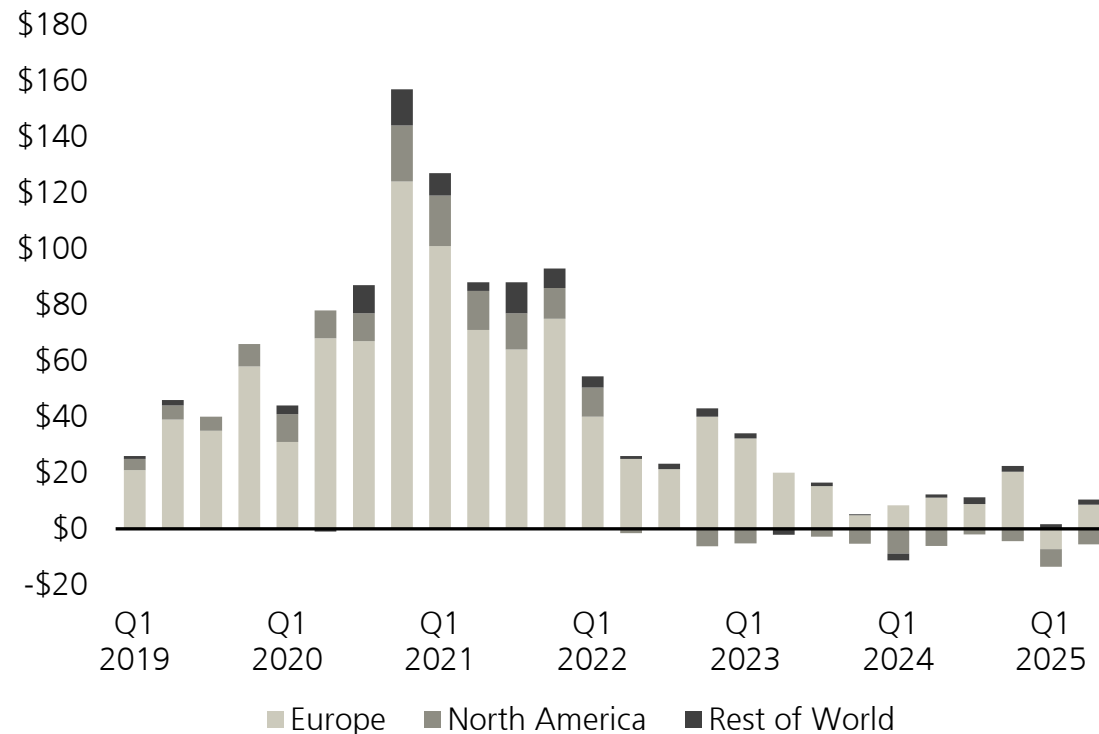
Source: Refinitiv Datastream, UBS Global Wealth Management (as of 31 August 2025).
For more, see the [Sustainable investing in carbon markets](#) primer by CIO (20 July 2023).

Sustainable fund flows: Record assets in sustainable investing funds

Overall assets under management in sustainable investing funds classified by Morningstar reached records, despite slower net new assets in these funds. European (including UK and CH) domiciled funds make up over 80% of invested assets in these strategies. Equity funds also make up over three-quarters of both number of funds offered and total assets invested.

Flows into sustainable funds, by region

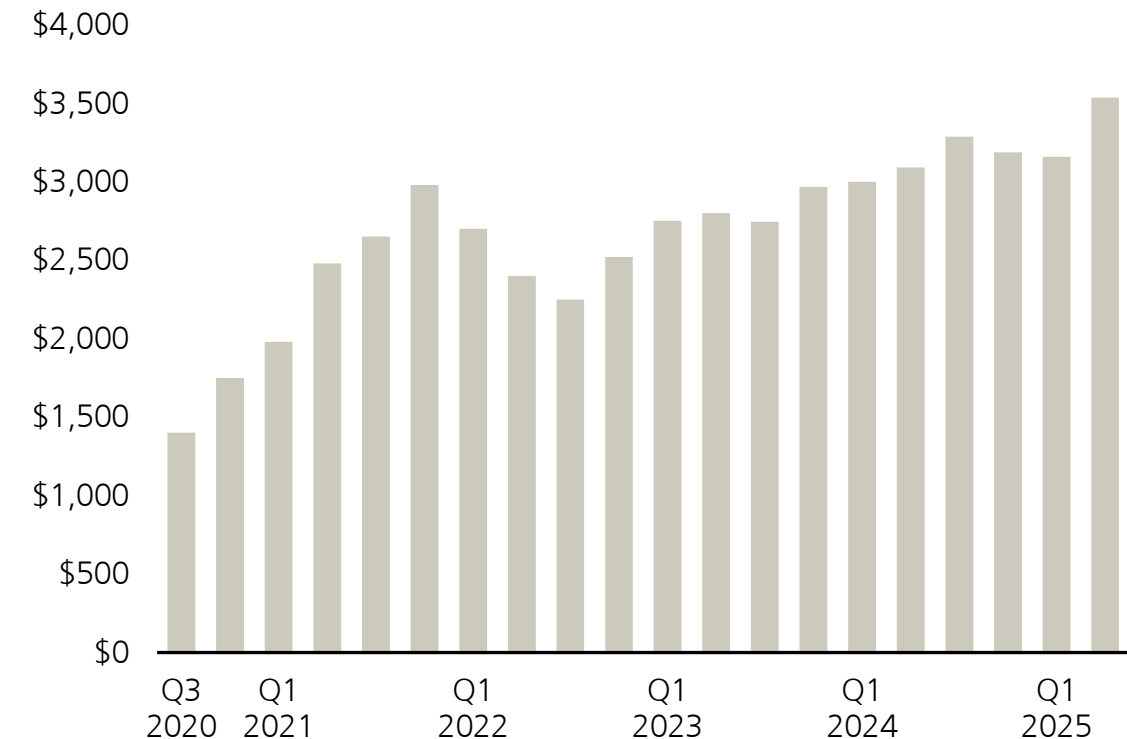
USD bn



Source: Morningstar, UBS Global Wealth Management (as of June 2025).

Sustainable funds assets under management

USD bn



Source: Morningstar, UBS Global Wealth Management (as of June 2025).

Tracking the transition

The transition to a low-carbon economy is a key focus area: we track the latest on global temperature rise and the policy and consumer response. For the full transition coverage, see [Investing in the transition](#).



Temperature rise: 2025 slightly cooler, still likely to breach 1.5°C warming

Global temperatures in 2025 are comparable to 2024, with cooler summer

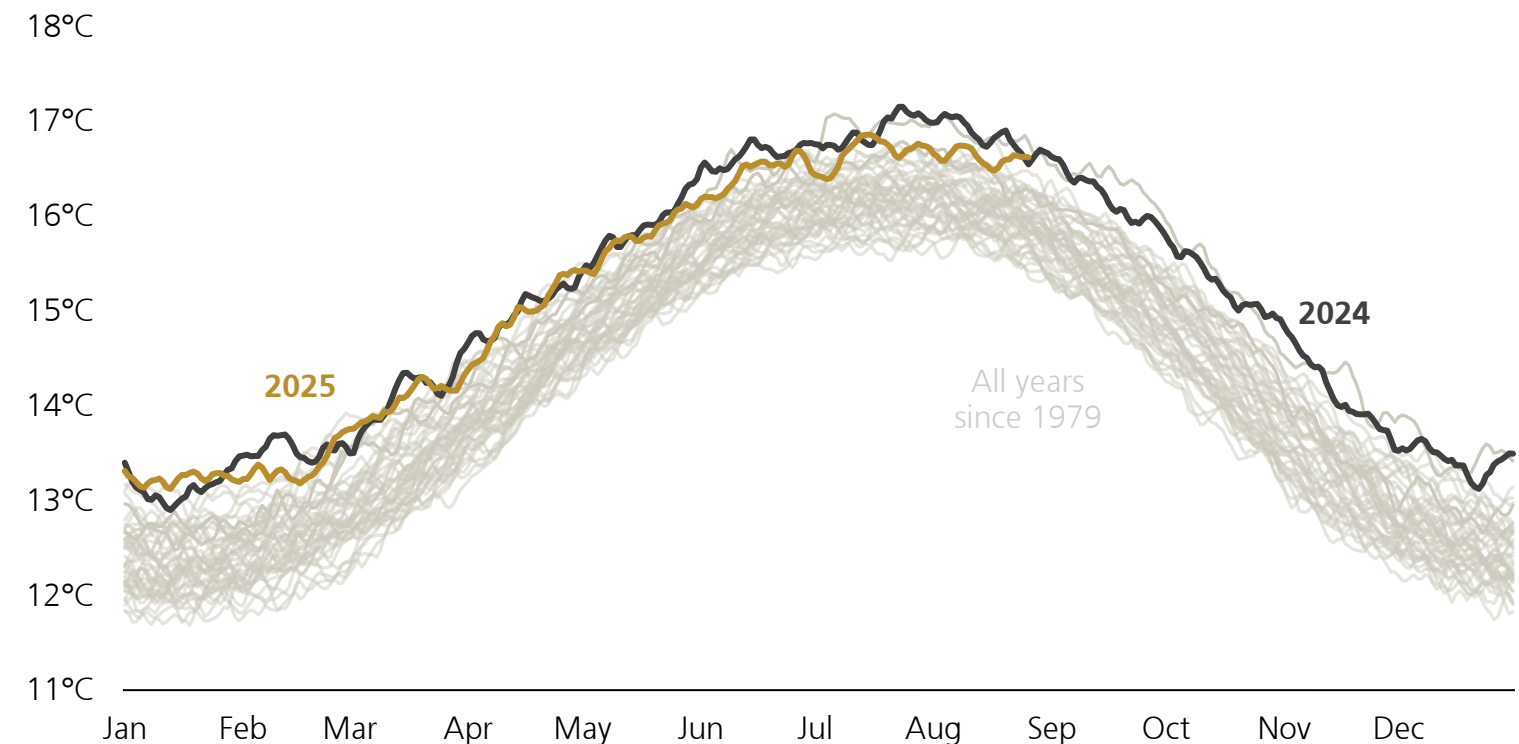
Last year was, once more, the hottest year on record. It was the first year in which global temperatures exceeded 1.5°C above pre-industrial levels. Climate scientists highlight that human activity is the key driver of the record temperatures, but weather factors like El Niño also contributed to the record year.^[1]

Regional differences exist: Europe has, on multiple occasions, already exceeded 1.5°C of warming in a year. The objective of the Paris Agreement is to limit long-term warming to 1.5°C above pre-industrial levels, with limited temperature overshoot. This means that one year of temperature overshoot does not imply the goal was missed.

This matters: global warming above 1.5°C poses significant risk to food security (lower crop yields), human health (heat-related mortality), water supply, and water stress (drought and sea level rise), potentially affecting portfolios and livelihoods.

Global average surface temperatures continue inching higher

Surface temperature in degrees Celsius (°C)



Source: NCEP Climate Forecast System (CFS), CFS Reanalysis, Climate Reanalyzer, UBS Global Wealth Management (2025).

[1] Copernicus Climate Center: <https://climate.copernicus.eu/copernicus-2024-first-year-exceed-15degc-above-pre-industrial-level>
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Climate risk: Extreme weather events are increasing in both frequency and cost

Costly extreme weather events increase, physical climate risk starts materializing

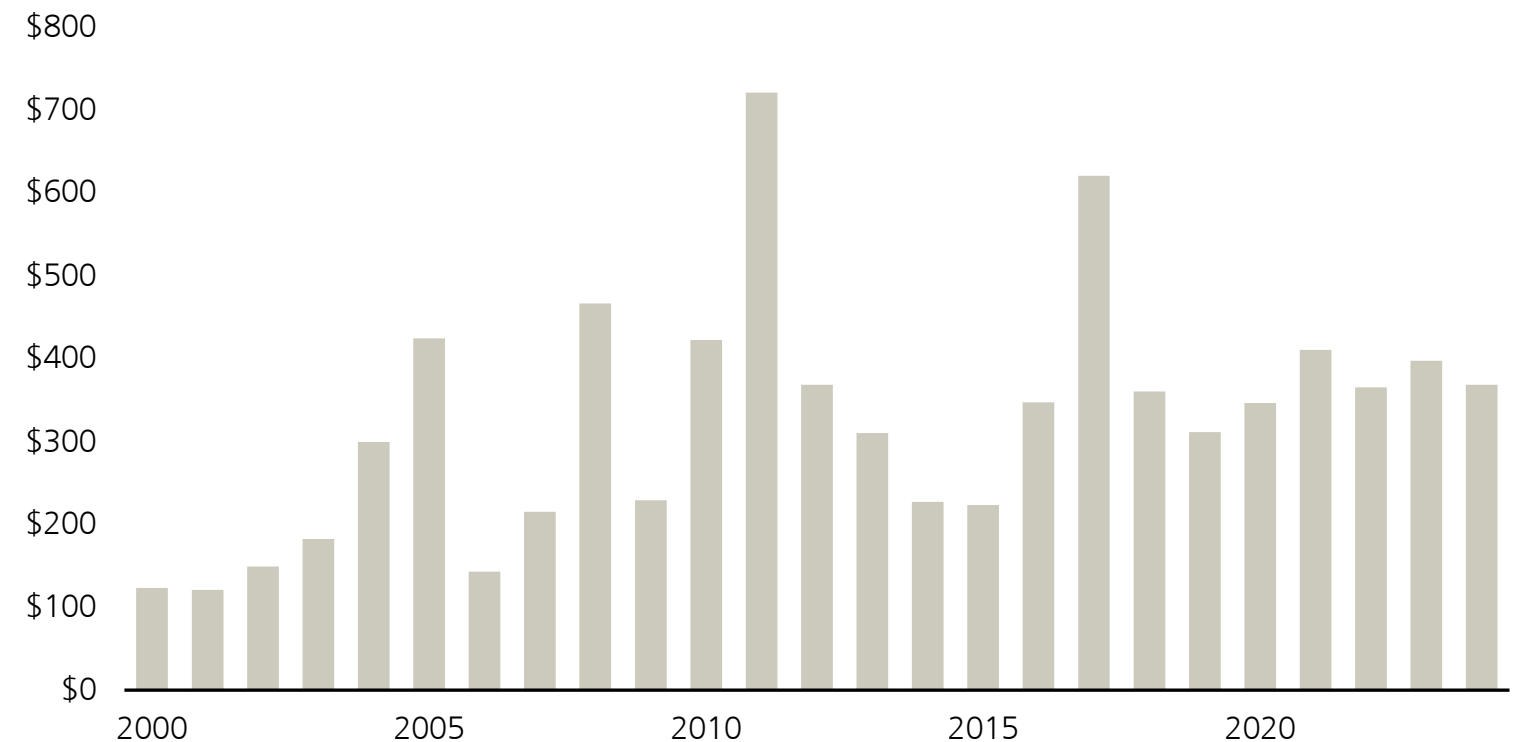
Last year, the US experienced 27 extreme weather events for which the cost exceeded USD 1bn, primarily severe storms. The number of severe storms globally and their associated cost (a proxy for severity) has been trending upwards in recent years.

The total cost of extreme weather events in the US in 2024 was over USD 180bn, which includes estimates of the costs associated with hurricanes Helene and Milton. Across the globe, the trend holds too: global natural catastrophe costs exceeded USD 320 bn, exceeding all but two previous years.

Takeaway: increased extreme weather events may affect company asset values, insurance premiums, and business continuity. Munich RE estimates that economic losses associated with extreme weather events totaled USD 320 bn last year^[1], of which only 40% were covered by insurance.

Global economic losses from natural disasters

Inflation-adjusted cost in USD bn



Source: AON Catastrophe Insight, UBS Global Wealth Management (2025).

[1] Munich RE: <https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2025/natural-disaster-figures-2024.html>
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Global emissions: Electricity main culprit, industrial processes harder to abate

Small set of countries responsible for majority of global emissions

The five largest emitters—China, the United States, the European Union, India, and Russia—account for 60% of global emissions.

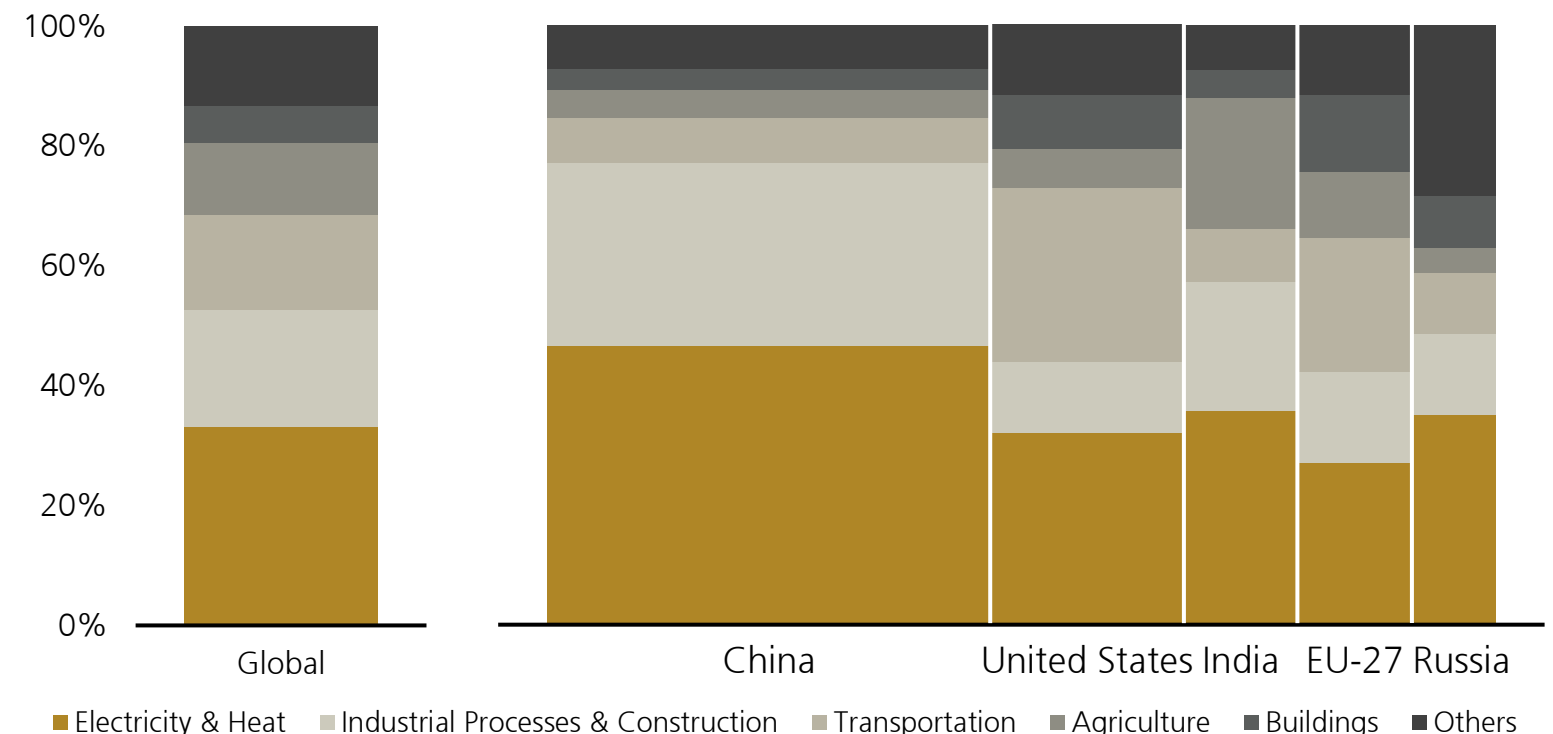
There are notable differences between countries, indicating that a uniform approach to emission reduction is ineffective. Nations are at various stages in their transition, with progress differing across sectors.

China's relatively low transportation emissions suggest that rapid adoption of electric vehicles could help reduce future emissions in this sector.

Key point: The transition affects sectors and regions unevenly, so investment opportunities will develop at different rates. According to CIO, a comprehensive, all-encompassing strategy is necessary for investing in the transition. For more details, see the CIO report: [Investing in the transition](#) (03 January 2025).

Sector distribution of global emissions and top five polluters (60% of total)

Percentage (%) of total emissions, excluding land use change and forestry



Width of columns denotes share of emissions of the top five polluters, which make up 60% of total global emissions.
Source: World Resources Institute, CAIT Climate Data, UBS Chief Investment Office (2025).

Greener grids: US and EU electricity mix reaches record renewables share

Renewables accounted for a combined 34% of the electricity mix in the US and EU

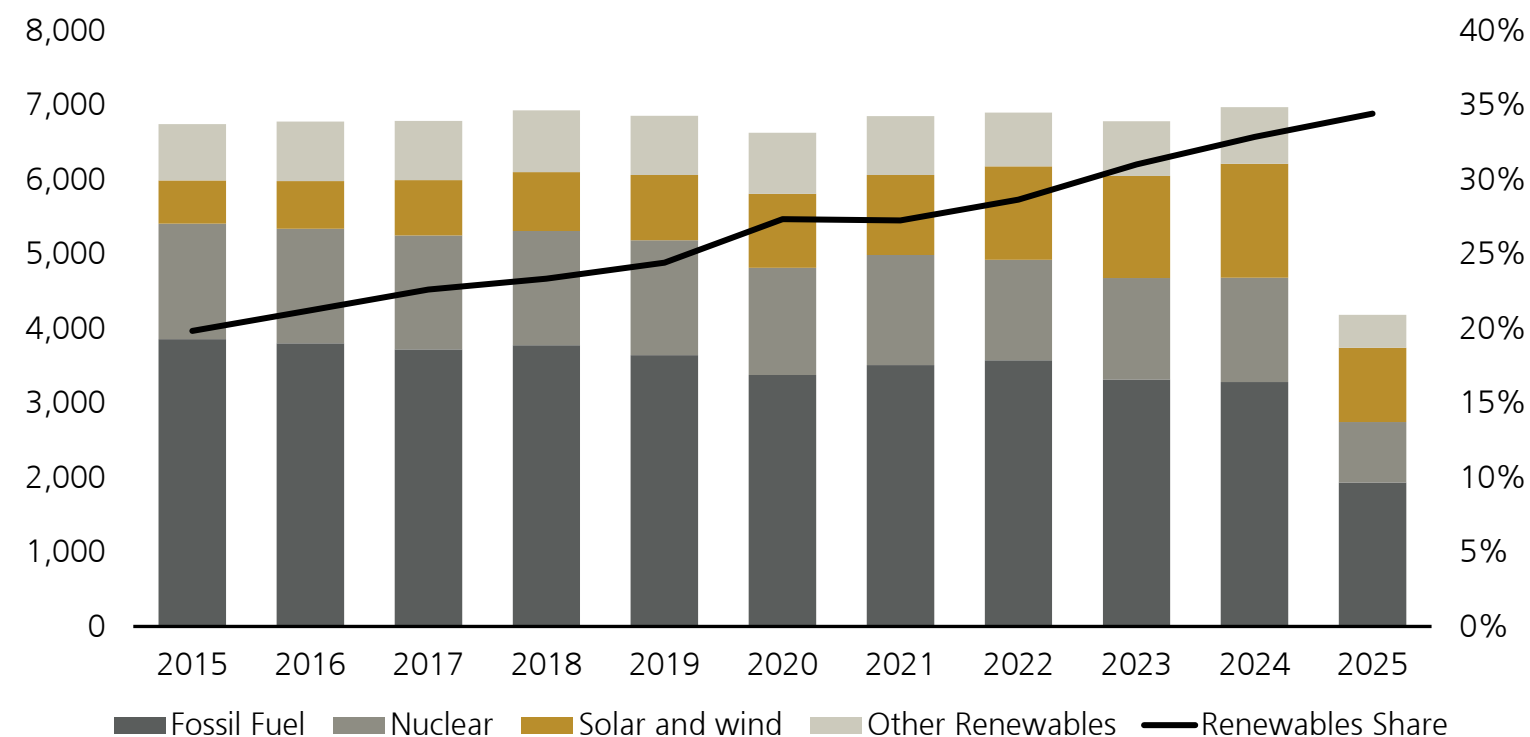
Renewable energy continues to achieve record levels within the electricity mix across many countries. In 2024, renewables comprised 48% of the European Union's and 27% of the United States' electricity generation. Both regions are gradually reducing their dependence on coal-fired power while increasing their use of renewable energy and natural gas.

According to IEA data, global coal consumption is still rising, with a 0.9% increase in 2024. While China, the largest coal consumer globally, experienced a year-over-year rise in total coal use, the proportion of coal in its electricity generation has declined from 78% in 2000 to 58% in 2024, while renewables grew.

Takeaway: With electricity demand expected to rise significantly owing to advances in AI and ongoing electrification, the shift toward low-carbon electricity may increase the risk of stranded assets for fossil fuel operators, especially those reliant on coal, over the medium to long term. For further insights, refer to the *Energy Transition(s)* long-term investment theme from CIO.

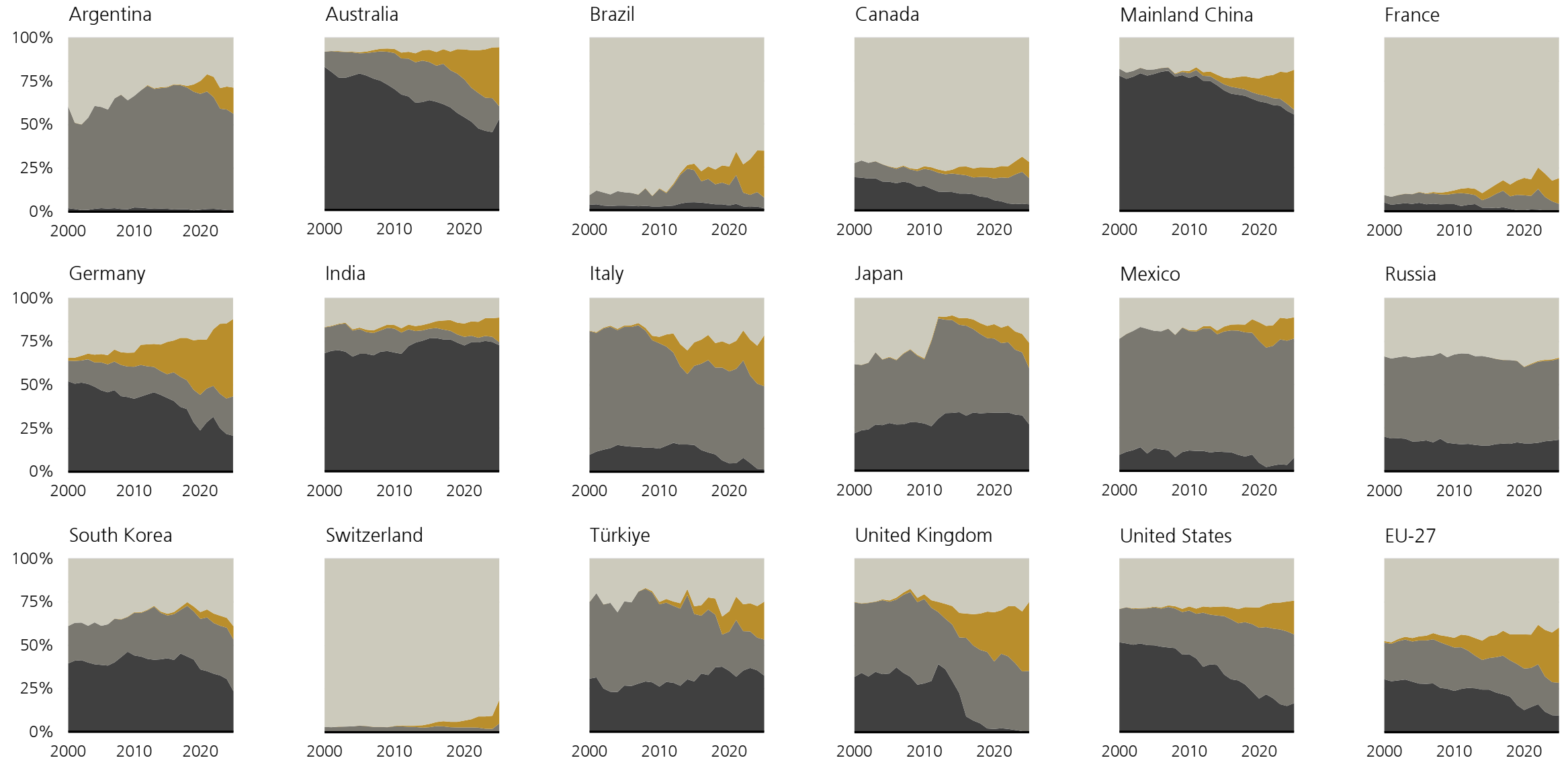
Electricity mix of the European Union and United States

Electricity generation in TWh (left axis) and share of renewables (right axis)



Source: Ember, UBS Global Wealth Management (through July 2025).

Greener grids: Electricity mix changes at a different pace across the globe



Greener grids: Renewables are driving electricity capacity additions

Global electricity capacity growth is driven by renewables

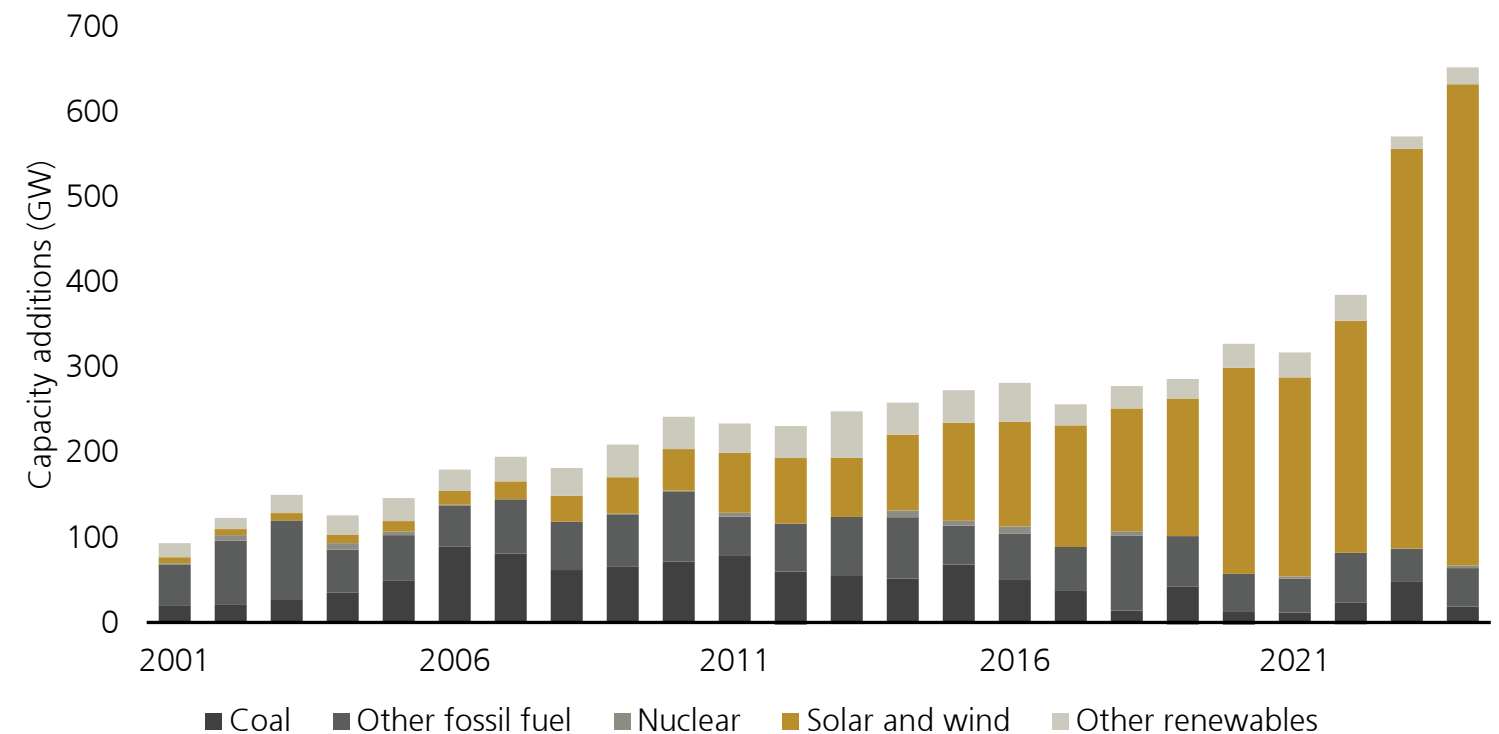
In 2024, nearly 90% of the new electricity capacity added worldwide came from renewable energy sources. Although fossil fuel capacity additions remain positive, they have declined considerably in recent years.

Net capacity additions accounted for 7.5% of the total power generation capacity last year, indicating that a large portion of global electricity still relies on non-renewable sources. China continues to lead in both installed capacity and capacity growth.

Takeaway: According to CIO, investing in renewable energy infrastructure is an attractive opportunity due to decreasing technology costs, the ongoing shift toward decarbonization, and increasing support from government policies and public funding. For more details, refer to CIO's *Power and resources* TRIO.

Global electricity generation capacity additions

Capacity additions by source, in GW



Source: Ember, UBS Global Wealth Management (2025).

Greener grids: US electricity capacity growth driven by renewables

Renewables account for 89% of new capacity additions in the United States in 2025

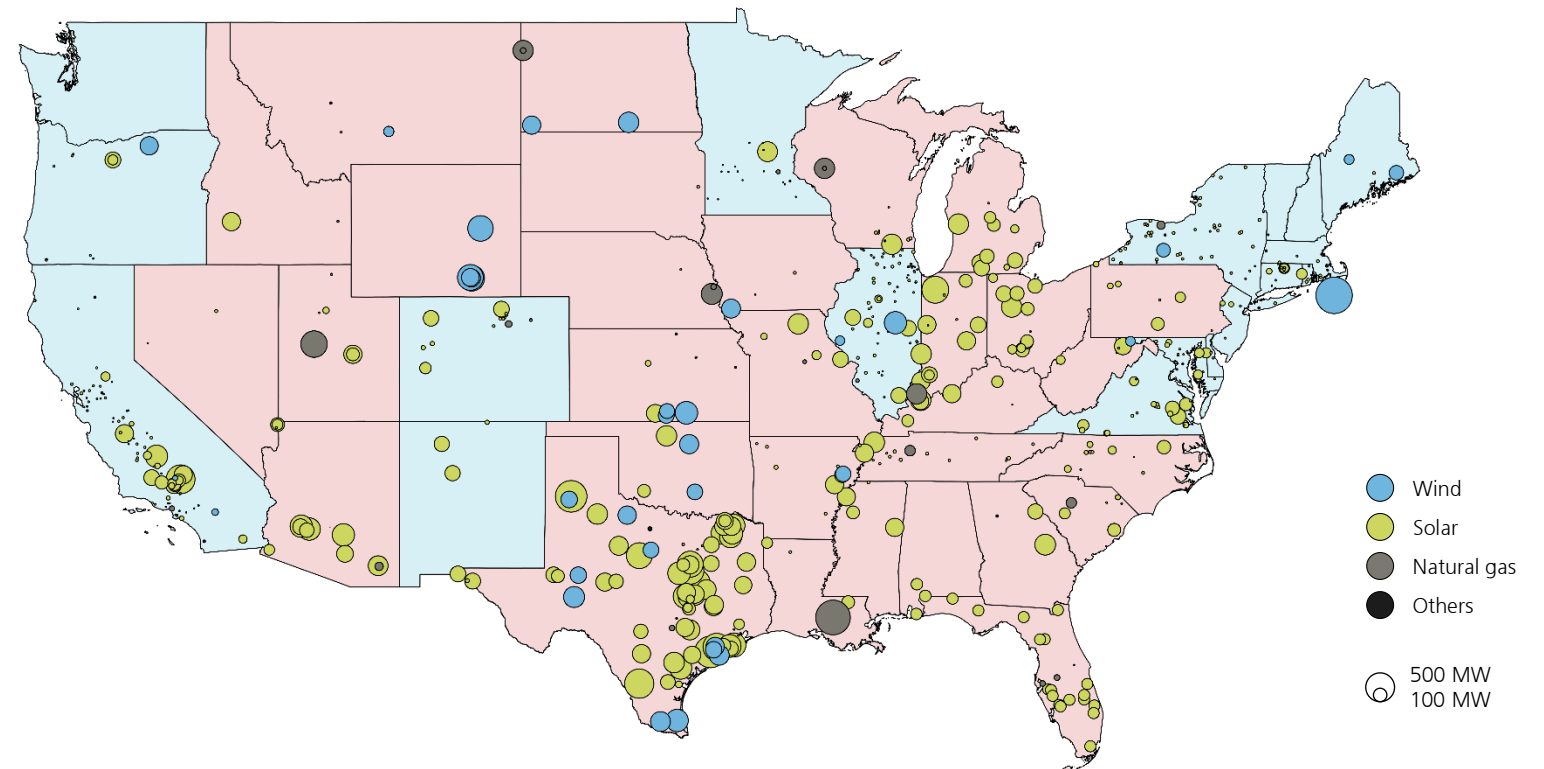
Data from the U.S. Energy Information Administration suggests almost 45 Gigawatts (GW) of additional power generation capacity will be added to the American grid in 2025.^[1] Of this new capacity, 89% is expected to be sourced from renewable electricity sources.

A significant share of new renewable projects are developed in Texas, where 13GW of solar capacity is expected to be added to the grid this year, as well as 2GW of wind capacity. This is more than six times as much as California is expected to add this year, the next largest developer of renewable electricity projects.

CIO sees US electricity demand rising rapidly, driven by AI data center growth, industrial reshoring, and electrification. For more details, refer to CIO's *Power and resources* TRIO.

New power plants in 2025 across the United States, by type

Bubbles represent new (or planned) power plants in the US for 2025, bubble size denotes capacity in MW



Note: State color denotes the winning party in the 2024 presidential elections, where red/blue represent a Republican/Democrat victory, respectively.
Source: U.S. Energy Information Administration, UBS Global Wealth Management (as of July 2025).

Decarbonization commitments: New targets slowing, validations on the rise

Corporate commitments to decarbonize continue, results need to follow

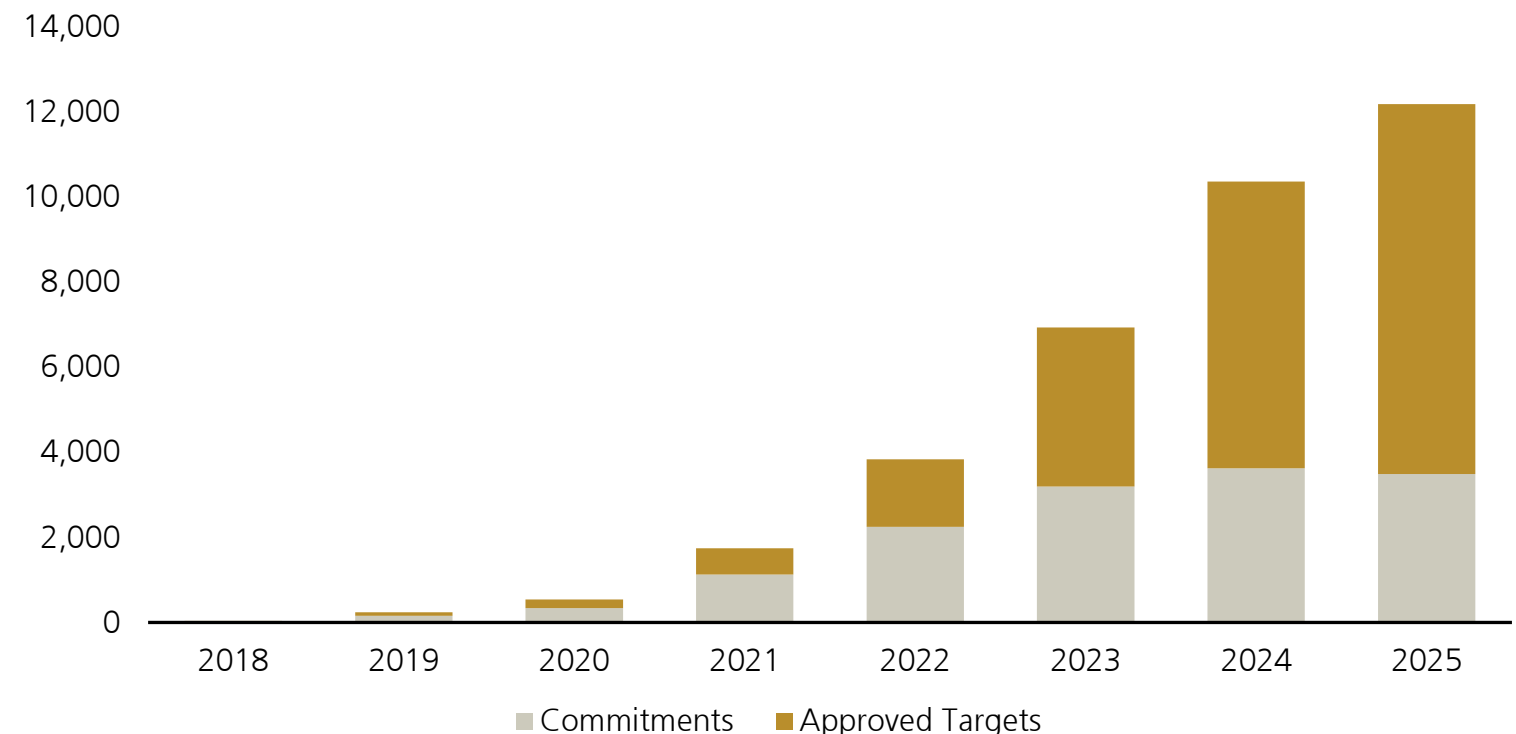
Science-backed commitments to decarbonization are positive, yet the true test lies in companies' capacity to execute these plans and meet their goals. For instance, tech firms have faced challenges in achieving their decarbonization targets, with emissions rising sharply owing to the expansion of AI. For more details, refer to CIO's [Sustainable investing perspectives](#) (07 June 2024).

There is notable concentration in the Industrials sector, where nearly 3,400 companies have approved decarbonization targets and an additional 1,000 have made related commitments. This sector accounts for nearly one-third of all such efforts.

Takeaway: Businesses are refining their decarbonization strategies to focus on feasible objectives. The sustained commitment signals potential investment opportunities in supporting solution providers; for example, commitments in real estate suggest prospects for HVAC companies.

Companies with science-based GHG emissions reduction targets

Number of companies with decarbonization commitments or verified targets



Source: Science Based Targets Initiative, UBS Global Wealth Management (as of July 2025).

Electric vehicles: Growth continues in China, fewer incentives in US and EU

EV sales growth remains in China, rebound in United States and Germany after slowdown

The global EV market, including plug-in hybrids, is likely to remain the fastest-growing segment of the auto market moving forward, but regional differences persist. According to BNEF data, EV sales in China grew 38% in 2024, with almost 4 million EVs sold during 4Q24. Growth continued in 1Q25, with sales increasing 33% relative to last year's first quarter.

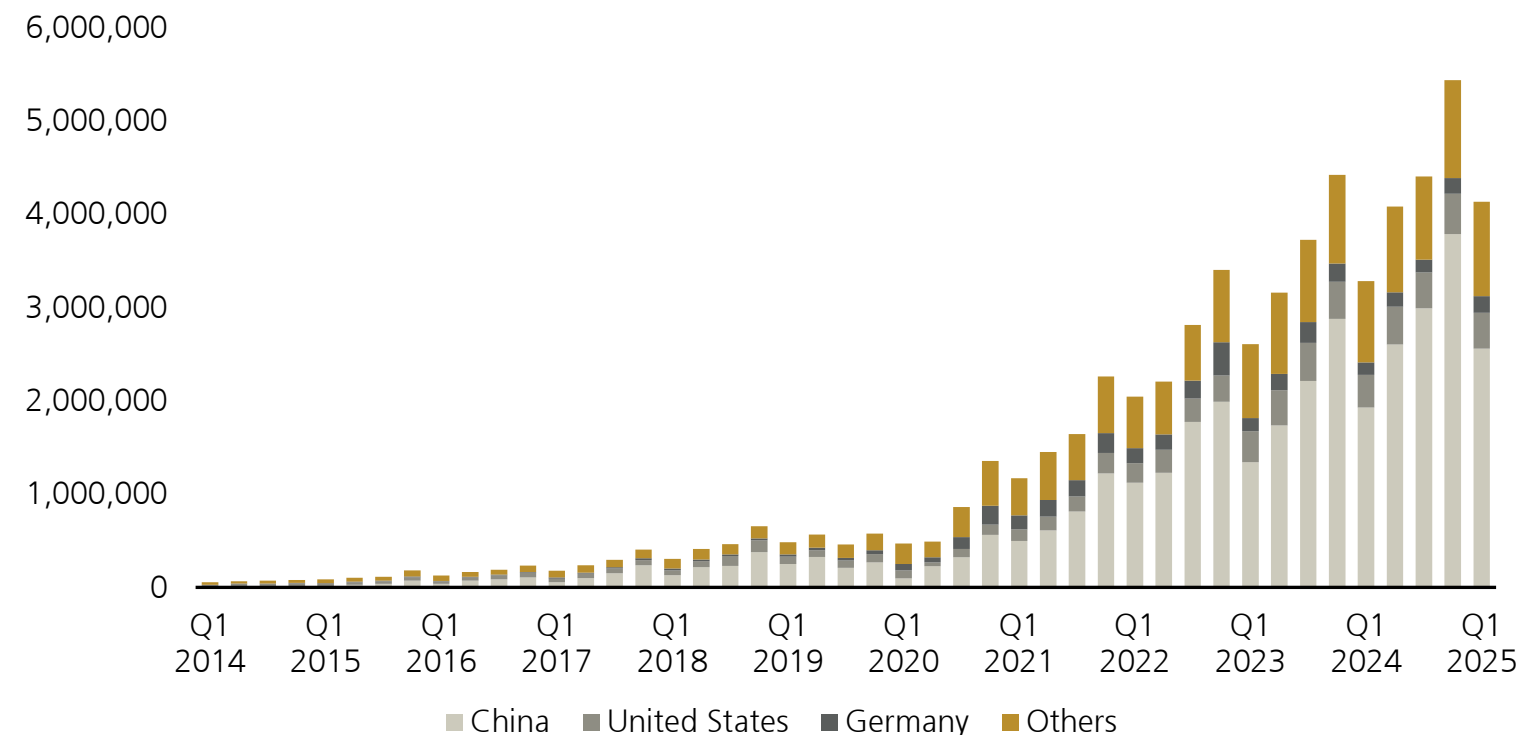
Near-term demand faces challenges in the US and in some European markets. President Trump's suspension of the USD 5bn EV charging infrastructure program will likely hurt further growth.

US EV sales grew 9% in 1Q25 relative to 1Q24, with sales in Germany increasing 36%. Sales in the rest of the world grew by 16% in the first quarter.

Takeaway: Selectivity remains important in the global EV supply chain, as geopolitical and tariff pressures continue. See CIO's *Smart mobility* LTI theme for more.

Electric vehicle sales globally and in key markets

Number of EVs sold per quarter across regions



Source: BloombergNEF, UBS Global Wealth Management (2025).

Electric vehicles: Buildout of charging networks needed to facilitate EV growth

Increasing availability of charging infrastructure drives EV adoption

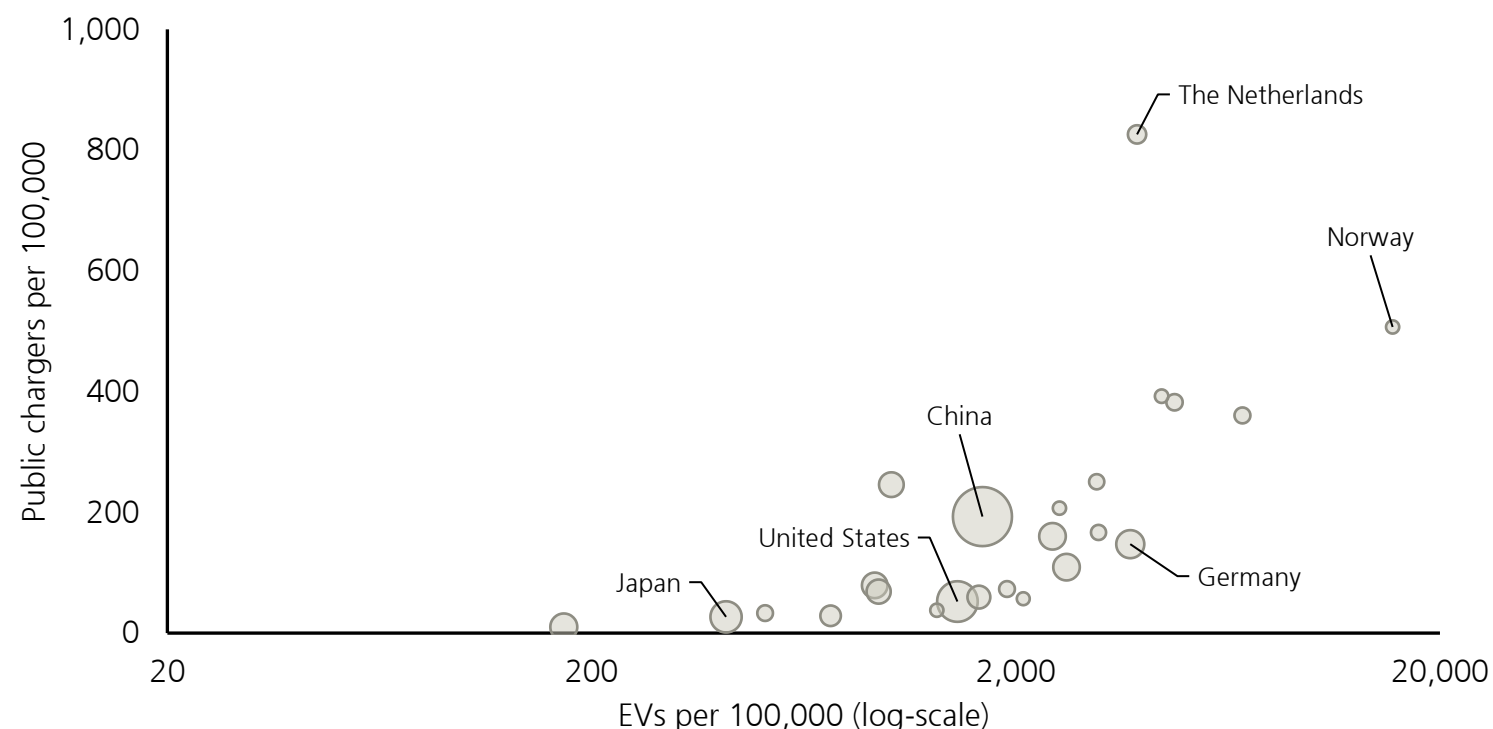
The availability and accessibility of public charging stations play a crucial role in encouraging EV adoption by helping to alleviate “range anxiety.” China, with nearly 3 million public chargers serving 24 million EVs, ranks third globally in charger availability, following South Korea and The Netherlands. In contrast, the United States has about 175,000 public chargers for close to 5 million EVs.

According to BloombergNEF, as the proportion of electric vehicles increases, investments ranging from USD 1.6 to 2.5 trillion will be necessary to expand charging infrastructure by 2050.

Takeaway: A comprehensive charging infrastructure is essential for boosting EV adoption. Expanding charging networks alongside greater affordability might facilitate the medium-term shift in transportation. For further insights, refer to CIO’s *Smart mobility* long-term investment theme.

EV adoption goes hand-in-hand with charging infrastructure

EVs and public chargers per 100,000 population; bubble size represents population size



Source: BloombergNEF, UBS Global Wealth Management (2025).

Nature: Impact of natural capital cuts across many sectors

Value of natural capital is increasingly recognized as financially relevant

CIO views nature as a vital pillar for the global economy, with over half of worldwide GDP reliant on healthy ecosystems—yet the importance of natural capital is frequently underestimated amid accelerating biodiversity loss. As businesses encounter growing operational, supply chain, and reputational risks, many are turning to nature-based solutions to enhance resilience and discover new prospects.

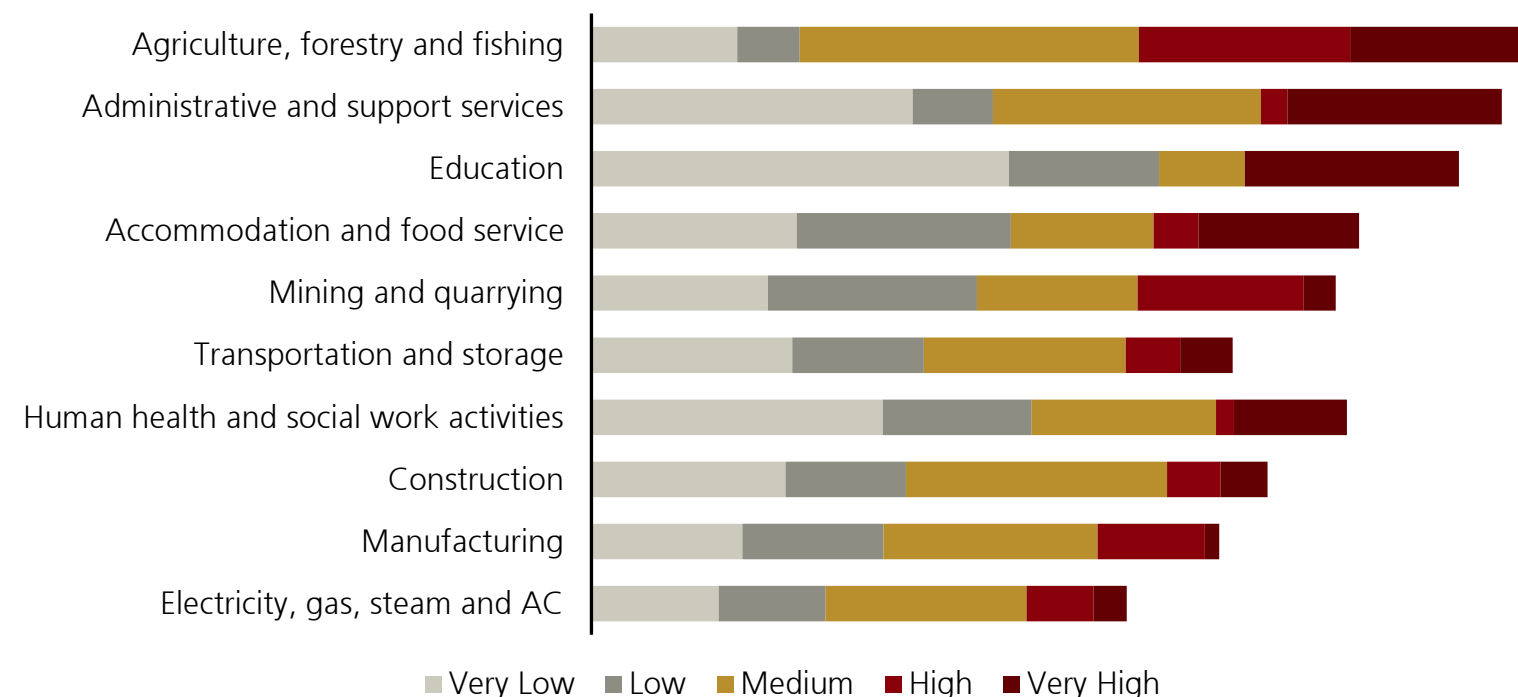
Given the significant financial impact of nature-related risks, investors are paying closer attention to companies tackling biodiversity decline. Industries heavily dependent on ecosystem services include agriculture, mining, and construction.

Takeaway: Investing in nature is still in its infancy, with risks and opportunities varying greatly by location. Consequently, investment approaches are often customized, and measurement standards continue to develop.

For further information, see the CIO publication '[An introduction to nature investing](#)' (06 June 2025).

Sectors most dependent on ecosystem services

Top 10 sector dependencies on nature ecosystems, weighted by materiality



Source: ENCORE, UBS Chief Investment Office (2025).

Investment solutions: Growing opportunity set for transition-focused investors

Increased focus on transition presents opportunity for investors

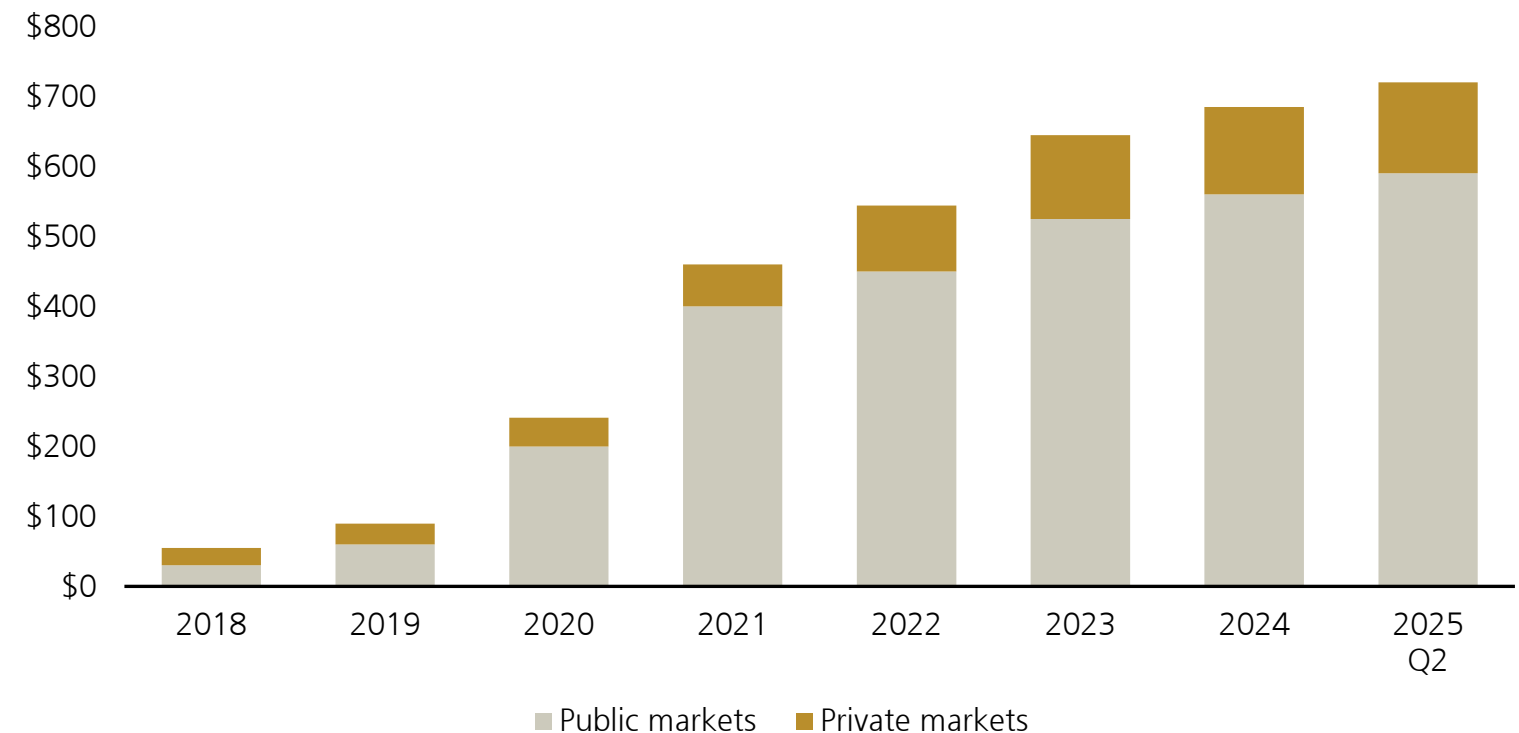
The transition to a low-carbon economy presents one of the largest investment opportunities of the current decade. It also is an incredibly complex challenge. Already accounting for two-thirds of the estimated total energy investment in 2024, the about USD 2 trillion being invested in clean energy annually needs to more than double by 2030 to achieve climate targets, according to IEA.

Historically, climate-focused investors have primarily addressed the transition through investments in climate solutions, including renewables. We observe an increasing interest in investments aligned with transitioning assets, as shown by MSCI data.

Takeaway: The transition to a low-carbon economy is a secular trend, that will play out across every sector and region and will affect every asset class. The holistic nature of the low-carbon transition lends itself to a portfolio approach, with cross-asset strategies offering diverse channels to capture opportunities. For more details, see the CIO report: [Investing in the transition](#) (03 January 2025).

Transition solutions have driven growth of assets in climate investment strategies

Assets under management for public markets, cumulative assets raised in private markets (both in USD bn)

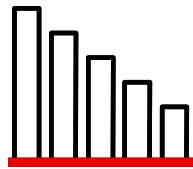


Source: MSCI, UBS Global Wealth Management (2025).

How to invest: Thinking about the transition in a portfolio context

Each of these approaches will result in distinct biases compared to a given benchmark, both on the equity and fixed income side. By selecting investment ideas across all three, investors can manage overall portfolio skews and manage risk and return potential.

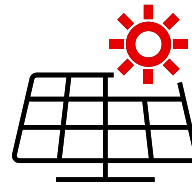
Transition leaders



Companies with a low emissions intensity (low-carbon leaders). Prioritizes excluding the most carbon-intensive investments and adjusts portfolio weights to reach a lower portfolio-level carbon intensity.

May help in minimizing future portfolio transition risk but does not drive real economy decarbonization.

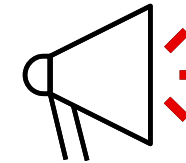
Transition solutions



Companies that are facilitating the transition to the low-carbon economy. Prioritizes investing in companies that offer solutions to tackling climate change or the effects thereof, rather than optimizing for portfolio-level carbon intensity.

Themes of interest include but are not limited to: *Energy transition(s)* and *Smart mobility*.

Transition improvers



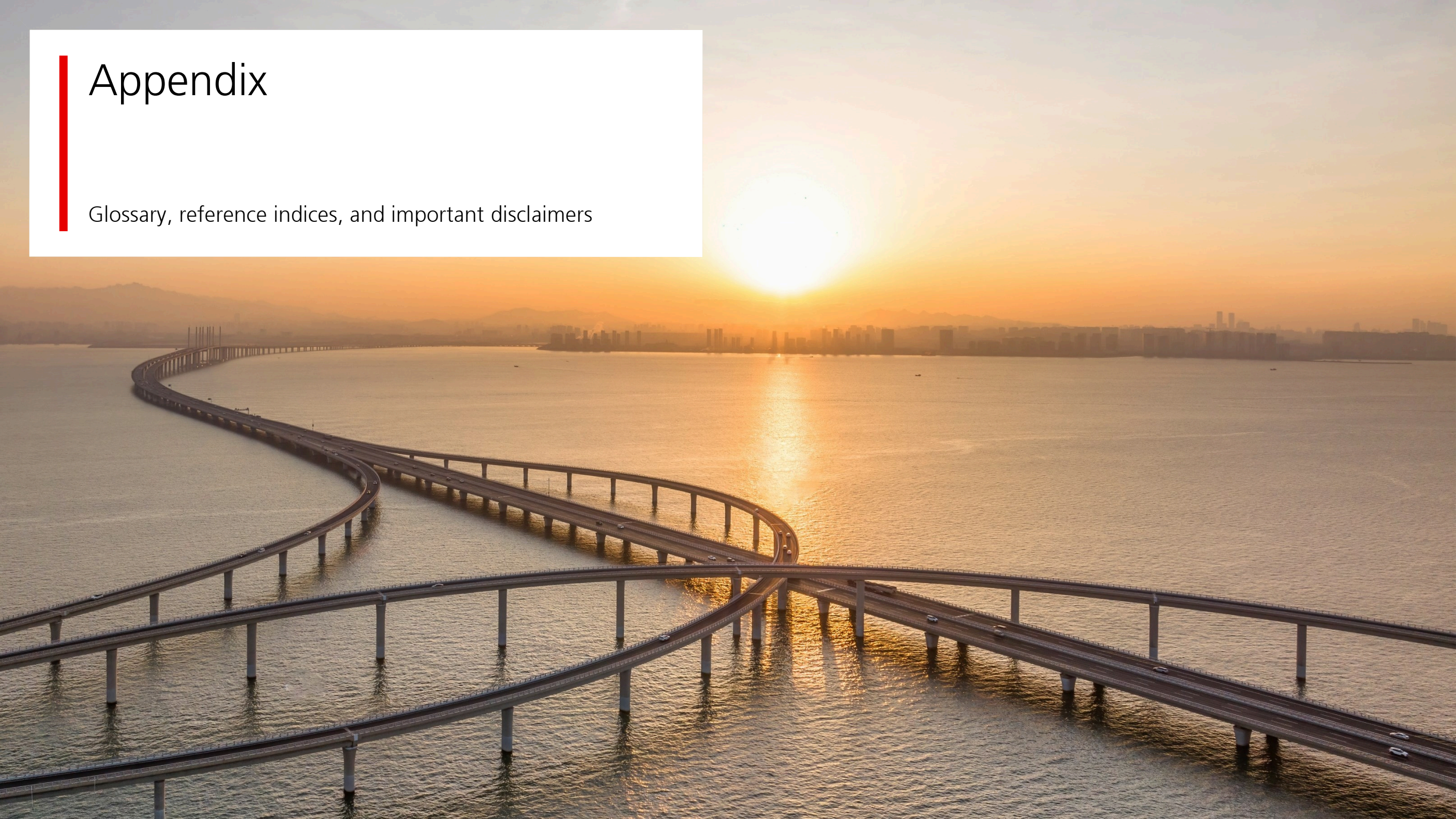
Targeted investments in companies that have future decarbonization potential. Often prioritizes carbon-intensive sectors and carbon-intensive companies within sectors, utilizing active ownership to drive real economy decarbonization.

May have a higher carbon footprint today but can be a driver of real economy decarbonization.

For more details, see the CIO report: [Investing in the transition](#) (03 January 2025).

Appendix

Glossary, reference indices, and important disclaimers



Glossary

Building block	Description
ESG engagement equities	Strategies where equity fund managers aim to actively engage company management to improve corporate performance on ESG issues and opportunities.
ESG engagement high yield bonds	Strategies where fixed income fund managers aim to actively engage company management to improve corporate performance on ESG issues and opportunities.
ESG improvers equities	Strategies that invest predominantly in equities of companies that are improving at managing a range of critical ESG issues.
ESG leaders corporate bonds	Strategies that invest predominantly in bonds of companies that manage a range of critical ESG issues and seize ESG opportunities better than their competitors.
ESG leaders equities	Strategies that predominantly invest in equities of companies that manage a range of critical ESG issues and seize ESG opportunities better than their competitors.
ESG thematic equities	Strategies that invest predominantly in equities of companies that sell products or services that tackle a particular environmental or social challenge, and/or whose businesses are particularly good at managing a single ESG topic or factor, such as gender equality.
Multilateral development bank bonds	Strategies that invest predominantly in bonds issued by MDBs, such as the World Bank directly or via passive or actively managed solutions. Proceeds are directed with the intent to generate positive environmental and/or social impact through development finance.
Sustainable municipal bonds	Strategies that invest predominantly in municipal bonds whose proceeds are designated to fund projects with specific social and environmental objectives.
Thematic sustainable fixed income	Strategies that invest predominantly in bonds that finance environmental and/or social projects and activities, as well as a transition process toward stronger ESG credentials. Investments can be implemented through individual securities or through passively or actively managed solutions. Bond investments in this asset class include green, social, sustainability and sustainability-linked bonds issued by public sector and corporate borrowers.
Sustainable investing	A set of investment strategies that incorporate material environmental, social, and governance considerations into investment decisions. These strategies usually seek to fulfill one or more of the following objectives: 1) achieve a positive environmental or social impact alongside financial returns; 2) align investments with personal values; and 3) improve portfolio risk-return characteristics.
Sustainability focus	When selecting an investment opportunity, sustainable investing considers environmental, social and governance issues alongside financial criteria. UBS provides knowledge, advisory and investment solutions for people looking to pursue a sustainable investing approach in their portfolios.
Impact investing	Investing with the explicit intent to generate a measurable and verifiable positive environmental and social impact alongside competitive financial returns. Examples include growth equity and venture capital strategies that invest in companies whose business models address specific sustainability challenges; equity and bond strategies with a focus on active engagement with public companies that are prioritizing sustainability outcomes; and bringing additional investment to multilateral development bank bonds focused on sustainable development activities.

These building blocks refer to approaches an investment strategy can take using sustainability information rather than a specific basket of securities. These approaches are presented and defined by UBS Global Wealth Management and may not reflect standard industry terminology or practice.

Indices referenced in this document

Index	Section	Description
MSCI ACWI	ESG leaders equities, ESG engagement equities	Large and mid cap representation across developed and emerging markets. Represents the global investable equity opportunity set.
MSCI ACWI Selection	ESG leaders equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI ACWI), based on ESG criteria.
MSCI USA	ESG leaders equities	Large and mid cap representation of the US market. Represents the US investable equity opportunity set.
MSCI Europe	ESG leaders equities	Large and mid cap representation of the European market. Represents the European investable equity opportunity set.
MSCI Asia Pacific	ESG leaders equities	Large and mid cap representation of the Asia-Pacific market. Represents the Asia-Pacific investable equity opportunity set.
MSCI China	ESG leaders equities	Large and mid cap representation of the Chinese market. Represents the Chinese investable equity opportunity set.
MSCI Emerging Markets	ESG leaders equities	Large and mid cap representation of Emerging Markets. Represents the EM investable equity opportunity set.
MSCI USA Selection	ESG leaders equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI USA), based on ESG criteria.
MSCI Europe Selection	ESG leaders equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI Europe), based on ESG criteria.
MSCI Asia Pacific Selection	ESG leaders equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI Asia Pacific), based on ESG criteria.
MSCI China Selection	ESG leaders equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI China), based on ESG criteria.
MSCI Emerging Markets Selection	ESG leaders equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI Emerging Markets), based on ESG criteria.
MSCI World	ESG leaders equities	Large and mid cap representation across developed markets. Represents the developed market investable equity opportunity set.
MSCI World Selection	ESG leaders equities, ESG thematic equities	Targets 50% free float-adjusted market capitalization of the parent index (MSCI World), based on ESG criteria.
MSCI Global Alternative Energy	ESG thematic equities	Large, mid, and small cap companies that derive at least 50% of their revenues from products/services in alternative energy.
MSCI World Energy	ESG thematic equities	Targets all companies classified in the Energy sector (based on GICS sector) in the parent index (MSCI World).
S&P Global Broad Market Index	ESG thematic equities	Large, mid, and small cap companies across developed and emerging markets. Represents the global investable equity opportunity set.
S&P Global Water Index	ESG thematic equities	Targets 100 companies that are involved in water-related businesses (Water Utilities & Infrastructure and Water Equipment & Materials).
MSCI ACWI SMID	ESG engagement equities	Small and mid cap representation across developed and emerging markets. Most engagement strategies target small and mid cap companies.
ICE BofA Global Broad Market Index	Thematic sustainable fixed income	Investment grade debt, constituting sovereign, quasi-government, corporate, securitized and collateralized securities.
ICE BofA Green Bond Index	Thematic sustainable fixed income	Investment grade debt, constituting sovereign, quasi-government, corporate, securitized and collateralized securities, qualified for green purposes.
Bloomberg U.S. Treasury 5-10	MDB bonds	U.S. Treasury bonds with a maturity of 5 to 10 years.
Solactive Global MDB Bond USD 5-10	MDB bonds	Bonds issued by multilateral development bank bonds, with a maturity of 5 to 10 years.
Bloomberg Global Aggregate Corporate Index	ESG leaders bonds	Investment grade debt issued by corporations across developed and emerging markets.
Bloomberg MSCI Global Corporate Sustainability Index	ESG leaders bonds	Investment grade debt issued by corporations across developed and emerging markets with strong ESG ratings.
European carbon credits	Carbon markets	European Union Allowance (EUA) for carbon emissions per ton of CO ₂ , nearest future (monthly continuation).
Coal	Carbon markets	Rotterdam coal futures, nearest future (monthly continuation).
Natural gas	Carbon markets	Dutch TTF natural gas futures, nearest future (monthly continuation).

Disclaimer

Information About Sustainable Investing Strategies

Sustainable investing strategies aim to incorporate environmental, social and governance (ESG) considerations into investment process and portfolio construction. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. The returns on portfolios consisting primarily of sustainable investments may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered, and the investment opportunities available to such portfolios may also differ.

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