EURAZEO

WHITE PAPER

# CAPITAL, THE ENVIRONMENT AND POWER IN THE 21ST CENTURY: **EUROPE IN POLE POSITION**

SEPTEMBER 2026

> Some scoff and say it's too late, but what lies ahead is not a big flash, like an atomic explosion might be – a brutal, instantaneous end to the world, a curtain falling, ignoring the possibilities sprouting up all around us. No, whatever happens, it's going to fall apart over the course of centuries, and it's not going to be a pretty sight.
> But this is what we must bear in mind if we are to think from the middle. So, my constant worry is: what can we create today that might eventually serve as a resource for those who come after us?
>
> **Isabelle Stengers,** *Résister au désastre*, 2019.

# CONTENTS

## White Paper



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# SUMMARY FOR **DECISION-MAKERS**

## A case study by private market practitioners

The political clamor surrounding the environmental backlash masks what is actually happening within sovereign wealth funds and pension fund managers: a massive wave of investment flowing into environmental solutions, for which Europe is one of the best-positioned regions.

**Yet, every year, there is a shortfall of between €350 billion and €550 billion[1] needed to restructure the European economy** and make it resilient to a climate crisis that is already underway. The main obstacle is neither capital, nor industrial capacity, nor science: it is the need to integrate approaches to climate action, defense and artificial intelligence (AI), which are currently treated as completely separate silos. It is also imperative to bring clarity to the range of sustainable funds on offer in order to support those that genuinely help reduce environmental pressures. **The shortfall in resources is essentially a problem of 'financial plumbing'.**

This White Paper calls for an update to the doctrine of environmental financing, and a complete overhaul of the analytical frameworks and tools that link savings to environmental solutions. Three levers can be activated quickly and alone could channel **between €200 and €250 billion towards environmental solutions over the next five to seven years, without any new public expenditure.** At the upper end of the range, this amount is equivalent to a full year's worth of Europe's investment deficit. **It also represents nearly twice the current annual European public funding effort[2].** This is therefore not a stopgap measure, but **the boost needed** to scale up transition financing.

### ENVIRONMENTAL SOLUTIONS: EURAZEO'S DEFINITION

Products, services and technologies that reduce pressure on ecosystems, restore natural resources and strengthen resilience to climate shocks. Eurazeo primarily invests in four key areas: renewable energy and the new electricity grid; water and resilient food systems; the circular economy and critical materials; and environmental intelligence and climate deep-tech.

*[1] Institute for Climate Economics (I4CE), The State of Europe's Climate Investment, 2026 edition, June 2026. Requirement of €878 billion per year, 2025 investment of €534 billion, shortfall of €344 billion; converging estimates from Bruegel ~€481 billion, ECB/Commission ~€406–477 billion.*
*[2] See the table 'Overview: €100–130 billion per year in European public funding for environmental solutions' in the appendix.*





## Three conflicting signals observed

**The physical signal is worsening:** Global warming has risen from 0.2°C per decade before 2015 to **0.35°C since[3];** a first tipping point has been crossed[4]; $224 billion in climate-related damage was recorded in 2025, the sixth consecutive year with over $100 billion in insured losses[5].

**Politics is taking a step backwards:** The *Inflation Reduction Act* (IRA) has been dismantled in the United States; Donald Trump has announced his withdrawal from the Paris Agreement; the European Omnibus Package has reduced the scope of the CSRD (Corporate Sustainability Reporting Directive) by 80%; the COP climate conferences have been weakened, and with them the multilateral progress made since the Paris Agreement.

**The economy is shifting:** Clean-tech accounts for 11.4% of **China's**[6] GDP; Microsoft is one of the world's leading purchasers of clean electricity, with a total of 34 GW[7]; 71%[8] of Limited Partners (LPs)[9] view Climate & Impact as a massive and inevitable driver of growth. Although regulatory requirements imposed on sustainable funds have led to reclassifications that give the impression of a pullback, **players committing capital over a 20-year horizon are not buying into the backlash.**

The Iranian crisis of February 2026, the sixth major fossil fuel shock since 1973, confirms a reality that is now central: **the phase-out of fossil fuels is no longer merely a climate objective, but a prerequisite for economic sovereignty.** Every surge in oil or gas prices acts as an external levy on the European economy, fueling inflation, trade deficits, and often public spending to offset inflation, and ultimately deindustrialization due to a lack of competitiveness. As Mario Draghi pointed out, European businesses still pay four to five times more for gas than in the United States[10]. In this context, **electrification, decarbonization and local energy production are no longer merely environmental policies: they are a policy for regional power for Europe.**

## The European paradox

Eurazeo estimates the **total value of private market Article 9 funds with an environmental focus at €98.5 billion.** This figure does not represent the total funding for environmental solutions provided by private markets; Article 8 funds may also contribute to this. However, the lack of transparency prevents us from providing an accurate picture of this effort, which is nonetheless essential given the severity of the environmental crisis. Furthermore, there is currently no incentive to set up a private market Article 9 environmental fund, for which team costs, methodological constraints and reporting requirements are higher. Following an initial surge of interest in Article 9 funds when the SFDR regulation was introduced in 2021, stricter requirements from supervisory authorities have led to a wave of voluntary downgrades to the Article 8 category, mainly in listed markets. This could have been interpreted as the end of a cycle in favor of the environment; this is not the case.

THE REAL PROBLEM, THEREFORE, IS NOT A BACKLASH AGAINST ENVIRONMENTAL ISSUES, BUT A **LACK OF TRANSPARENCY.**

**The investment case for environmental solutions has never been stronger:** China has made them a macroeconomic driver, the energy transition towards renewable energy (RE) is underway, and the world's largest pension funds and sovereign wealth funds, such as Temasek and the Net-Zero Asset Owner Alliance – which represents $9,200 billion in assets under management – continue to commit capital to them over 20 or 30-year horizons.

What is lacking, first and foremost, is **transparency regarding the available options**: surprising as it may seem, there is no directory listing and describing investment funds committed to the environmental transition, nor is there any way to compare them using standardized indicators.

**Europe must raise its financing ambitions.** Between €100 to €130 billion of public funding is allocated each year to the private sector to finance environmental solutions, of which only €8 to €10 billion goes to investment funds. We need to remove the current regulatory barriers to increase the mobilization of public and private capital[11].

*[3] Grant Foster and Stefan Rahmstorf, 'Global Warming Has Accelerated Significantly', Geophysical Research Letters, March 6, 2026.*
*[4] T. M. Lenton et al., eds., The Global Tipping Points Report 2025 (Exeter: University of Exeter, 2025). Coral reefs have already passed their thermal tipping point.*
*[5] Munich Re, 'Climate Change Presses On: Devastating Wildfires and Intense Thunderstorms Exacerbate Losses for Insurers', press release, January 13, 2026.*
*[6] Lauri Myllyvirta and Belinda Schaepe, 'Clean Energy Drove More Than a Third of China's GDP Growth in 2025', Carbon Brief, February 5, 2026.*
*[7] Microsoft, 2025 Environmental Sustainability Report, May 29, 2025, p. 4.*
*[8] Rede Partners, Private Markets Climate and Impact Report, November 2025.*
*[9] Limited Partners (LPs) are the clients and investors (pension funds, insurance companies, sovereign wealth funds, family offices, etc.) of private markets funds*
*[10] Mario Draghi, The Future of European Competitiveness, European Commission, September 2024, p. 6.*
*[11] See the table 'Overview: €100–130 billion per year in European public funding for environmental solutions' in the appendix.*

## Three doctrines, three pieces of evidence, three proposals

### Three doctrinal shifts

- **Civil sovereignty:** We propose to stop compartmentalizing defense, AI and climate. These three priorities lie at the heart of European sovereignty objectives and involve five vital flows – energy, critical materials, water, food and environmental intelligence – which must also be addressed collectively rather than in silos.
- ***Mitig'adaptation*:** Every euro invested should pass two tests: it must not worsen climate change and must be compatible with the climate conditions of the future. Mitigation and adaptation should be considered together.
- **Planetary Boundaries:** Investments should also be assessed against the nine planetary boundaries to avoid continuing to fragment the living world into separate segments (biodiversity, climate, water, the circular economy, etc.).

### Three examples of feasibility

**Three European models are paving the way:** The Danish model (a population of six million, around €51 billion allocated by Danish pension funds to environmental solutions[12], whilst Copenhagen Infrastructure Partners (CIP) has raised over €37 billion to finance energy infrastructure worldwide[13]; the Dunkirk model (€4 billion in public funds + €9 billion in private funds, 16,000 jobs at a single site[14]); financing the real economy through the Italian *Piano Individuale di Risparmio* (PIR) (€26 billion in assets under management by the end of 2025[15]).

**Five super-cycles are already underway in Europe:** Europe can draw on markets that are already robust and growing across the continent, such as sovereign electricity and heat (new grid, storage, geothermal energy), water (notably with the French 'water school' which is making its mark worldwide), food, the circular economy, critical materials, and the computational biology revolution. By 2025, Europe had become one of the world's leading hubs for investment in transition strategies.

### Three proposals

In this White Paper, Eurazeo sets out three interlinked proposals. The first forms the foundation; the second and third are levers for direct action. Taken together, they provide the impetus called for in this White Paper **to scale up funding for environmental transition and adaptation.**

| | |
|---|---|
| 1 | Create a public European reference directory of private market environmental funds that includes descriptions and comparable indicators. |
| 2 | Facilitate the allocation of capital by insurers and pension funds to private market environmental funds by extending the Solvency II/IORP II prudential exemption to Article 9 funds (SFDR) and funds falling within the future 'Sustainable' category (SFDR 2.0). |
| 3 | Mobilize the Scale-Up Facility of the future European Competitiveness Fund to create at least two *Scaleup Europe* funds, each worth €5 billion, dedicated to financing environmental solutions. |

## Our conviction

**This is no longer an economy to build; it is an economy to grow.** The tools, capital and companies already exist. What is missing is the architecture that links them, and greater transparency and efficiency in the processes needed to transform them into global champions.

*[12] 'Danish green pension investments increase despite global uncertainty', European Pensions, June 23, 2025.*
*[13] Copenhagen Infrastructure Partners (CIP), 'Copenhagen Infrastructure Partners Raises EUR 1.3 bn for the 2nd Vintage of Its Flagship Credit Strategy at First Close', press release, March 10, 2026.*
*[14] Institut Montaigne, Dunkirk: a testing ground for industrial renewal?, December 2025.*
*[15] Assogestioni, Observatory on Individual Savings Plans, May 2026.*

WHITE PAPER | ENVIRONMENTAL SOLUTIONS

# EDITORIAL

**Sophie Flak**
Member of the Executive Board, Managing Partner – Sustainability, Impact & Tech

## A plea for thoughtful action in the face of the climate tsunami

### "HEAT IS COMING."

On April 30, 2026, James Hansen, the climatologist who warned the US Senate in 1988 about the risks of global warming, wrote[16] that **the current year could become the hottest ever experienced by humankind**, exacerbated by an earlier-than-usual Super *El Niño*.

The heat and the drought it causes are a defining feature of our era, the one that is changing everything: social practices, the resilience of humans, animals, plants, materials, infrastructure, buildings and economic models.

Having heard warnings for several years now, our minds have gradually become accustomed to them. **This emergency signal has not yet disrupted our daily lives**, particularly in towns and cities, or if it has, only sporadically, during natural disasters, massive wildfires or heatwaves, such as those Europe experienced in the summer of 2026. We file this information away alongside the other news we receive every day.

'We'll see when the time comes,' we tell ourselves. Some even think the alerts are exaggerated, if they do not simply dispute their very basis. Between habit and the unsettling unfamiliar, the former prevails.

When, in 2004, an earthquake struck the Indian Ocean, triggering one of the most devastating tsunamis ever recorded on Earth, we saw those terrifying images: some people stood motionless on the beach, paralyzed by the approaching wave; others fled in panic. **Instead of paralysis or flight, we propose thoughtful, preventative action.**

It is in this spirit that we have produced this White Paper, to anticipate the scale of the wave that has already begun to make itself felt, and, whilst it remains possible, to limit its consequences, mitigate its intensity and prepare to face what will inexorably come.

We have also written it to challenge the notion that there is a retreat from environmental issues. Whilst political signals may give this impression, this is not the case in the investment arena: institutional investors, sovereign wealth funds, pension funds and private sector players are staying the course and continue to view **the environmental transition as a structural driver of value creation and resilience.**

> WE ARE NOT IN A CYCLE OF DISILLUSIONMENT; WE ARE GOING THROUGH A PERIOD OF UNCERTAINTY.

[16] *James Hansen, "2026 On Track for Warmest Year", Substack, April 30, 2026.*





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Furthermore, we have written it to highlight the reality of the market for environmental solutions: one of the most promising areas of opportunity of our time. **The investment theses have never been stronger, and the opportunities more numerous**. We speak here as practitioners in the private markets, with €2.3 billion of assets under management dedicated to environmental solutions[17], notably through four environmental impact strategies.

Lastly, we have written it because, against a backdrop of shrinking public funding and in the face of the urgency and severity of the environmental crisis, we cannot afford to allow investment strategies that ignore the situation to take hold. Time is running out. **The two super-cycles of artificial intelligence (AI) and defense will tie up a massive proportion of capital for the next five to seven years.**

We are not in a cycle of disillusionment; we are going through a period of uncertainty. **Europe has considerable assets that could make it a leading hub for environmental solutions**: a world-class scientific base, a recognized capacity for innovation, as well as a deep, diverse and dynamic entrepreneurial ecosystem. It has the means to turn this transition into a driver of competitiveness as well as a source of resilience and sovereignty.

This requires a shift in approach, moving away from siloed thinking, increasing transparency, and directing more funding towards projects capable of demonstrating a real, measurable and sustainable impact.

This is the aim of the three proposals set out in this White Paper, designed to turn our analysis into a concrete course of action.

[17] *Companies identified by Eurazeo, within its generalist and thematic impact strategies across all its business segments (Private Equity, Private Debt and Real Assets), as having products, services or technologies that provide solutions to the most pressing environmental challenges, based on their valuations as at June 30, 2026.*

WHITE PAPER | ENVIRONMENTAL SOLUTIONS

PART 1
Diagnostic

# THREE **CONFLICTING SIGNALS**

The physical deterioration and the political de-prioritization create the impression that environmental strategies are being abandoned. This impression is false. It confuses climate policy, which fluctuates in line with electoral cycles, with the transition economy and the growing commitment of investment funds to financing environmental solutions.

# 1. THE PHYSICAL SIGNAL: A PROVEN ACCELERATION

The year 2024 was the warmest on record, exceeding 1.5°C on average for the first time[18]. 2025 ranks second at +1.44°C, according to the World Meteorological Organization (WMO), above the 1850–1900 average. **The last 12 years are the 12 warmest ever recorded**. The WMO now considers keeping global warming below 1.5°C to be 'virtually impossible' without the widespread use of $CO_2$ removal technologies, which have not yet delivered on their promise[19]. The Postdam Institute for Climate Impact Research (PIK) study published in March 2026[20] establishes, based on its own methodology, that the rate of warming has clearly accelerated: it rose to 0.35°C per decade between 2015 and 2025, compared with an average of 0.2°C per decade over the period 1970–2015. **Climatologist James Hansen now forecasts a rise of 1.7°C as early as 2027**[21].

Even more worrying: *the Global Tipping Points Report 2025*[22], prepared by 160 scientists from 87 institutions across 23 countries, states that **coral reefs have already passed their thermal tipping point** and that the tipping point for the polar ice caps is imminent. The Amazon is at risk of turning into savannah with warming of between +1.5 and +2°C.

The financial impact has already been quantified. Munich Re, one of the world's largest reinsurance groups, has estimated that **natural disasters in 2025 will have caused $224 billion in economic damage, of which $108 billion is insured** – marking the sixth consecutive year that the figure has exceeded $100 billion[23]. The Los Angeles fires alone cost $61 billion in January 2025, of which $35 billion was borne by insurers. Swiss Re, the other long-established reinsurance giant, estimates that **insured losses have been growing by 5–7% per year in real terms since 1995**[24], and that the threshold of $300 billion in annual economic losses is no longer a statistical anomaly but a plausible event[25]. Zurich Insurance estimates cumulative economic losses over the last decade at $2,000 billion and describes the outlook as "alarmingly bleak"[26]. The gravity of these signals cannot be ignored or put off by an asset manager.

**What has changed since 2024**

- **Rate of warming:** +0.35°C per decade over the period 2015–2025, compared with an average of +0.2°C per decade over the period from 1970 to 2015 (PIK, March 2026).
- **+1.5°C threshold:** Exceeded on an annual average basis for the first time in 2024 (exceeded in a single year; the long-term target of the Paris Agreement remains defined as a multi-year average). James Hansen forecasts +1.7°C in 2027.
- **Tipping points:** The first tipping point has been crossed regarding corals; the second, involving the polar ice caps, is said to be imminent; the Amazon is at risk of reaching a tipping point within the decade.
- **Insurance costs:** $108 billion in insured losses in 2025, the sixth consecutive year above $100 billion. The decade 2015–2025 will have cost $2,000 billion in cumulative climate-related damage.

*[18] This threshold applies to a single calendar year only and is distinct from the long-term threshold of the Paris Agreement, which is defined as a multi-year average spanning approximately 20 years.*
*[19] International Energy Agency (IEA), 'Policy and financing momentum sustain CCUS progress despite setbacks', March 27, 2026.*
*[20] Potsdam Institute for Climate Impact Research (PIK), 'Significant acceleration of global warming since 2015', March 6, 2026.*
*[21] 'State of the climate 2025', Carbon Brief, January 14, 2026.*
*[22] T. M. Lenton et al., eds., The Global Tipping Points Report 2025 (Exeter: University of Exeter, 2025).*
*[23] Munich Re, 'Climate Change Presses On: Devastating Wildfires and Intense Thunderstorms Exacerbate Losses for Insurers', January 13, 2026.*
*[24] Swiss Re Institute, 'Natural Catastrophes — Insured Losses on Trend to USD 145 Billion in 2025', April 29, 2025.*
*[25] Swiss Re Institute, 'Hurricanes and Earthquakes Could Lead to Global Insured Losses of USD 300 Billion in a Peak Year', April 29, 2025.*
*[26] Munich Re, Natural disaster figures 2025, January 2026; Swiss Re Institute, Sigma 1/2026 — NatCat 2025: wildfire and storm risk, 2026.*

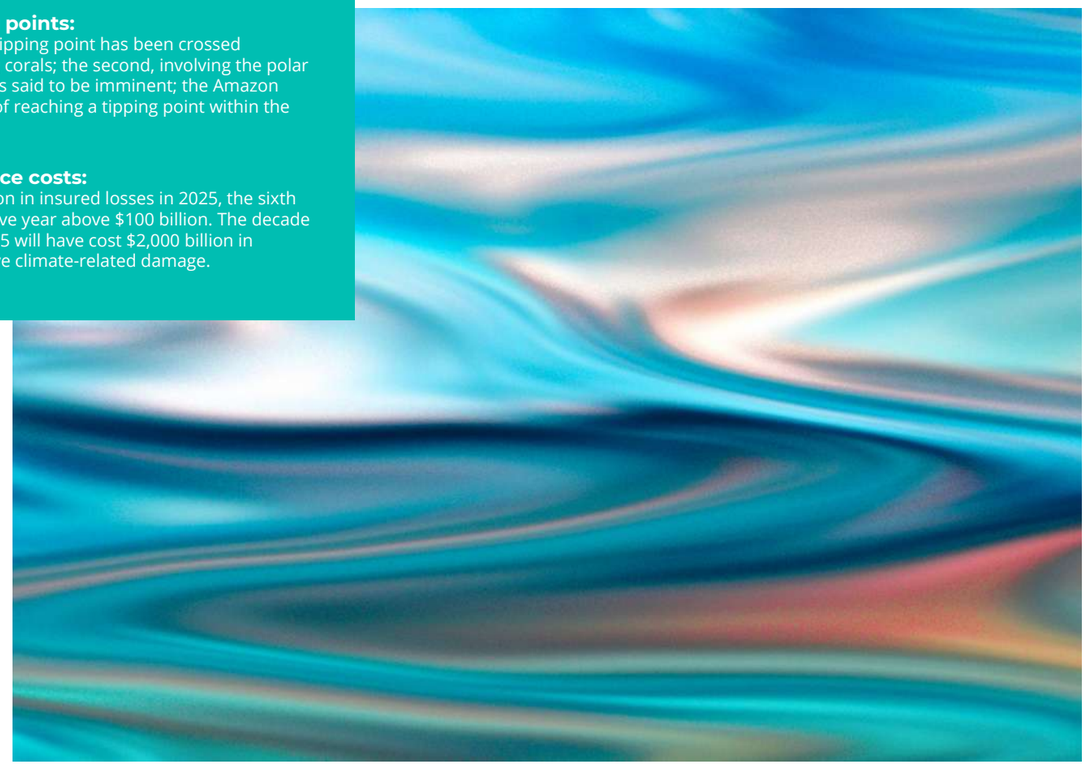




# 2. THE POLITICAL SIGNAL: CLIMATE IS NO LONGER THE PRIORITY

**In the United States, the Trump administration has undertaken more than 50 steps to dismantle or scale back federal climate measures since January 2025.** The Inflation Reduction Act (IRA) – the largest climate investment in US history, with an initial budget of $369 billion[27] and an estimated real cost of $825 billion over 10 years according to the Congressional Budget Office (CBO)[28] – is undergoing substantial revisions: restrictions on tax credits for solar and wind power, and the acceleration of their expiry dates.

In February 2026, **the Trump administration officially repealed the the Environmental Protection Agency's (EPA) 2009 Endangerment Finding,** which recognized that greenhouse gases pose a threat to public health. This document formed the legal basis for the entire US federal climate policy. However, this repeal – which constitutes one of the most significant challenges to US federal climate policy – is already the subject of major legal challenges and has not, to date, been upheld by the Supreme Court[29].



> A BACKTRACK IS ALSO EVIDENT IN EUROPE.

A similar backtrack is also evident in Europe. **While the official narrative remains that of the Green Deal[30], the political landscape has been marked by a series of measures aimed at easing regulatory requirements** in response to competitiveness concerns.

In February 2026, the Omnibus Package[31] introduced substantial simplifications of several pillars of the European sustainability regulatory framework. The **Corporate Sustainability Reporting Directive (CSRD)** saw its scope significantly narrowed through higher applicability thresholds, drastically reducing the number of companies covered from 50,000 to 10,000. Reporting requirements were also streamlined. The **Corporate Sustainability Due Diligence Directive (CS3D)**, adopted in 2024 to require large companies to assess their social and environmental impacts across their value chains, was also significantly revised: its entry into force was postponed by one year, application thresholds were increased, monitoring obligations were refocused on direct suppliers, periodic assessments were made less frequent, requirements relating to climate transition **plans were eased, and penalties for non-compliance were reduced[32].**

*[27] U.S. Department of the Treasury, « Treasury Announces Guidance on Inflation Reduction Act's Strong Labor Protections », communiqué de presse, 29 novembre 2022.*
*[28] Reuters, 'US clean energy tax subsidies to cost $825 billion over 10 years, CBO says', January 17, 2025.*
*[29] Environmental Protection Agency (EPA), 'President Trump and Administrator Zeldin Deliver Single Largest Deregulatory Action in US History', press release, February 12, 2026.*
*[30] The European Green Deal, launched in 2019 by European Commission President von der Leyen, sets out a plan to transform Europe's energy, transport and industries for a more sustainable future.*
*[31] European Commission, Omnibus package, April 1, 2025.*
*[32] Council of the EU, "Council signs off on simplification of sustainability reporting and due diligence requirements to boost EU competitiveness", press release, February 24, 2026.*

> THE DANGER IS NOT THE BACKLASH BUT THE COMPARTMENTALIZATION OF INVESTMENT STRATEGIES.

At the same time, the European Union has granted car manufacturers a further three years to meet the $CO_2$ emissions targets due to come into force in 2025, in order to avoid financial penalties deemed excessive for an industry in difficulty. The European regulation against imported deforestation (EUDR[33]), although presented as one of the flagship pieces of legislation under the Green Deal, was postponed by one year, and several provisions were subsequently relaxed under pressure from trading partners and certain industrial sectors. Finally, the debates launched in late 2025 regarding the relaxation of the ban on internal combustion engine vehicles in 2035 illustrate a shift in Europe's political center of gravity: **industrial competitiveness and economic sovereignty now appear to take precedence over the acceleration of climate regulations… even though the two could go hand in hand.**

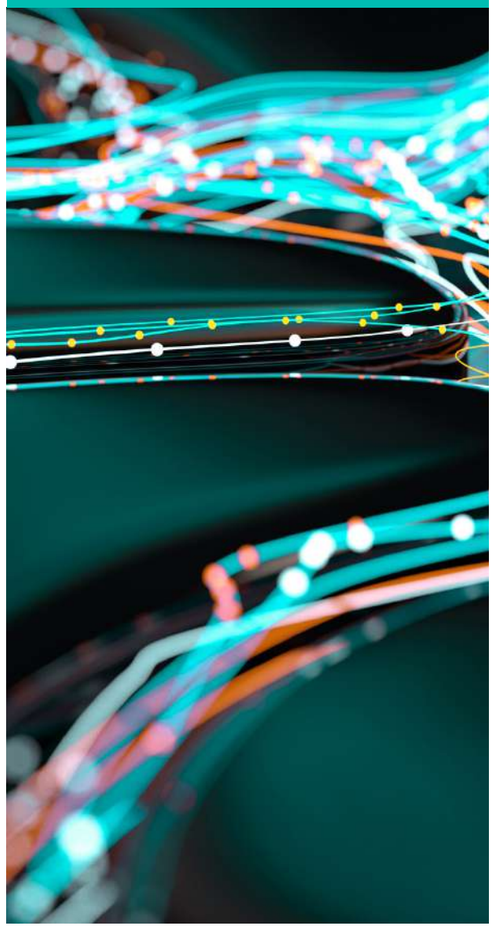
These three environmental signals coincide with two other major trends that have a direct impact on private equity: the explosion of artificial intelligence (AI) and its infrastructure, and rising defense spending. **AI and defense are capturing all the attention**:

- In 2025, according to the OECD, **global venture capital investment in AI reached nearly $260 billion, accounting for 61% of total global venture capital flows**, compared with just 30% in 2022[34]. Of this $260 billion, the United States accounted for 75% and the EU-27 for 6% – less than California alone[35]. The combined annual capital expenditure (CAPEX) of the four largest hyperscalers for the construction of AI data centers is expected to exceed $410 billion in 2026, whilst the sector as a whole is projected to reach $725 billion in 2026[36].
- **Defense spending by European NATO allies reached €343 billion in 2024 and €381 billion in 2025.** European private markets invested €37 billion in defense in 2005; 20 years later, this figure had more than tripled to reach €130 billion. Venture capital investment in European defense start-ups reached $1.5 billion in 2025, a record high[37]. Stéphane Boujnah, Chairman of Euronext, now refers to the 'ESG of tomorrow' as the concept encompassing Energy, Security and Geopolitics.

**Key takeaways**

**The danger, therefore, is not the media-hyped 'backlash' against climate change. It lies in the compartmentalization of investment strategies.**

These two super-cycles – AI and defense – are very real. The sums involved are staggering. They will tie up capital for five to ten years, which is the typical duration of a private equity fund. If investment in environmental solutions is not considered in conjunction with these cycles, it will automatically be scaled back over the coming decade. Yet this is precisely the period when certain physical tipping points may be crossed and when extreme weather events are expected to become more frequent and intense, the IPCC has established with a very high degree of certainty that temperature extremes will increase.



*[33] Council of the EU, 'EU deforestation law: Council formally adopts its one-year postponement', press release, December 18, 2024.*
*[34] OECD, "AI firms capture 61% of global venture capital in 2025", press release, February 17, 2026.*
*[35] OECD, Venture Capital Investments in Artificial Intelligence Through 2025 (Paris: OECD Publishing, February 17, 2026).*
*[36] "Google outpaces rivals as Big Tech's AI spending plans rise to $725bn", Financial Times, April 30, 2026.*
*[37] European Council, 'EU defence in numbers', 2026.*





# 3. THE ECONOMIC SIGNAL: THE INVISIBLE GROUNDSWELL

## 3.1. Investment flows have shifted towards electrification

In 2025, global energy investment reached a record high of $3,300 billion. However, it is the breakdown of this figure that is significant as it indicates a historic reversal. According to the International Energy Agency (IEA), in 2015, investment in fossil fuels exceeded that in electricity generation, grids and storage by 30%. Today, these proportions have been completely reversed. **Clean technologies[38] now attract around $2,200 billion, double the amount spent on fossil fuels, and account for nearly 67% of total energy investment,** compared with 44% in 2015[39]. This major trend towards the electrification of entire sectors of the global economy is cementing the case for decarbonization over the long term, a process that is undoubtedly irreversible. The demand for air conditioning, the development of AI, and the concern among countries without their own oil and gas reserves not to rely on foreign supplies are likely to further accelerate this shift.

**In China, the clean-tech sector is no longer merely an industrial sector: it is becoming a major macroeconomic driver.** According to analyses published by Carbon Brief, based on the work of economist Lauri Myllyvirta – an energy specialist and co-founder of the Centre for Research on Energy and Clean Air (CREA) – activities related to clean technologies are projected to generate around $2,100 billion in 2025, representing 11.4% of China's GDP and more than a third of the country's economic growth[40]. If China's clean-tech industries were a country, they would today be the 8th largest economy in the world. China had already invested nearly $625 billion in clean energy technologies by 2024[41], accounting for around a third of global investment. This momentum is now set to continue: **the 15th Chinese Five-Year Plan (2026–2030)[42], adopted in March 2026, sets out the objective of developing 'an ecological civilization'** with quantified targets for reducing $CO_2$ emissions per unit of economic growth, forest cover, concentrations of fine particulate matter in the air, etc. As a symbol of this transformation, the journal Science named the "now largely irreversible rise of renewable energy" in China as its "Breakthrough of the Year" in 2025[43].

**In the United States itself, despite the political shift mentioned, the hyperscalers Amazon, Meta, Google and Microsoft accounted for around half of the clean energy purchase agreements** signed worldwide in 2025. Microsoft has become one of the world's leading purchasers of clean electricity, with 34.7 GW contracted as at 31 December 2024[44]. Even more striking: in March 2026, for the first time in American history, low-carbon energy sources supplied more electricity (51%) than fossil fuels[45].

**A historic global shift towards clean technologies**

In 2025, global energy investment reached a record high of $3,300 billion. Funding for clean energy, at $2,200 billion, was twice that for fossil fuels. In China, clean technologies account for 11.4% of the country's GDP and a third of its growth. In the United States, low-carbon energy sources provided 51% of electricity, overtaking fossil fuels in March 2026.

> INVESTMENT IN CLEAN TECHNOLOGIES IS ALMOST DOUBLE THAT IN FOSSIL FUELS.

*[38] As defined by the IEA: renewable energy, nuclear power, electricity grids, storage, low-carbon fuels, energy efficiency and the electrification of end-use sectors.*
*[39] International Energy Agency (IEA), Executive summary, World Energy Investment 2025, June 2025.*
*[40] 'Clean energy drove more than a third of China's GDP growth in 2025', Carbon Brief, 2026.*
*[41] International Energy Agency (IEA), World Energy Investment 2025, June 2025.*
*[42] MERICS, Deciphering the 15th Five-Year Plan, March 19, 2026.*
*[43] 'Breakthrough of the Year 2025', Science (AAAS), December 2025.*
*[44] Microsoft, 2025 Environmental Sustainability Report, May 28, 2025, p. 4.*
*[45] 'Fossil Fuels Fall Below 50% of US Electricity for the First Month on Record', Ember Energy, April 2025.*

## 3.2. Environmental solutions are becoming the backbone of a new global economy

The strongest signal in favor of the climate groundswell in 2025–2026 does not come from the major financial consortia, whose communications have been tailored to political caution. It comes from the world's largest capital allocators: sovereign wealth funds and long-term asset owners. These players are obliged to take a long-term view, as some of them are responsible for safeguarding their clients' pensions; their investment horizon spans several decades, their size automatically exposes them to systemic risks, and their vision is one of the most influential on the markets.

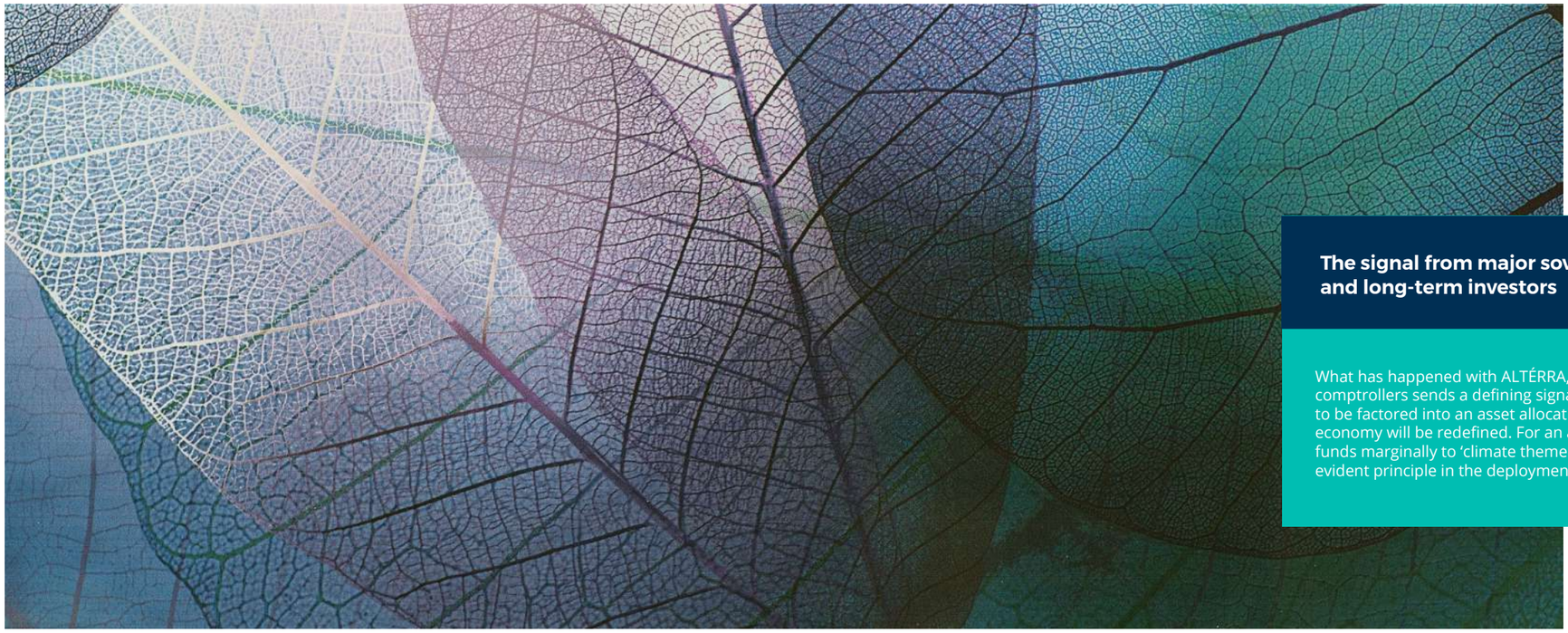
### The Temasek signal: *'a fundamental rewiring of the physical economy'*

Two developments illustrate this shift, and both originate from sovereign wealth funds. The first is the creation of ALTÉRRA[46] by the United Arab Emirates, launched at COP28 in December 2023. With $30 billion in assets, **ALTÉRRA is not just another 'climate' thematic fund: it is a large-scale mobilization platform**, designed to catalyze up to $250 billion in investment by 2030 through partnerships with Brookfield, BlackRock, TPG and KKR, and more recently with European funds.

The second, more recent initiative, comes from Singapore. **Temasek, which holds a portfolio of over $430 billion and is one of the world's most sophisticated sovereign wealth funds**, set out its strategy through its Chief Sustainability Officer, Kyung-Ah Park, in 2025[47]. According to her, the energy transition should no longer be viewed as an investment theme: it is *"a fundamental rewiring of the physical economy and the underlying infrastructure"*[48]. This phrasing is fundamental. It is no longer a question of adding a 'green' layer to the existing economy, but of **rebuilding the framework on which the economy rests**.

This shift has three direct consequences for European institutional investors:

- **The scope for investment is expanding considerably**. Opportunities are no longer limited to renewable energy, but include electricity grids, storage, energy efficiency, industrial decarbonization, water, mobility, construction, resilient agriculture, the circular economy, etc.; in short, the entire economy rather than just one segment.
- **Strategies are becoming hybrid**, at the crossroads of infrastructure, private equity and private debt, with a focus on complete value chains rather than isolated assets.
- **Sovereign wealth funds are repositioning themselves as indispensable strategic partners**, capable of structuring investment platforms on a global scale.



[46] *ALTÉRRA, "UAE commits US$30 billion in catalytic capital to launch ALTÉRRA", press release, COP28, December 2023.*
[47] *Michael Bowen, 'Temasek takes energy transition beyond renewables', New Private Markets, April 28, 2026.*
[48] *Temasek, Sustainability Report 2025, July 2025.*





### The steadfastness of long-term asset owners and the US response

Another trend remains consistent: **the oldest climate alliance, the Net-Zero Asset Owner Alliance (NZAOA)** brings together 86 major asset owners – mainly pension funds and insurers – representing nearly $9,200 billion in assets under management. In particular, these institutions manage the savings of young workers who are today aged between 25 and 30 and plan over a horizon of three to four decades to ensure that pensions are paid out. Almost all members (79 out of 86) have published decarbonization pathways aligned with a scenario limiting the rise in temperatures to 1.5°C. In 2023, **their investments in climate solutions reached $175 billion, bringing the total to over $555 billion since 2019**[49].

**These investors operate under a framework known as 'universal ownership'**: as they hold broadly diversified portfolios, they cannot shield themselves from environmental risks regardless of the sectors in which they invest. As Ellen Quigley, a research professor at the University of Cambridge, states: "They cannot diversify away from systemic risks such as climate change, biodiversity loss, rising inequality, and global pandemics, and can only counter whole-system threats by effecting change in the real economy"[50]. **Their long-term performance depends on the collective resilience of the economy and ecosystems**. They are therefore staying the course.

These underlying trends are complemented by a whole range of indicators that contradict the notion of a backlash:

- In August 2025, **a coalition of 17 directors and comptrollers[51] from Democratic states** (grouped under Americans for Responsible Growth), representing over $3,000 billion in pension assets, sent **a joint letter to BlackRock and 16 other major asset managers, asking them to *"reaffirm their commitment to managing long-term climate risks"***, in direct response to the Republican letter of July 2025 which called for the opposite[52], a sign of the existence of countervailing forces in the United States.
- The **Net-Zero Asset Managers initiative (NZAM)** itself, having been suspended in early 2025 following BlackRock's withdrawal, **relaunched its activities in February 2026 with more than 250 signatories and an updated framework**, now dominated by British, European and Australian asset managers. Proof, if any were needed, that the doctrine has not collapsed: it has become more refined and shed its opportunistic positions.
- **Among Limited Partners (LPs), the trend is clear.** According to a survey conducted by Rede Partners at the end of 2025, amongst a sample of 60 institutional LPs, allocations to Climate & Impact strategies rose by 22% between November 2023 and November 2025, and a further increase of 16% is anticipated over the next 12 months. **71% of LPs believe that Climate & Impact are a massive and inevitable driver of growth.** The growth in funding for environmental and climate solutions is no longer limited to venture capital or specialized funds. Strategies directly linked to the energy transition (renewable energy, grids, storage, electrification, energy efficiency and industrial decarbonization, etc.) now account for tens of billions of dollars in annual fundraising on private infrastructure markets. **By 2025, Europe had become one of the world's leading hubs for fundraising in these strategies**, overtaking the United States in several segments of the transition market[53].

### The signal from major sovereign and long-term investors

What has happened with ALTÉRRA, Temasek, the NZAOA and the rallying of the Democratic comptrollers sends a defining signal. Climate is no longer simply an investment segment to be factored into an asset allocation; it is the framework within which the entire physical economy will be redefined. For an asset manager, the challenge is no longer to allocate funds marginally to 'climate themes', but to integrate this transformation as a central, self-evident principle in the deployment of capital.

[49] *Net-Zero Asset Owner Alliance (UNEP FI), Demonstrating 1.5°C-aligned decarbonisation — Fourth Progress Report, 2025.*
[50] *Ellen Quigley, 'Universal Ownership in Practice', Social Science Research Network (SSRN), 2020.*
[51] *An elected public office in many US states, primarily responsible for overseeing public finances.*
[52] *NYC Comptroller, 'Comptroller Lander recommends pension boards drop BlackRock, Fidelity and PanAgora due to inadequate decarbonisation plans', press release, November 26, 2025; 'State financial officers ask Wall Street for better climate risk management after net-zero coalition exodus', edie, August 30, 2025.*
[53] *Rede Partners, Impact Report 2025, November 2025.*

WHITE PAPER | ENVIRONMENTAL SOLUTIONS

PART 2
Doctrine

# THREE DOCTRINAL **SHIFTS TO BE MADE**

The European debate on environmental investment remains trapped in artificial dichotomies: defense funds versus climate funds, mitigation versus adaptation, and carbon versus biodiversity. These dichotomies are no longer operational. They do not describe the physics of the climate, the geopolitics of value chains, or the actual functioning of private markets.

We propose three doctrinal shifts to move away from segmenting investment approaches.

# 1. CIVIL SOVEREIGNTY: BREAKING DOWN THE SILOS BETWEEN AI, DEFENSE AND CLIMATE

We have outlined the significance of funding allocated to AI or defense, which is in addition to all other investment themes, including those relating to the environment. At present, European priorities are addressed through separate approaches. Whilst the objectives converge, the means of action keep them apart:

**Europe's strategic priorities**

| Priorities | Current investment themes | What they have in common |
|---|---|---|
| **Defense of borders and populations / territorial resilience** | Defense funds | Autonomy · Resilience · Relocation |
| **Supply sovereignty / securing value chains** | Industrial funds | Autonomy · Resilience · Circularity · Relocation |
| **The New Economy of AI and Physical AI** | Tech and deep-tech funds | Autonomy · Relocation |
| **Combating climate change and environmental pressures** | Environmental solutions funds | Autonomy · Resilience · Circularity · Relocation |

**Climate security is also a matter of national security.** NATO has officially identified climate change as a 'threat multiplier'[54]. **Modern defense technology should be conceived in a systemic way**: a material capable of withstanding extreme battlefield conditions can also be used to tackle heatwaves. Drones can be used to fight forest fires or to transport supplies to mountain villages cut off by a landslide.

Europe, which is heavily dependent on hydrocarbon imports but has significant potential for producing synthetic fuels, could develop a coordinated civil-military strategy for alternative fuels. This strategic project would serve a dual purpose: to accelerate the decarbonization of civil aviation whilst, in the long term, strengthening Europe's energy resilience and self-sufficiency in supply for certain critical applications, particularly in the defense sector.

Similarly, **an AI agent or service can manage an electricity grid, optimize irrigation, model climate risk** and have strategic applications in the military sphere.

This is not a marginal issue: it is the layer of innovation where the value of the next ten years will be determined.

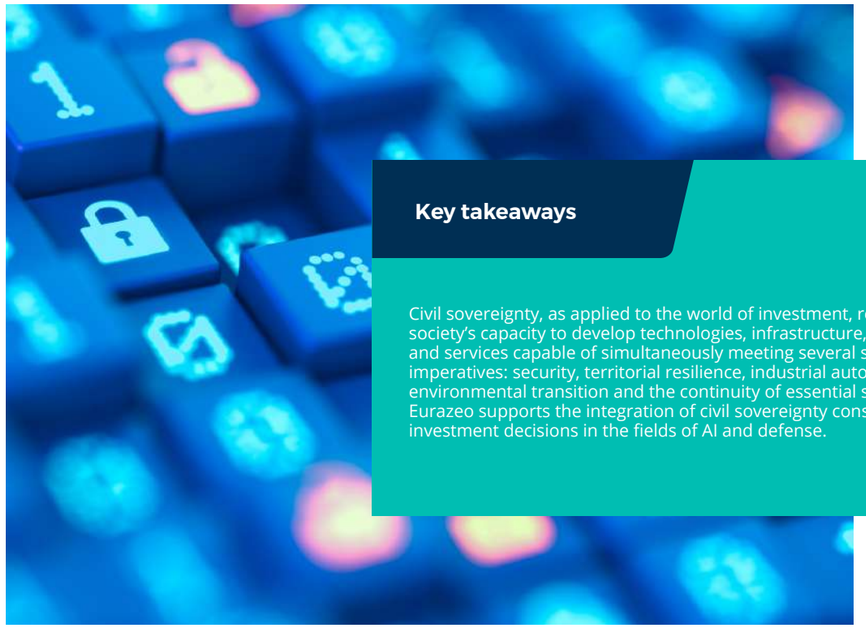
> CIVIL SOVEREIGNTY CONSTITUTES A EUROPEAN STRATEGY FOR MITIGATING INDUSTRIAL AND TECHNOLOGICAL RISKS.

[54] *North Atlantic Treaty Organization (NATO), Climate Change and Security Action Plan, official document, June 14, 2021.*









**Key takeaways**

Civil sovereignty, as applied to the world of investment, refers to a society's capacity to develop technologies, infrastructure, products and services capable of simultaneously meeting several strategic imperatives: security, territorial resilience, industrial autonomy, environmental transition and the continuity of essential services. Eurazeo supports the integration of civil sovereignty considerations into investment decisions in the fields of AI and defense.

Within a civil sovereignty framework, **dual-use technology is no longer merely a marginally positive externality. It becomes a guiding principle for capital allocation.** For investors, this approach offers several structural advantages:
- Diversification of commercial opportunities;
- Greater depth of addressable markets;
- Greater resilience of public and private demand;
- Reduced regulatory risk;
- Pooling of infrastructure and R&D expenditure;
- Limiting the risk of technological stranded assets.

In other words, civil sovereignty should not be viewed as an ESG constraint applied to defense or AI. It constitutes a European strategy for mitigating industrial and technological risks.

The challenge is no longer simply to fund critical sectors. It is a matter of identifying assets capable of simultaneously strengthening several dimensions of European resilience. **We will not have enough capital for all the priorities we need to address simultaneously if we develop them in silos**, without any common ground.

It is probably at this intersection – between defense, AI, critical infrastructure and the environmental transition – that a significant part of the industrial and strategic value of the next ten years will be built.

**Five vital streams underpin this civil sovereignty:**

- **Energy:** Europe needs decarbonized electricity, sovereign heat supply and energy storage in order to break free from dependence on Russian gas and American liquefied natural gas (LNG), whilst continuing to support the solar value chain (inverters, panels, batteries, etc.) so as to provide European alternatives to current suppliers.
- **Critical materials:** Europe must continue to develop the recycling of materials (steel, plastics, construction waste, etc.), upcycling and closed-loop systems. The European Union's Critical Raw Materials Act sets targets for 2030 – 10% extraction of critical materials, 40% processing and 25% recycling – which will require industrial-scale deployment, for which funding has yet to be secured.
- **Water:** According to the European Central Bank (ECB), 15% of the euro area's GDP is exposed to water stress[55]. In the summer of 2025, the EU suffered agricultural losses amounting to €43 billion[56]. In several regions of Southeast Europe, the JRC MARS Bulletin, the European Commission's scientific service, has documented yield losses that have become irreversible due to the combined effects of droughts and heatwaves, particularly in Hungary, Romania and Bulgaria[57].
- **Feed:** 96% of soya meal – an essential ingredient in livestock feed – is imported, whilst only 3% of the EU's utilized agricultural area is devoted to protein crops[58]. European protein self-sufficiency is a strategic issue as serious as energy self-sufficiency.
- **Environmental intelligence:** Satellite observation, modelling, sensors and AI applied to the environment are strategically important in two ways. They enhance decision-making capabilities and contribute to innovation capacity in new solutions.

This analytical framework aims to ensure that strategic and sovereign elements vital to Europe are not overlooked.

[55] *European Central Bank (ECB), 'The European economy is not drought-proof', May 23, 2025.*
[56] *ECB and University of Mannheim, Dry-roasted NUTS: early estimates of the regional impact of the 2025 extreme weather, September 17, 2025.*
[57] *European Commission, JRC MARS Bulletin – Crop monitoring in Europe – August 2025, Vol. 33, No. 7, August 2025.*
[58] *Directorate-General for Agriculture and Rural Development (DG AGRI), Feed Protein: Overview of EU Production and Options to Diversify Sources, May 24, 2024.*

# 2. *MITIG'ADAPTATION:* MOVING BEYOND THE MITIGATION-ADAPTATION DIVIDE

Since the Paris Agreement was signed in 2015, the bulk of climate finance has been channelled towards mitigation, i.e. reducing emissions. **Adaptation has remained the neglected pillar of climate action, wrongly perceived as a sign of resignation,** or worse, as a way of maintaining business as usual. This division is a legacy of diplomacy. It no longer makes sense for investment in 2026.

### A textbook example: The clay shrink–swell phenomenon

**In France, public schemes aimed at improving housing remain largely fragmented.** For example, *MaPrimeRénov'*, launched in 2020, provides funding for energy-efficiency renovations, including roof and wall insulation. *MaPrimeAdapt'*, introduced in January 2024, supports the adaptation of homes for older people and individuals with disabilities. Together, these two schemes – neither of which address the physical risks faced by buildings – accounted for €3.77 billion in public funding in 2024[59].

At the same time, **12.1 million homes in France are exposed to the risk of clay shrink–swell**, a phenomenon that weakens their foundations as a result of successive droughts. To help prevent the resulting structural cracking, a new Clay Risk Prevention Fund (FPA) was launched on a pilot basis in October 2025 across 11 departments. The scheme has been allocated €30 million[60], a sum that falls well short of estimated needs. By April 2026, only 218 households had benefited from it[61].

**But what is the point of insulating a roof if the walls are cracking apart?** This fragmentation of support schemes – spanning energy efficiency, ageing-in-place adaptation, clay risk prevention and post-damage repairs – is also reflected in investment strategies. Each company tends to remain within its own area of responsibility, to the detriment of a more integrated approach, as illustrated in the example below.

### Integrated example: A supermarket facing flooding

The power is cut off, and the cold chain is disrupted. If a supermarket installs solar panels and a secure, flood-proof electricity storage system, it boosts its resilience to extreme events and at the same time reduces its emissions. **Mitigation then becomes a tool for adaptation. This is '*mitigation-adaptation*'.**

Agrivoltaics follows the same logic by combining mitigation – through clean energy – with adaptation by protecting crops from heatwaves. A storage system coupled with local solar power boosts decarbonization and a region's resilience in the face of growing risks.

**Every euro invested in infrastructure or a physical activity should now pass two tests**

- **Mitigation test:** No worsening of climate change (alignment with the 1.5°C / 2°C pathway, documented reduction in Scope 1, 2 and 3 emissions where applicable).
- **Adaptation test:** Remaining physically resilient under future climate conditions (documented resilience to risks for 2030–2050, including water, heat, extreme weather events, flooding, cyclones and fires).

**The best opportunities meet both requirements simultaneously.**

**IN THE EURAZEO PORTFOLIO**

WaterDirect

**Water Direct** is the UK's leading provider of alternative water supply solutions. Its acquisition by Eurazeo Transition Infrastructure Fund (ETIF) illustrates how an emergency response service can evolve into a permanent resilience infrastructure, along with the associated value-creation potential. Through its WaterTight offering, Water Direct is transforming a cyclical, event-driven business into a recurring revenue model built on long-term contracts.

[59] *National Housing Agency (Anah), Anah's 2024 Review: a massive effort to improve housing renovation, January 2025.*
[60] *Ministry for Ecological Transition / beta.gouv.fr, Clay Prevention Fund, 2025–2026.*
[61] *'Clay shrinkage and swelling: the government promises to scale up the prevention fund', Maire-Info, May 2026.*





# 3. PLANETARY BOUNDARIES: ADOPTING A SYSTEMIC APPROACH TO ENVIRONMENTAL ISSUES

The current range of financial products (water funds, biodiversity funds, funds dedicated to the decarbonization of value chains, funds dedicated to the circular economy, etc.) is an administrative legacy. It replicates the fragmentation of public policy. Yet the planet's physical systems do not operate in silos.

**The Planetary Boundaries provide a single, systemic and science-based reference framework encompassing nine dimensions**: climate change, biosphere integrity (biodiversity), land-system change, freshwater use, disruption of the nitrogen and phosphorus cycles, ocean acidification, stratospheric ozone depletion, atmospheric aerosol loading, and novel entities, such as PFAS, plastics and other synthetic chemical substances[62].

**They currently provide the most comprehensive framework for assessing environmental impacts.** While the European Taxonomy, the SFDR Regulation and the CSRD have moved in that direction, they do not cover each of the nine planetary boundaries identified by the scientific community with the same level of granularity. Three risk areas, in particular, warrant significantly greater attention:

- **Land-system change:** A bioenergy project or certain infrastructure may meet the climate criteria of the Taxonomy whilst contributing to land sealing or the degradation of ecosystems.
- **Disruption of the nitrogen and phosphorus cycles:** Biogeochemical disruptions linked to agricultural fertilizers or certain industrial sectors constitute one of the planetary boundaries that have already been exceeded, yet they do not feature as a standalone pillar within the taxonomic framework.
- **Novel entities:** An industrial project or a battery value chain may be considered compatible with the taxonomy whilst using substances for which future clean-up costs will be massive. The Forever Pollution Project investigation, coordinated by *Le Monde*[63], estimates that the clean-up of PFAS in Europe could cost between €95 billion and €2,000 billion over 20 years, depending on the scenarios considered.

> THE PLANET'S PHYSICAL SYSTEMS DO NOT OPERATE IN SILOS.

**The Planetary Boundaries framework thus enables a shift from a focus on regulatory compliance to one of systemic resilience**, by explicitly incorporating all the dimensions now identified by science as critical, along with their interactions.

Eurazeo, through its Eurazeo Planetary Boundaries Fund (EPBF), has developed a private equity vehicle explicitly built around this scientific framework. This fund has been designed to enable the scaling up of environmental solutions to reverse or adapt to the overshooting of planetary boundaries, whilst offering a return profile that meets the highest standards within its asset class. **EPBF stands out for its innovative approach, applying a rigorous, science-based methodology to its investment strategy.** The nine-dimension framework is not a moral constraint imposed on compliance; rather, it serves as a tool for anticipating hidden costs, a method for avoiding tomorrow's stranded assets and for identifying what will be truly sustainable – and therefore have strong growth potential.

[62] *Katherine Richardson et al., "Earth beyond six of nine planetary boundaries", Science Advances, September 2023.*
[63] *"PFAS: the staggering cost of decontaminating Europe", Le Monde, January 14, 2025.*

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PART 3
Market

# THE SUPER-CYCLES OF THE DECADE

This section is not intended to provide an exhaustive matrix of European investment opportunities in environmental solutions. Our aim is more focused: to demonstrate that the market for environmental solutions is a growth market, that capital is flowing into it despite the political noise, even if it is not yet at scale, and that Europe is fertile ground that still needs to be nurtured.

**Investment opportunities in Europe are already extensively documented:** by the major European Letta and Draghi reports on competitiveness and the transition, by major European industrial firms through the European Round Table for Industry, and by public expert bodies such as ADEME and I4CE.

As a practitioner in the private markets, **Eurazeo can attest to the strong momentum surrounding these issues** through its strategies dedicated to environmental solutions:

- **Eurazeo Planetary Boundaries Fund (EPBF)**: Since its first close at €300M in March 2025, the fund has already made three investments: the first in biocontrol with Bioline AgroSciences, the second in deep geothermal energy with SMP Energies, and the third, finalized in June 2026, in the IT circular economy with T1A Group.
- **Eurazeo Transition Infrastructure Fund (ETIF):** In 2024, the fund completed its final close at €706 million, exceeding its initial target by 40% in just 20 months. The fund completed its investment phase in 2025 with three investments (Terralayr, Water Direct and MPC Ose Offshore) and is launching its second vintage.
- **Eurazeo Sustainable Maritime Infrastructure II (ESMI II):** The fund completed its first close at €175 million in February 2026, representing nearly half of its target size. ESMI II broadens the investment universe compared with the first vintage, moving beyond climate issues alone to incorporate pollution and resource use.
- **Eurazeo Smart City II:** The Smart City II fund (with a final program close of €400 million in July 2023) is preparing its third vintage, Future Industries III, which broadens its focus to include the industries of the future linked to environmental themes. The fund has already invested in around 15 impact-driven companies, the most recent of which include Celsius, Adryada, GA Smart Building and Aedifion.

**Across all its strategies, Eurazeo has €2.3 billion in assets under management dedicated to environmental solutions[64].**

The investment opportunities in environmental solutions are considerable. We can see this in the strong momentum behind the deployment of these funds into high-quality assets, even as 'dry powder' – the capital raised by private equity funds that has not yet been invested – stands at a record high of $3,700 billion for private markets worldwide in 2026[65].

**The market for environmental solutions is unique in that it creates the essential physical conditions for a robust and resilient society in an altered physical world.** We break this down into several physical super-cycles.

*[64] Companies identified by Eurazeo, within its generalist and thematic impact strategies across all its business segments (Private Equity, Private Debt and Real Assets), as having products, services or technologies that provide solutions to the most pressing environmental challenges, based on their valuations as at June 30, 2026.*
*[65] "Private Equity Dry Powder: What $3.7 Trillion Means for Fundraising", Pipeline Road, February 2026.*





# 1. SOVEREIGN ELECTRICITY AND HEAT: THE NEW EUROPEAN ENERGY INVESTMENT FRAMEWORK

The war in Iran, which began in February 2026, served as a reminder: **Europe has no energy future other than through massive electrification.** Indeed, in 2024, the European Union imported 92.7% of its oil and nearly 85% of the natural gas it consumed. In total, **more than 60% of the energy consumed in the EU comes from outside the continent**[66]. In 2024, the European Union imported €376 billion worth of energy and recorded an estimated annual energy deficit of around €350 billion[67], which far exceeds its overall trade surplus of €168.9 billion in 2024, automatically turning it into a deficit[68]. **This dependence is not a recent problem: it is the main determinant of the EU's external position and competitiveness.** Mario Draghi wrote in his report The Future of European Competitiveness: "*EU companies still face electricity prices that are 2–3 times those in the US. Natural gas prices paid are 4–5 times higher.*"

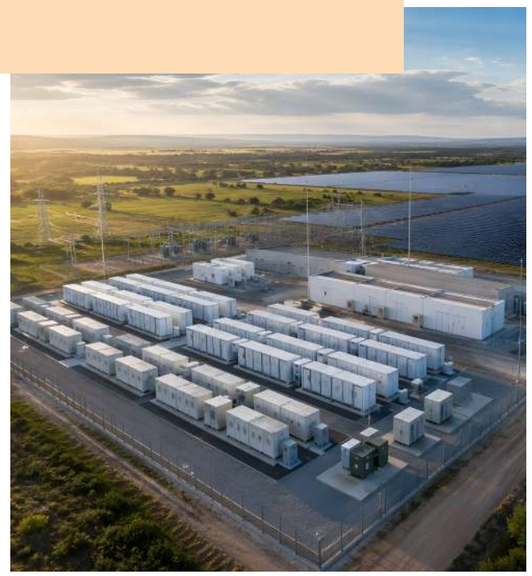
**Iran once again demonstrates that Europe can no longer afford to endure these energy dependency crises.** As a new energy market takes shape, what role will Europe play? What roles will investors play? The IEA's Net Zero Emissions scenario estimates the global investment required at around $4,800 billion per year over the next decade for the energy sector alone. As mentioned above, in 2025, global energy investment reached $3,300 billion, of which $2,200 billion was in clean energy. The IEA[69] anticipates that **annual investment expenditure in the electricity sector is set to more than triple by 2030, rising from $760 billion in 2019 to around $2,500 billion**, half of which will be dedicated to renewables. The direction is clear.

**European leadership is making its mark in the downstream sector**: following the era of production equipment such as solar panels and wind turbines – a field in which China dominates – comes the era of smart grids and the development of their infrastructure, involving high-voltage direct current (HVDC), subsea cables, energy storage and flexibility through virtual power plants, in which AI will play a significant role. Whilst **the European Commission plans to invest €1,200 billion in its networks by 2040**, with eight 'Energy Highways' for the exchange of cross-border electricity capacity[70], European companies are key assets. Take for example, the French company Nexans, whose order book for subsea cables stood at nearly €8 billion in the first quarter of 2026[71], and the Italian company Prysmian: both are global leaders in HVDC cables.

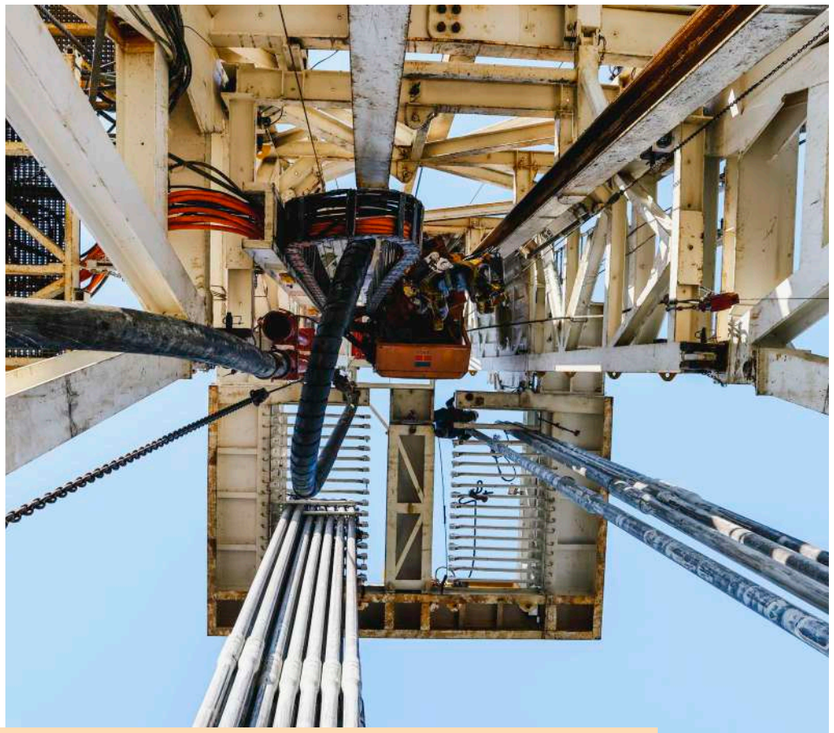
**IN THE EURAZEO PORTFOLIO**

**terralayr**

Eurazeo's investment in the German company **Terralayr,** via its fund ETIF, illustrates the shift from production capacity to flexibility capacity. Terralayr develops, owns and operates battery energy storage systems to meet the fundamental need for flexibility and stability in the electricity grid.



*[66] Eurostat, 'Energy in Europe: Import Dependency', March 18, 2026.*
*[67] Eurostat, 'Imports of Energy Products to the EU Down in 2024', press release, March 21, 2025.*
*[68] Eurostat, 'EU Trade in Goods Balance', press release, March 27, 2025.*
*[69] International Energy Agency (IEA), World Energy Investment 2025, 2025.*
*[70] European Commission, European Grids Package, December 10, 2025.*
*[71] Nexans, 'Q1 2026 — A strong start to the year', press release, April 28, 2026.*



**IN THE EURAZEO PORTFOLIO**

Eurazeo, through its EPBF fund, invested in **SMP Energies**, France's leading geothermal deep drilling contractor, with more than 60 wells drilled to its credit. The fund aims to support the company's growth and help establish it as a European leader in the sector. This investment was conditional upon the company's complete cessation of oil-related activities.

**Nuclear power is also making a comeback in Europe.** At the Nuclear Energy Summit in Paris in March 2026, Ursula von der Leyen caused a surprise by stating, regarding the share of nuclear power in Europe: "*This reduction in the share of nuclear was a choice. I believe it was a strategic mistake for Europe to turn its back on a reliable, affordable source of low-emissions power.*"[72] The European Commission has also announced **a €200 million guarantee scheme designed to mobilize private investment in innovative nuclear technologies**, particularly small modular reactors (SMRs), with the aim of reviving a European nuclear industry and attracting new capital to the sector. Nuclear power is an essential component of the energy mix for the twelve Member States with reactors in operation[73].

In addition, **geothermal energy is being re-evaluated as the clean energy of the future.** Heat accounts for 50% of final energy consumption in Europe, 73% of which is still supplied by fossil fuels (gas or oil)[74]. The IEA forecasts: "*Total investment in geothermal energy could reach USD 1 trillion cumulatively by 2035 and USD 2.5 trillion by 2050.*" By the second half of 2026, geothermal energy is expected to have its own plan in Europe, a sign of a recent but welcome shift in awareness. In 2023, **deep geothermal energy production reached a record level of around 8 TWh** across the five main European markets. Geothermal heat has many advantages: it is continuously available, economically competitive and secure, and it also serves as a major driver of decarbonization.

[72] *'Von der Leyen: It was a strategic mistake to turn against nuclear', World Nuclear News (WNN), March 10, 2026.*
[73] *Eurostat, Nuclear energy statistics, 2026 (data for Germany, Belgium, Bulgaria, Spain, Finland, France, Hungary, the Netherlands, the Czech Republic, Romania, Slovakia, Slovenia and Sweden).*
[74] *Eurostat, Energy in Europe, 2026 edition: 2024 Data (Luxembourg: Publications Office of the European Union, 2026).*





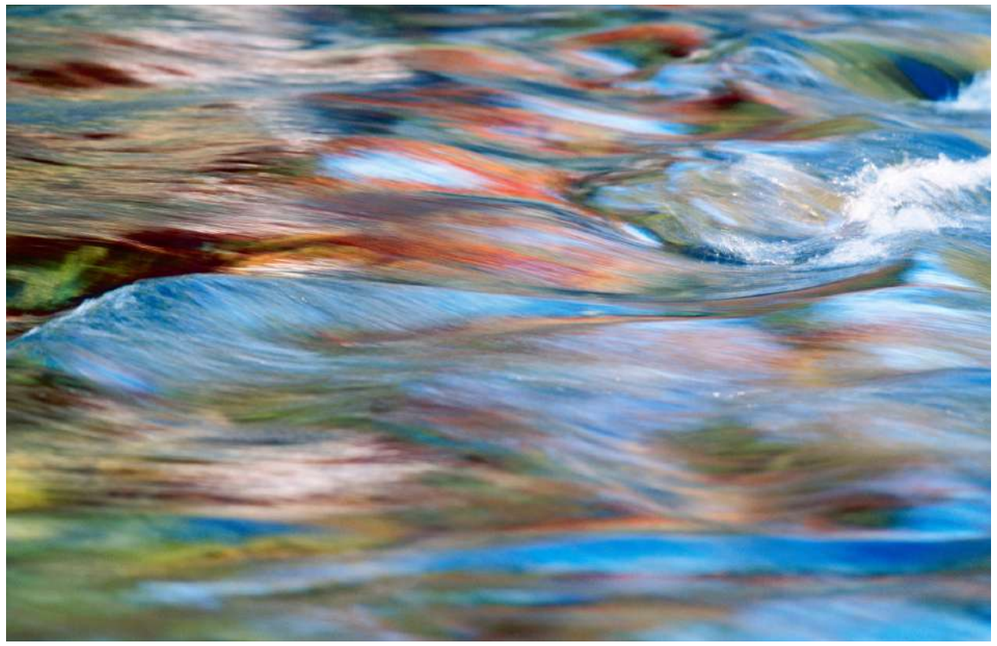
# 2. WATER: THE INVISIBLE SUPER-CYCLE

In April 2026, the World Bank reminded that *"water is essential for health, food systems, energy and around 1.7 billion jobs worldwide; yet 4 billion people face water scarcity"*[75].

In January 2024, Portugal imposed a 25–50% reduction in agricultural irrigation in the Algarve in response to the drought. All over the world, the effects of water scarcity are being felt. In Morocco, by 2025, cattle and sheep herds had fallen by 38% compared with 2016, due to successive droughts[76]. **Average water losses in European networks stand at 23%[77], whilst wastewater reuse rates remain low** at 1% in France, which is targeting 10% by 2030[78]. Spain is significantly further ahead at 14%[79] but remains far behind Israel, the world leader in this field with a rate of 87%[80].

The needs and solutions are there: upgrading drinking water networks, infrastructure for groundwater storage and recharge, low-carbon desalination, and water reuse loops. **Faced with this challenge, Europe boasts leading players in water filtration membranes**, including the French companies Suez and Polymem; the Dutch firms NX Filtration (nanofiltration) and Pentair X-Flow; and the German company MANN+HUMMEL. In reverse osmosis, however, leadership remains shared between American companies (DuPont) and Asian firms (Toray, Nitto, LG Chem). In 2024, Veolia secured Europe's largest water management contract: SEDIF, worth €4 billion over 12 years, serving 4 million users in the Île-de-France region[81], which is now switching to membrane filtration. The stated objective of this contract is to remove around 80% of micropollutants in the broadest sense (pharmaceutical residues, endocrine disruptors, pesticide residues and PFAS), alongside two major benefits for the general public: limescale-free water and chlorine-free water.

[75] *World Bank, "World Bank Group Launches Initiative to Improve Water Security for 1 Billion People", press release, April 15, 2026.*
[76] *Reuters, 'Morocco's livestock hit by consecutive droughts, agriculture minister says', February 13, 2025.*
[77] *European Commission (Directorate-General for the Environment), Poorly Managed Water. Water is essential for our food, the economy and ecosystems, 2024.*
[78] *Ministry for Ecological Transition, Water Plan, August 30, 2023.*
[79] *Court of Auditors, Annual Public Report 2024. Adaptation of cereal crops to climate change, March 2024.*
[80] *OECD, Israel's sustainable water management plans, 2022; Directorate-General for the Treasury, International Comparative Study — Wastewater Reuse, 2023.*
[81] *Île-de-France Water Authority (SEDIF), 'The Authority's Committee awards the new concession contract to Veolia', press release, January 25, 2024.*



# 3. FOOD PRODUCTION: RAMPANT ARTIFICIALIZATION

The increasing artificialization of production – such as aquaculture, intensive livestock farming and high-tech greenhouses – is an inescapable feature of modern civilization that will not disappear, and which requires us to anticipate its negative externalities

The Food and Agriculture Organization's (FAO) report, The State of World Fisheries and Aquaculture 2024, indicates that in 2022, for the first time, **aquaculture surpassed fishing in terms of fish and shellfish production, accounting for 51% of aquatic animal production.** China is the leading country in aquaculture, accounting for 56% of global production in 2022.

According to iGrow News' Europe Indoor Farming Report 2025, the vertical farming sector in Europe is expected to grow at an average annual rate (CAGR) of 22.2%[82].

**The rise of these new forms of production is helping to close the cycles of water, heat and waste.** In European greenhouses, water recycling has become standard practice: closed hydroponic irrigation systems reduce water consumption by more than 90% compared with open-field farming[83]. High-tech greenhouses in the Netherlands and Denmark go a step further by utilizing heat: they recover waste heat from factories, district heating networks or neighboring data centers. One of the world's largest concentrations of greenhouses is located in Almería, in southern Spain, covering 37,000ha of crops[84]. Whilst these farms produce nearly 49,000 tons of plastic waste each year, a large proportion is recycled after being collected by private contractors[85].

*[82] iGrow News, Europe Indoor Farming Report 2025: Trends, Investment & Technology Insights, 2025.*
*[83] Castillo-Díaz et al., 'Life Cycle Assessment of Open and Closed Hydroponic Systems for Vegetable Production in Arid Lands', International Journal of Environmental Research and Public Health, November 2025.*
*[84] Junta de Andalucía (Department of Agriculture, Fisheries, Water and Rural Development), Map of Greenhouses in Almería, Granada and Málaga, 2021.*
*[85] Castillo-Díaz et al., 'The Management of Agricultural Plastic Waste within the Framework of the Circular Economy: The Case of the Almería Greenhouse (Spain)', International Journal of Environmental Research and Public Health, November 2021.*





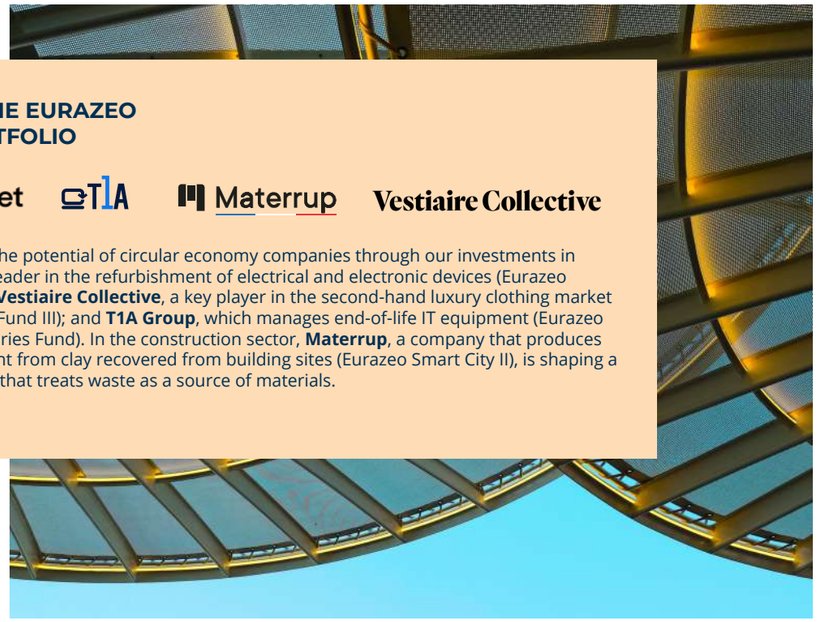
# 4. THE CIRCULAR ECONOMY AND CRITICAL MATERIALS: CORNERSTONES OF THE TRANSITION

After its dependence on hydrocarbons, **Europe is now discovering a new strategic dependency linked to the energy and digital transitions: critical metals processing and refining supply chains.** Copper, lithium, nickel, rare earths and graphite are becoming the invisible infrastructure of the decarbonized economy. However, Europe's vulnerability lies not only in access to resources, but also in its incomplete control over intermediate value chains, including chemical refining, metallurgical processing and the industrial reincorporation of recycled materials.

**The case of copper illustrates this tension.** As a critical resource for a decarbonized modern economy, Europe produces less than 4% of the world's primary copper[86] and 40% of the copper it uses is recycled[87]. France collects 99% of its used copper but exports 70% of its recycled material due to a lack of chemical refining facilities within the country.

**The real challenge, therefore, is no longer simply collection, but the complete closure of value chains, from recovery through to refining and industrial reintegration.**

European material self-sufficiency has become an explicit strategic objective with the Critical Raw Materials Act (2024) and the Net-Zero Industry Act (2024). The targets set for 2030 are ambitious: 10% of critical materials to be extracted within the European Union, 40% processing and 25% recycling. Behind these targets lies a major industrial reality: **Europe will have to rebuild its refining, processing and advanced recycling capacities, which are currently largely insufficient.**

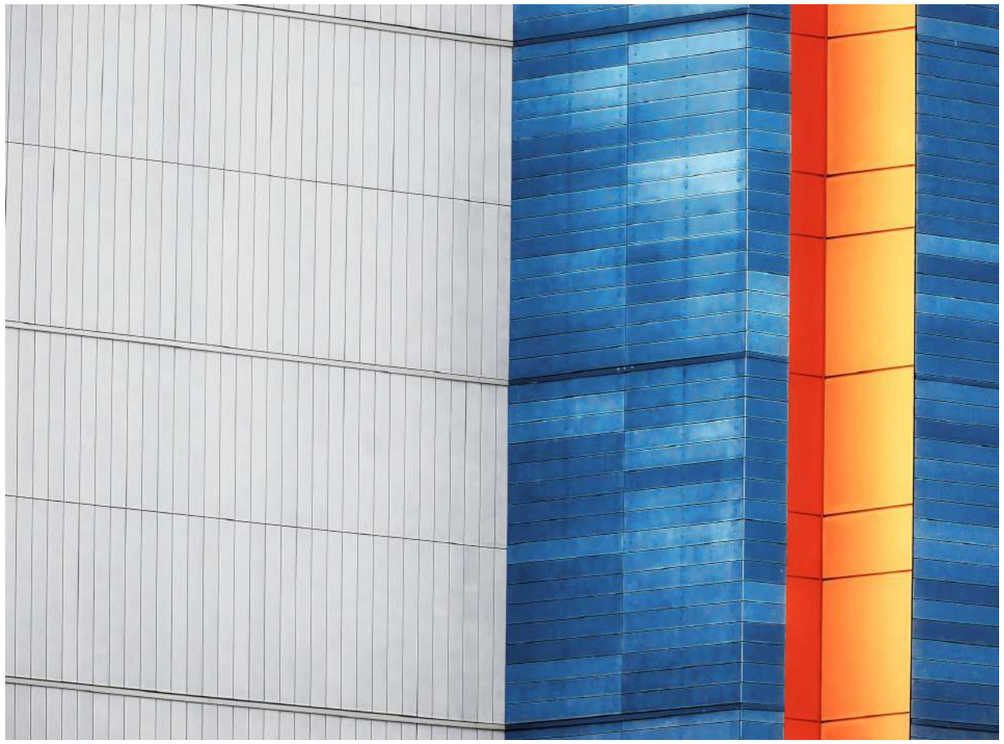


**IN THE EURAZEO PORTFOLIO**

Back Market · T1A · Materrup · Vestiaire Collective

We can attest to the potential of circular economy companies through our investments in **Back Market**, a leader in the refurbishment of electrical and electronic devices (Eurazeo Growth Fund III); **Vestiaire Collective**, a key player in the second-hand luxury clothing market (Eurazeo Growth Fund III); and **T1A Group**, which manages end-of-life IT equipment (Eurazeo Planetary Boundaries Fund). In the construction sector, **Materrup**, a company that produces low-carbon cement from clay recovered from building sites (Eurazeo Smart City II), is shaping a circular economy that treats waste as a source of materials.

*[86] European Commission, RMIS – Raw Materials Information System, June 2026. European Union share: 3.7%.*
*[87] International Copper Association, Circularity and Recycling in the EU.*



# 5. DATA SOVEREIGNTY AND CLIMATE DEEP-TECH: THE NEW TECHNOLOGICAL FRONTIER

**Europe occupies a pivotal position at the intersection of environmental solutions and artificial intelligence.** This position is made possible, first and foremost, by the Copernicus program, a public satellite data infrastructure that is unique in the world. Its economic rationale is based on a simple yet powerful principle: Earth observation data is free, open and continuous, provided by the Sentinel satellites and funded by the European public sector. Whereas access to satellite imagery once required a prohibitive initial investment, Copernicus has shifted this cost to the public sector upstream, thereby freeing up the entrepreneurial sector downstream. Since the launch of the Copernicus Data Space Ecosystem in 2023, a start-up no longer needs to own either a satellite or storage infrastructure: it pays only for the computing capacity it uses and can tap into new markets as it grows[88]. This is a huge advantage for the European ecosystem.

*[88] 'Copernicus Data Space Ecosystem establishes public cloud processing for Earth observation data', Nature, February 26, 2026.*





# 6. FROM PROGRAMMABLE PROTEINS TO SUSTAINABLE CHEMISTRY: A NASCENT ASSET CLASS

After using AI to produce text, images, or code, **the economy is entering a new phase: using AI to produce matter.**

The 2024 Nobel Prize in Chemistry did not merely recognize a scientific breakthrough: it marked the arrival of AI at the heart of molecular engineering. The work of Nobel laureates David Baker, Demis Hassabis and John Jumper[89] has demonstrated **that it is now possible to design, predict and optimize proteins in the same way that we currently design software components or industrial materials.** This was impossible before AI. For an investor interested in environmental solutions, the key point lies elsewhere: designing an enzyme that replaces a fossil-fuel-based thermal process is becoming a programmable engineering task. This paves the way for large-scale deployment across a wide range of sectors, such as heavy industry decarbonization, plastics recycling, and $CO_2$ utilization.

**Europe must not miss out on this revolution.** AI-designed enzymes and biological catalysts open up the prospect of a new generation of industrial processes operating under conditions radically different from those inherited from the petrochemical industry. Whereas traditional chemistry relies on temperatures of several hundred degrees, made possible by gas, biocatalysis aims to achieve the same result under conditions similar to those found in living organisms, at room temperature.

**Three sectors – steel, non-metallic minerals (cement, glass, lime) and chemicals – account for nearly 70% of direct industrial emissions**[90]. Any technology capable of shifting a fraction of these thermal processes towards biological methods therefore targets a major source of emissions.

**The convergence of AI, biology and industry is likely to be one of the strategic technological fields of the 2030s**, simultaneously affecting industrial sovereignty, energy, materials, chemistry and climate. For an investor focused on environmental solutions, the investment window is neither purely early-stage (as scientific risk is receding) nor yet mainstream (as the risk of industrialization remains high and poorly assessed). It is precisely this in-between stage—funding the transition from the demonstrator to the production platform—that defines the opportunity, whilst the execution risk determines its price.

### IN THE EURAZEO PORTFOLIO

**Brink Therapeutics** (Kurma Diagnostics II) exemplifies the new generation of biotech companies using AI, massive amounts of experimental data and directed evolution to transform natural proteins into programmable biological agents. The company focuses on recombinases, a class of enzymes[91] capable of precisely inserting DNA into the genome. It aims to reprogram these enzymes so that they recognize and target selected genetic sequences on demand. Although its applications are currently centered on genome editing and gene therapies, Brink Therapeutics' approach illustrates the growing ability to design, optimize and reprogram proteins on a large scale.

> THE CONVERGENCE OF AI, BIOLOGY AND INDUSTRY IS LIKELY TO BE ONE OF THE STRATEGIC TECHNOLOGICAL FIELDS OF THE 2030s.

*[89] Nobel Prize, "Nobel Prize in Chemistry 2024", press release, October 2024.*
*[90] ESMAP, Industrial Decarbonization.*
*[91] Recombinases are specialized proteins that modify DNA by inserting, deleting or rearranging genetic sequences at specific locations within the genome. Enzymes are proteins that catalyze biological reactions. Recombinases constitute a specific category of enzymes, belonging to the protein family.*

WHITE PAPER | ENVIRONMENTAL SOLUTIONS

PART 4

Conditions for success

# THREE CLARIFICATIONS TO MOBILIZE CAPITAL

Europe has everything it needs to succeed: a solid industrial base, a policy framework established in 2019 with the Green Deal, numerous public schemes, and abundant savings (€35,000 billion in household financial assets). Yet capital allocation is not keeping pace. The main reason lies in widespread uncertainty: the need for environmental solutions in Europe is unclear, and identifying investment vehicles that actually finance environmental solutions is highly complex, as is identifying and accessing funding schemes, which remain highly fragmented. Without further clarification it becomes difficult to effectively direct capital, identify the responsibilities of the various stakeholders, and assess the effectiveness of existing mechanisms.

# CLARIFICATION N°1
# COMPLIANCE OR EFFECTIVENESS – THE GREAT CONFUSION SURROUNDING SUSTAINABLE INVESTMENT VEHICLES

## The problem with terminology

Today, it remains extremely difficult to make sense of the market for so-called 'sustainable' investments. ESG, SRI, sustainable, impact, transition, climate: **these terms coexist without always referring to the same economic or environmental realities.**

> WHILE SFDR HAS REPRESENTED A SIGNIFICANT STEP FORWARD, IT HAS NOT FULLY RESOLVED THE MARKET'S LACK OF TRANSPARENCY.

In Europe, **the SFDR regulation**, which came into force in 2021, **was specifically designed to bring greater transparency and comparability to financial products.** It is based on three categories: Article 8 funds promoting environmental or social characteristics, Article 9 funds pursuing a sustainable investment objective, and Article 6 funds, which do not promote any specific environmental or social characteristics and do not pursue a sustainable investment objective[92]. **Article 9 funds are currently the most stringent category**, as they must demonstrate that their investments contribute to an environmental or social objective, without causing significant harm to other objectives and whilst adhering to standards of good governance.

While SFDR has represented a significant step forward, it has not fully resolved the market's lack of transparency. On the one hand, it relies largely on self-classification by fund managers. On the other hand, **the levels of requirement remain highly variable within the same category, particularly for Article 8 funds**, which are required to promote certain environmental or social characteristics, without any obligation to demonstrate a tangible environmental contribution or to allocate a minimum proportion of their assets to sustainable investments. Finally, access to information remains limited in the private market sector, where detailed fund documentation is generally not made public.

In practice, the market has therefore complied with regulatory requirements, **but ambiguity remains as to what actually constitutes an investment contributing to the environmental transition.**

A reform of the SFDR (SFDR 2.0) is currently underway, which plans to replace the Article 6, 8 and 9 categories with three new, more explicit categories: 'Sustainable' (contribution to a measurable environmental or social objective, without causing significant harm), 'Transition' (financing of assets or companies following, for example, a credible decarbonization pathway), and 'ESG Basics' (minimal integration of ESG criteria). **The aim is precisely to bring the categories more closely into line with the underlying economic realities.**

[92] *European Parliament and Council, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), November 27, 2019.*





## The problem of market measurement

This confusion is exacerbated by **the lack of a common framework for assessing the actual environmental contribution of investment funds.** The asset management industry currently relies on benchmarks and methodologies developed by private players or large investment consortia, which use their own analytical criteria. These approaches often remain inconsistent, lack transparency and are difficult to compare. For example:

- **Morningstar** estimated the assets under management in sustainable funds in Europe at the end of March 2026 at **€2,984 billion**[93] ($3,511 billion globally). This estimate is based on a proprietary definition[94] of sustainable investment, founded primarily on the stated intentions of the funds. This approach includes listed funds[95] and ETFs and excludes the private market sector. **EFAMA**, the European asset management and fund association representing €33 trillion, estimates the market for Article 9 funds (UCITS and AIFs) at **€353 billion**[96] by the end of 2024 (and €3,700 billion for Article 8 funds). The GIIN (Global Impact Investing Network) estimates the global size of this market at **$1,570 billion** by the end of 2023[97].
- Several climate-focused or sustainable ETFs marketed in Europe list Microsoft, Nvidia, Apple, Amazon and Meta among their top holdings. **Consequently, a significant proportion of assets classified as 'sustainable' thus funds US technology companies**, raising questions about the alignment between the product's label and its actual contribution to environmental challenges[98].

These figures, provided by leading organizations, offer a useful insight into market trends. The discrepancies reflect variations in scope and methodology, but **most importantly they highlight the difficulty of precisely identifying the capital actually channelled towards companies providing environmental solutions**, particularly in private markets.

Furthermore, **this suggests that figures on inflows or outflows published in the sustainable investment market should be interpreted with caution.** These often relate primarily to listed funds and ETFs, whilst a significant proportion of the changes observed in recent years stems from regulatory reclassifications driven by concerns over greenwashing rather than a decline in investor appetite for environmental solutions.

## The Eurazeo Mapping

In light of this, Eurazeo has undertaken to map the European market for environmental solutions within the private markets sector, its investment universe. Our analysis focuses on **European private market funds disclosed under Article 9 (SFDR) with an environmental focus.** This choice is deliberately conservative. We are aware that certain Article 8 funds also finance environmental solutions; this is notably the case with the Eurazeo Smart City II fund. However, restricting the analysis to Article 9 funds allows us to isolate the part of the market most likely to make an effective contribution to the transition.

We have thus identified **206 funds representing €98.5 billion in cumulative assets under management**[99], classified below by strategy:

| Strategy | Number of funds | Estimated assets under management (AUM) | Share of total AUM |
|---|---|---|---|
| Infrastructure | 73 | €56.9 billion | 58% |
| Growth equity | 30 | €15.2 billion | 16% |
| Buyout | 14 | €9.2 billion | 9% |
| Private debt | 28 | €6.4 billion | 6% |
| Nature-based solutions | 20 | €4.9 billion | 5% |
| Venture | 28 | €2.8 billion | 3% |
| Other* | 13 | €3.1 billion | 3% |
| **TOTAL** | **206** | **€98.5 billion** | **100%** |

** Funds of funds and co-investments.*

This mapping shows that the European market for environmental solutions is very much a reality. With nearly €100 billion in outstanding investments, it is no longer a niche market. However, it remains significantly undersized in relation to the investment needs required to decarbonize the economy, adapt to climate change and preserve natural resources.

**There remains a considerable gap between the capital currently mobilized, and that required to finance the environmental transformations of the coming decades.**

[93] *Morningstar, Global Sustainable Fund Flows: Q1 2026, May 28, 2026.*
[94] *Morningstar, Global Sustainable Fund Flows: Q1 2026, Appendices, May 28, 2026.*
[95] *Morningstar, 'Definition of an open-end fund', June 2026.*
[96] *EFAMA (European Fund and Asset Management Association), Fact Book 2025: Trends in European Investment Funds (Brussels: EFAMA, 2025).*
[97] *Dean Hand et al., Sizing the Impact Investing Market 2024 (New York: Global Impact Investing Network [GIIN], 2024).*
[98] *"US Tech Stocks Still Dominate European Funds: ESG Investing", Bloomberg, May 11, 2026.*
[99] *Eurazeo internal analysis based on Preqin and PitchBook data, 2025.*

### White Paper Proposal No. 1

**To create a public European reference directory of private market environmental funds**

One of the main obstacles to the development of the market for environmental solutions today is the lack of a common reference framework for identifying, comparing and monitoring investment vehicles that effectively contribute to the environmental transition.

In this context, Eurazeo proposes **the creation of a public European reference directory listing all private market environmental funds** disclosed under Article 9 as per SFDR and, in the long term, funds falling within the future 'Sustainable' category as per SFDR 2.0. This tool, featuring standardized descriptions and indicators, would constitute the necessary infrastructure for improving transparency, enhancing the comparability of funds and channelling funding more efficiently towards environmental solutions.

The proposal is set out in detail in Part IV.

## The other issue to be addressed: the lack of incentives to establish private market Article 9 environmental funds

Beyond the opacity of the market for funds that actually finance environmental solutions, it is important to highlight a paradox that never ceases to amaze. There is currently **no incentive to structure a private market Article 9 environmental fund,** and the ongoing revision of SFDR does not, at this stage, include any changes on this point. These vehicles are structurally more expensive to operate than generalist funds for several reasons:

- **Higher staffing costs**: Setting up and managing the fund (defining objectives, developing the methodological framework, assessing and measuring avoided or reduced impacts, independent audits, due diligence, supporting portfolio companies, etc.) requires specialist skills that significantly increase the marginal cost of an investment case. As an example, Eurazeo recruited two agricultural engineers in 2023 to strengthen its expertise in environmental impact, both methodologically and operationally.
- **Structural compliance costs**: The reporting obligations associated with Article 9 (SFDR annexes and reporting, PAI indicators, alignment with the Taxonomy, audits, etc.) represent a considerable amount of work. It should be noted that in SFDR 2.0, the draft removes PAI reporting at management company level, whilst retaining it in a simplified form at product level, for which the reporting templates have been drastically shortened.
- **Pressure on remuneration**: The market now requires that a portion of carried interest be conditional upon the achievement of targets or indexed to the achievement of impact targets (10 to 50% according to the AXA Climate 2024 study covering 24 funds)[100]. This practice, supported and applied by Eurazeo, makes access to variable compensation more demanding than in a generalist fund.

Furthermore, to date, there are **no prudential or compensatory tax advantages.** An insurer or pension fund that invests in a private market Article 9 environmental fund is treated exactly as if it were investing in a generalist buyout fund. There is no tax advantage for the ultimate Limited Partner (LP).

The banking sector provides a parallel that confirms the scale of capital frozen solely as a result of prudential regulations. The President of the European Banking Federation, Slawomir Krupa, estimated in May 2025 that discretionary supervisory decisions had frozen 'well over a trillion' in financing capacity – a figure which, on the banking side, exceeds €1,000 billion – and that the same logic of targeted calibration could be used to channel resources towards the transition[101].

[100] *AXA Climate, 'Article 9 Funds and Private Equity: Where Are We Now?', April 2023.*
[101] *"Zero risk means death — interview with Slawomir Krupa, President of the European Banking Federation", Les Échos, May 22, 2025; El Mundo, May 23, 2025.*





In terms of impact, **it is possible to deliver performance on a par with other funds, but at the cost of greater effort – and therefore higher costs.** Emmanuel Macron himself highlighted the absurdity of this 'capital neutrality' in relation to climate objectives when he stated, at COP28, that it was "*not normal for the private sector to benefit from the same interest rates whether it is financing renewables, gas or coal*[102]". It is indeed paradoxical that **the players most instrumental in addressing the critical challenges of our time should bear a burden from which those following a 'business as usual' approach are exempt,** without any incentive mechanism in return.

This asymmetry sheds light on the decline observed in Article 9 funds, which we discussed earlier. This is not a backlash. **Both LPs and GPs are making a pragmatic legal choice in the face of rapidly evolving regulations.** Over investment cycles of five to ten years, the regulatory uncertainty surrounding SFDR and SFDR 2.0 calls for caution rather than commitment to the most exposed category. Unless this asymmetry in obligations is addressed, the share of Article 9 funds – and future 'Sustainable' funds under SFDR 2.0 – will continue to shrink, risking structural underfunding of environmental solutions.

**Europe currently faces a major contradiction.** It claims to want to finance its energy sovereignty, climate resilience, industrial autonomy and critical infrastructure, whilst continuing to apply prudential requirements to private market environmental funds that were designed within a framework predating these new systemic risks.

The Solvency II regime[103] was devised following the 2008 financial crisis with one central priority: to protect financial stability against risky and illiquid assets. This rationale remains essential. **But the Europe of 2026 now faces a different category of systemic risks:** external energy dependence, fossil-fuel-driven inflation, water stress, industrial fragility, the physical vulnerability of regions, and growing exposure to climate-related disasters.

In this context, certain strategic environmental infrastructures – such as electricity grids, energy storage, sovereign heat supply, water management, recycling, industrial efficiency and resilience infrastructure – contribute directly to reducing the structural vulnerabilities of the European economy.

### White Paper Proposal No. 2

**Facilitating the allocation of funds by insurers and pension funds to private market environmental funds**

The 2019 revision of the Solvency II framework introduced the **Long-Term Equity Investments (LTEI)** regime[104], enabling insurers to benefit from favorable prudential treatment (a rate of 22% versus 49%) for certain equity exposures held on a long-term basis, subject to compliance with strict eligibility criteria. Eurazeo proposes **extending access to this preferential treatment to private market Article 9 environmental funds** and future SFDR 2.0 'sustainable' funds listed in the public European reference directory (see proposal 1). At unchanged capital requirements, **an insurer could thus more than double its allocation to these assets.**

In the same vein, changes could be envisaged for **pension funds.** As part of the ongoing revision of IORP II[105], **certain prudential constraints on private market assets could be eased**, with an incentive to invest in private market environmental funds listed in the directory. **This easing would go hand in hand with a transparency requirement via reporting** (aligned with the SFDR and taxonomy reporting frameworks) on these allocations.

Detailed proposal in Part IV.

[102] *Statement by Emmanuel Macron, COP28, Dubai, December 1, 2023.*
[103] *Solvency II is the European prudential framework applicable to insurance companies, established by European Directive 2009/138/EC.*
[104] *CVC, Private Equity for Insurers: Unlocking Capital Efficiency under Solvency II, May 2026 (22% SCR vs 49% + symmetric adjustment for private market shares outside the LTEI; Delegated Regulation (EU) 2026/2692 in force on March 10, 2026, applicable from January 30, 2027).*
[105] *IORP II is the European Directive (EU) 2016/2341 on the activities and supervision of supplementary occupational pension institutions (occupational pension funds).*

# CLARIFICATION N°2
# BONSAIS OR BAOBABS – EUROPE MUST CHOOSE ITS FINANCING STRATEGY

**Europe already has €100–130 billion per year[106] of public financing theoretically available to private actors (companies and funds) to finance environmental solutions.** This sum is spread across multiple funding channels, detailed in Appendix. The nature of the funding (grant, loan, guarantee, equity, production incentive) determines the leverage effect on private capital.

**The European Investment Bank (EIB) leads the way.** It signed a record €88.8 billion in new financing in 2024, of which €51 billion (nearly 60%) was earmarked for the green transition, climate action and the environment. Of this amount, €31 billion was committed to European energy security (energy efficiency, renewable energy, electricity grids and storage), with this funding expected to support more than €100 billion in investment. **The Group aims to mobilize €1,000 billion in investments for the climate and the environment over the period 2021–2030[107]**. It is the institution most familiar to investment funds, through its subsidiary the European Investment Fund (EIF), which acts as an investor in private equity funds.

> THE PROBLEM IS NOT A LACK OF INTEREST BUT THE ABILITY TO TRANSLATE COMMITMENTS INTO PROJECTS ON THE GROUND.

**The Innovation Fund is one of the main European programs supporting low-carbon technologies.** It is funded directly by revenue from the European Union Emissions Trading Scheme (EU ETS): the revenue generated today from $CO_2$ emissions is thus used to fund the decarbonization technologies of tomorrow. By the end of 2025, it had accumulated €12.3 billion since its launch in 2020 and is expected to have a budget of around €40 billion by 2030[108]. Of this €12.3 billion, €11.6 billion has already been committed through grant agreements to 208 projects[109]. However, recent assessments by the European *Cour des comptes* highlight difficulties in converting budgetary commitments into projects that are actually implemented: as at 30 June 2025, **only €331.8 million had been paid out to projects, representing 2.9% of the €11.6 billion committed[110]**. Projects sign their contracts but then fail to secure the necessary funding or do not reach the required level of maturity; their grants are then cancelled, and the funds are returned to the budget. The problem is therefore not a lack of interest but rather the capacity of public bodies to translate commitments into projects on the ground.

**Small is not beautiful anymore. However, our experience as asset managers is that Europe still prefers bonsais to baobabs.** The doctrine of European competition (no abuse of a dominant position, strict controls on state aid) raises questions when set against a China that blends private enterprises with state funding across all strategic sectors, and against the power of the US financing ecosystem, which enables certain companies to raise record sums. There are, of course, good reasons for this. The EIB must maintain a certain balance amongst the 27 Member States, which leads to the investment amounts being split up. However, in strategic sectors relating to civil sovereignty, and for asset managers that make the effort to select investment vehicles with the highest standards of data transparency and impact measurement, some form of prioritization remains conceivable.

[106] *See the table 'Overview: €100–130 billion per year in European public funding for environmental solutions' in the appendix.*
[107] *European Investment Bank (EIB), 'EIB Group achieves record results in 2024, targets €95 billion in investments for 2025', press release, January 30, 2025.*
[108] *European Court of Auditors, Key facts at a glance, March 19, 2026.*
[109] *European Court of Auditors, Special Report 11/2026, Innovation Fund, March 19, 2026.*
[110] *European Court of Auditors, Special Report 11/2026, Innovation Fund: High potential, but slow progress and limited impact on reducing emissions, March 19, 2026.*





**A major continent-wide mobilization is possible.** Europe demonstrated this in May 2026 by launching the Scaleup Europe fund, which was entrusted to Swedish private equity firm EQT. **Backed by €5 billion from public and private sector stakeholders, this fund is the largest pan-European private equity vehicle ever established,** targeting scale-ups from Series B onwards[111]. The fund targets sectors deemed strategic for European technological sovereignty: AI, quantum computing, dual-use technologies, clean energy, space, biotechnology and medical innovation. With this fund, Europe is equipping itself with an instrument of critical mass, capable of competing with the largest international deep-tech funds. This initiative also highlights a blind spot: **there is currently no equivalent fund dedicated to civil sovereignty, climate adaptation or the restoration of Europe's natural capital.**

**A reorganization is underway**. A new tool is about to be launched. As part of the Clean Industrial Deal, the Commission has announced the creation of an **Industrial Decarbonization Bank (IDB)**[112], with a proposal now expected in the course of 2026. It aims to mobilize up to €100 billion by combining existing funding streams (the Innovation Fund, InvestEU, a share of ETS revenues and co-financing from Member States), in order to co-finance the decarbonization of carbon-intensive industries (steel, chemicals, cement), notably via carbon contracts for difference[113]. Ultimately, these instruments could be brought together within the future **European Competitiveness Fund**[114], designed as a 'seamless' one-stop shop for funding from research through to industrialization. Proposed as part of the forthcoming 2028–2034 multiannual European budget, and with a budget of €234 billion, this new instrument aims to strengthen European competitiveness in several strategic areas. Under Article 22, it provides for the creation of a Scale-up Facility designed to address the funding gap for European companies in the scaling-up phase.

**This facility is designed to mobilize public funding, acting as a catalyst to attract more private capital and increase the financing available to companies with high growth potential.**

### White Paper Proposal No. 3

**Mobilizing the Scale-up Facility of the future European Competitiveness Fund to support the environmental transition**

Herein lies the paradox: on the one hand, funding is available – notably under-utilized carbon revenues – whilst, on the other, European funds genuinely focused on environmental solutions (Article 9 - SFDR, 'Sustainable' - SFDR 2.0) are seeking capital to deploy.

Eurazeo proposes **mobilizing the Scale-up Facility of the European Competitiveness Fund to support the creation of at least two pan-European funds of around €5 billion each**, modelled on the Scaleup Europe initiative dedicated to deep-tech, to support the scaling up of companies providing environmental solutions.

The proposal is set out in detail in Part IV.

[111] *"EQT wins the tender for the European Commission's new deep-tech fund", Les Échos, May 19, 2026.*
[112] *European Commission, "Questions and answers on the Clean Industrial Deal", February 26, 2025.*
[113] *A Carbon Contract for Difference (CCfD) is a government contract that safeguards investments by offsetting the difference between the actual cost of decarbonization and the ETS price. It is a tool for mitigating the risks associated with low-carbon investments and plays a central role in the Industrial Decarbonization Bank.*
[114] *European Commission, 'European Competitiveness Fund', Directorate-General for the Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), accessed in July 2026.*

# CLARIFICATION N°3
# FINANCING NEEDS AND SAVINGS – ESTABLISH A CONVERGENCE

## Financing needs: Figures with shortfalls

Several figures are circulating regarding the EU's needs for environmental solutions:

- **The Draghi estimate amounts to €1,200 billion per year** in additional funding (the initial €800 billion was revised upwards in September 2025) to improve European competitiveness, decarbonize the economy and strengthen the continent's security. This represents approximately 6.5 to 7% of GDP, the ratio of 4.4 to 4.7% corresponds to the initial estimate of €800 billion. The breakdown, based on the €800 billion, is as follows: €450 billion per year for decarbonization (57%); €150 billion per year for digital and AI (19%); €100–150 billion per year for deep-tech (16%); and €50 billion per year for defense (6%). However, Mario Draghi himself explained: "*One year on from the report, progress has been slow at best, and the radicalism so dear to Schumpeter has been slow in coming.*"
- **According to the European Environment Agency (EEA)** (September 2025), **there is a shortfall of between €408 and €528 billion in investment per year**[115] for the mitigation targets to be achieved by 2030 alone. The EEA explicitly states that it cannot quantify adaptation due to a lack of reliable data. We are therefore looking at a conservative estimate.
- **The Institute for Climate Economics (I4CE) estimates the EU's low-carbon investment needs**[116] **to €878 billion per year** between 2026 and 2030 – equivalent to 5.2% of GDP – if it is to have any hope of meeting its targets, given a current funding shortfall of €344 billion – equivalent to 2% of the EU's GDP (see summary table for an overview).

| Sector | Requirement 2026–2030 (annual average) | Investments in 2025 | Annual shortfall | EU framework |
|---|---|---|---|---|
| **Buildings** (energy-efficient refurbishment, new builds, heating) | **€361 billion** | €237 billion | **-€125 billion** | European Building Performance Directive (EBPD), EU Renovation Wave, RepowerEU |
| **Transport** (electric vehicles, rail) | **€248 billion** | €127 billion | **-€122 billion** | Alternative Fuels Infrastructure Regulation (AFIR), monitoring of $CO_2$ emissions |
| **Energy** (renewables, grids, storage) | **€267 billion** | €157 billion | **-€109 billion** | RED III, REPowerEU |
| **Clean technology industry** (clean-tech manufacturing) | **€2 billion** | €14 billion | **+€12 billion** | Net Zero Industry Act (NZIA) |
| **Total (I4CE)** | **€878 billion** | **€534 billion** | **-€344 billion** | |

[115] *European Environment Agency, Europe's environment 2025, Climate action financing, September 2025.*
[116] *Institute for Climate Economics (I4CE), The State of Europe's Climate Investment, 2026 edition, June 2026. Requirement of €878 billion per year, 2025 investment of €534 billion, shortfall of €344 billion; converging estimates: Bruegel ~€481 billion, ECB/Commission ~€406–477 billion.*





### The blind spots in the I4CE scope and the Commission's analysis

The 'true' investment shortfall for the European transition is significantly higher than €344 billion per year. This figure is **a minimum, not a ceiling.**

What the I4CE measures does not cover the full extent of the need, but only the portion of the need that Europe has decided to account for. Anything for which there is not yet a harmonized target (nuclear power, heating, heavy industry, agriculture, adaptation) remains unaccounted for in the budget.

- **Nuclear:** In the absence of a harmonized European target, the I4CE includes the figure of €2 billion per year, which is the sum of the national targets of six Member States (Bulgaria, the Czech Republic, France, Hungary, Poland and Romania) with active projects. However, the Commission itself has quantified the need: its 8th Nuclear Indicative Program (PINC) estimates the investment required by 2050 at around €241 billion[117]. This figure highlights the scale of a need that the 'official' deficit fails to account for.
- **Renewable heat** (district heating networks, geothermal energy, solar thermal): Part of this is covered by the relative targets of the RED III Directive (decarbonized energy). Dedicated plans (for geothermal energy in particular) are in the pipeline, but none have the precision of a multi-annual investment program. The need is real; it is simply not quantified.
- **Agriculture, forestry and adaptation:** This is not quantified at EU level.

Furthermore, governance needs to be improved. At European level, there is no equivalent of a Multi-Annual Energy Program or any clear articulation of needs for private sector actors seeking to participate in the **'fundamental rewiring of the physical economy and the underlying infrastructure'**[118], to borrow the phrase used by Temasek's Chief Sustainability Officer. The RED III Directive sets aggregate targets for renewable energy (45% of gross final energy consumption by 2030), but makes no provision for heating, for example, and nuclear power is excluded for political reasons.

For an asset manager, knowing that the 'energy system' requires billions per year says nothing about the share that should go to geothermal energy, floating offshore wind, district heating networks, nuclear power or long-duration storage.

## European savings flows: €100 billion a year flows from Europe to the United States

European households held €39,500 billion in financial assets at the end of 2024[119]. A portion of this lies dormant in non-interest-bearing bank deposits, and **a growing proportion of European savings leaves Europe each year to finance the US economy.**

According to data provider LSEG Lipper, **funds domiciled in Europe that invest primarily in US equities raised €100.3 billion in 2024**[120] – an all-time high – driven by index-tracking ETFs such as the S&P 500 and MSCI USA. At the same time, global ETFs – largely dominated by US ETFs – reached a new all- record of $2,370 billion in net inflows in 2025[121], a significant proportion of which came from European investors.

Three factors may explain this structural shift:

1. **The performance of US stock markets:** the S&P 500 has outperformed the STOXX Europe 600 spectacularly over the last decade, driven in particular by **the 'Magnificent 7'**, the seven major US tech companies (Apple, Microsoft, NVIDIA, Alphabet, Amazon, Meta, Tesla), which between them accounted for approximately 36% of the S&P 500's market capitalization in 2025[122].
2. **Concentration in the ETF industry:** ETFs have established themselves as the fastest-growing investment product in Europe[123]: the number of ETF investors in Europe has thus risen from 19.3 million in 2022 to 32.8 million in 2025, representing an annualized growth rate of around 19% per year[124]. BlackRock (via iShares) holds around **43% of the European ETF market**[125], and structures a large proportion of the range offered to European retail investors around products with predominantly US equity exposure.
3. **The lack of large-scale, accessible European alternatives:** ten years after the launch of the Capital Markets Union (CMU), Europe is still struggling to effectively mobilize its savings to finance its businesses and to build a fully integrated capital market. In 2025, the European Commission launched the **Savings and Investments Union** (SIU) to accelerate this process. Meanwhile, the depth of US markets, the dominance of providers such as BlackRock, Vanguard and State Street, and the popularity of indices such as the S&P 500 continue to attract a significant proportion of European savings.

The stakes are high. **Europe has one of the world's largest savings pools.** According to the Treasury International Capital System, European holdings of US securities now total more than $7,000 billion, and are growing steadily[126].

Against this backdrop, a debate is beginning to emerge in Europe around what some are calling '**savings patriotism**': the idea that European tax and regulatory frameworks should prioritize channelling Europeans' savings towards European companies and infrastructure.

[117] *European Commission, 'Questions and Answers: the Savings and Investments Union', March 19, 2025.*
[118] *Kyung-Ah Park (Temasek), 'Reinventing the physical infrastructure of the economy', public address, 2025.*
[119] *Eurostat, 'Households – Statistics on Financial Assets and Liabilities', Statistics Explained, October 2025.*
[120] *LSEG Lipper, European Fund Industry Review – 2024 and Jan/Feb 2025, March 25, 2025.*
[121] *ETFGI, "ETFGI reports assets in the global ETF industry hit a record US$19.85 trillion", press release, January 20, 2026.*
[122] *"The 'Magnificent Seven' have never been this important to the stock market", Morningstar / MarketWatch, October 28, 2025.*
[123] *BlackRock, People & Money – Shaping Financial Futures, October 2024.*
[124] *BlackRock, People & Money – The Next Wave of ETF Investors in Europe, November 2025.*
[125] *Reuters, "BlackRock bets on consumer push as it chases European savers", March 20, 2025.*
[126] *U.S. Department of the Treasury, Report on Foreign Portfolio Holdings of U.S. Securities at End-June 2025, April 30, 2026.*

PART 5
Evidence

# THREE EUROPEAN MODELS PAVING THE WAY

Three European models show that more effective capital allocation towards environmental solutions is achievable. While none can be replicated outright, they nevertheless illustrate approaches that are both technically viable and politically realistic, provided they are tailored to national contexts.



WHITE PAPER | ENVIRONMENTAL SOLUTIONS

# 1. DENMARK: VERTICAL STRATEGIC ALIGNMENT

Following the 2008 financial crisis, **the Danish government mandated a shift in the economy towards renewable energy,** notably by requiring DONG Energy – which operated gas and oild fields in the North Sea – to transition to renewables. Between 2009 and 2017, DONG Energy sold off all its fossil fuel operations (oil and gas), representing $1 billion in assets[127], and reinvested heavily in offshore wind power, a technology in which Denmark already held a maritime and industrial advantage. DONG Energy, which has since become Ørsted, became the world leader in offshore wind power, operating more than 30% of global installed capacity.

From 2012 onwards, **Denmark built a genuine national model for investment in environmental solutions by directly mobilizing its major pension funds** – ATP, PKA, PensionDanmark and Industriens Pension – as the financial arms of the energy transition. This strategy is based on an explicit pact between the state, energy sector leaders and pension funds: to guarantee savers stable, long-term investments indexed to real assets, whilst channelling capital on a massive scale towards offshore wind power, electricity interconnections, energy efficiency and low-carbon infrastructure.

Danish pension funds thus became involved at a very early stage in transformative public-private partnerships, notably with Ørsted, Energinet and Copenhagen Infrastructure Partners, taking on the role of lead investor in capital-intensive projects. **Within a decade, these institutional investors have become key players in the financing of environmental solutions:** PensionDanmark is now one of the world's largest investors in renewable infrastructure, whilst Copenhagen Infrastructure Partners (CIP) operates as a global platform funded by pension funds. As Duncan Clark, Head of Europe at Ørsted, puts it: "*It's not just governments that change the world and it's not just businesses. It has to be governments and business working together.*"

According to *Insurance & Pension Denmark*, the Danish pension industry had already invested nearly €51 billion in the green transition as of 2025[128] – a significant amount for a country of just 6 million people, representing only 1.3% of the EU population. This is reflected in our sample: **Danish private market Article 9 environmental funds alone account for 34.5% of the AUM of the 206 funds that we have mapped across Europe.** The asset management firm Copenhagen Infrastructure Partners manages €37 billion dedicated to the energy transition; it has financed 19.3 GW of renewable energy, with a further 20 GW already in the pipeline. As a reminder, Europe developed more than 300 GW of renewable energy[129] over the period 2020–2025, which highlights the strength of the Danish model.

### Key Drivers of the Danish Model's Success

**Three conditions:**

1. **A clear national strategy,** fully endorsed by politicians and sustainable over the long term.
2. **Close coordination** between public authorities, industrial operators and institutional investors.
3. **Alignment** between climate targets and the long-term financial interests of savers.

**Four key players:**

- **Ørsted:** transition from DONG Energy (oil and gas) to Ørsted (renewables) between 2009 and 2017, demonstrating that an energy utility can pivot its business model in eight years. Ørsted now operates more than 30% of the world's offshore wind capacity.
- **Copenhagen Infrastructure Partners (CIP):** a fund manager specializing in green infrastructure, with €37 billion in assets under management (AUM).
- **ATP:** Denmark's leading pension fund, with €23 billion allocated to the environmental transition.
- **PensionDanmark:** supplementary pension fund, with €10 billion allocated to the environmental transition, including a direct stake in private market companies.

However, the conditions that enabled this model remain highly specific: a small country, stable bipartisan governance on energy since 1990, a tax regime favorable to national pension funds, and an existing industrial base. The model cannot be imposed by decree. However, it proves that an integrated value chain exists and that it is profitable. This is largely the aim of our proposition for a prudential exemption for private market Article 9 environmental funds (see section VI.2): **to create the conditions, across the EU-27, for European insurers and pension funds to replicate what Danish pension funds have been doing for the past 15 years.**

[127] *Ørsted, 'DONG Energy enters an agreement to divest its upstream oil and gas business to INEOS', press release, April 24, 2017.*
[128] *"Danish green pension investments increase despite global uncertainty", European Pensions, June 23, 2025.*
[129] *IRENA, Renewable Capacity Statistics 2026.*





# 2. DUNKIRK: THE ECOSYSTEM-CREATING HUB

Silicon Valley, Texas, Shenzhen: **industrial ecosystems emerge through the combined effects of regional dynamics, private funding,** and government impetus – or even state funding. The Dunkirk Plan is, to date, the most advanced European prototype of this approach.

The city is combining the decarbonization of heavy industry with the growth of the electric battery sector. ArcelorMittal is replacing its coal-fired blast furnaces with electric and hydrogen-powered processes, whilst Aluminium Dunkerque, Europe's largest smelter, is focusing on recycling and future carbon capture. At the same time, a 'battery valley' is emerging, featuring the Verkor (16 GWh/year, with a target of 50 GWh by 2030) and ProLogium (solid-state batteries, €5.2 billion investment) gigafactories, as well as the Orano/XTC New Energy plants producing cathode materials; all of which is supported by shared regional decarbonization infrastructure (low-carbon hydrogen, district heating, offshore wind).

> THE MODEL OPERATES MORE LIKE A PROJECT UNIT THAN A ONE-STOP SHOP.

- **Indicative funding breakdown:** €4 billion in public funding (France 2030, regional plans, Innovation Fund for certain projects) + €9 billion in private funding. Total: €13 billion.
- **Impact on employment:** 16,000 direct and indirect jobs.
- **Unique feature of the scheme:** explicit coordination between the Prefecture, local authorities, industry, public funders and private funders. A 'project unit' rather than a one-stop shop[130].
- **Accepted limitations:** heavy reliance on substantial public funding; exposure to geopolitical risk (critical materials for batteries); risk of overcapacity or a lack of competitiveness among European batteries.

No single player can replicate the Dunkirk model; however, they can draw on this type of integrated regional framework to reduce their implementation risk. **The Dunkirk approach demonstrates that regional dynamism works when the State, industry and funders are all part of the same project unit.**

[130] *Institut Montaigne, Dunkirk: a testing ground for industrial renewal?, December 4, 2025.*

# 3. ITALY: SAVINGS CHANNELLED INTO THE REAL ECONOMY

A final aspect of the scheme concerns the products available to savers when they are choosing between different investment channels. In current practice, a European saver who logs into their online banking portal to invest their savings is primarily offered global ETFs (mostly exposed to US equities), euro-denominated funds (mainly invested in government and bank debt), and a few 'sustainable' unit-linked products whose actual environmental quality is, as we have shown, insufficiently documented. This situation is not neutral: **it results in a massive channelling of savings towards investment channels that do not contribute to Europe's environmental transition.**

Europe now has several examples of tax-advantaged savings schemes that have successfully channelled household savings into long-term investment.

**The Swedish *Investeringssparkonto* (ISK),** launched in 2012 and with assets under management of approximately €176 billion in 2024[131], is one of Europe's greatest successes in the field of financial savings. **It is now held by nearly half of Sweden's adult population.** It is open to listed securities without any specific geographical restrictions and was specifically created to simplify investment for private individuals – and it has worked. Its success is largely down to an extremely straightforward user experience: automated tax handling and administrative management entirely handled by the financial institution. The ISK has also benefited from strong commitment from the public authorities and widespread involvement from banks and financial intermediaries during its roll-out.

The **French *Plan d'Épargne en Actions* (PEA),** launched in 1992, now represents more than €114 billion in assets under management[132] and is held by around 13-14% of the adult population. It was created to encourage individual share ownership and strengthen the financing of European companies[133]. In practice, the PEA has primarily become a powerful tool for financing the domestic economy: **nearly 89% of assets under management are invested in French shares.** Furthermore, although private market securities are eligible under certain conditions, the vast majority of assets under management remain invested in listed assets[134].

Another example, albeit smaller in scale and less widely adopted, is the Italian ***Piano Individuale di Risparmio* (PIR),** which illustrates a different approach. Launched in 2017, **it explicitly aims to channel household savings into the Italian real economy,** via listed or private market investments in SMEs and mid-caps. By the end of 2025, it represented approximately €26 billion in assets under management[135], or around 1% of national savings.

### Key takeaways

**ISK**
Simple and favorable tax treatment, a largely automated user experience, mass distribution and the absence of private market securities; designed almost exclusively for listed shares, does not impose geographical restrictions and has no mechanism to favor the Swedish or European economy.

**PEA**
High uptake, widespread distribution through banks, considerable regulatory stability, a marked domestic bias despite a theoretically broader investment universe, and a limited role for private market securities.

**PIR**
The effectiveness of explicitly channelling savings towards Italian SMEs and mid-caps, and the importance of regulatory stability in ensuring widespread adoption and lasting success.

Whilst the PIR scheme generated considerable initial enthusiasm, with particularly strong inflows in the early years, it was undermined by several regulatory changes introduced after its launch. In particular, the change to the investment rules in 2018 brought the momentum in inflows to a halt by creating uncertainty that undermined the confidence of savers and distributors.

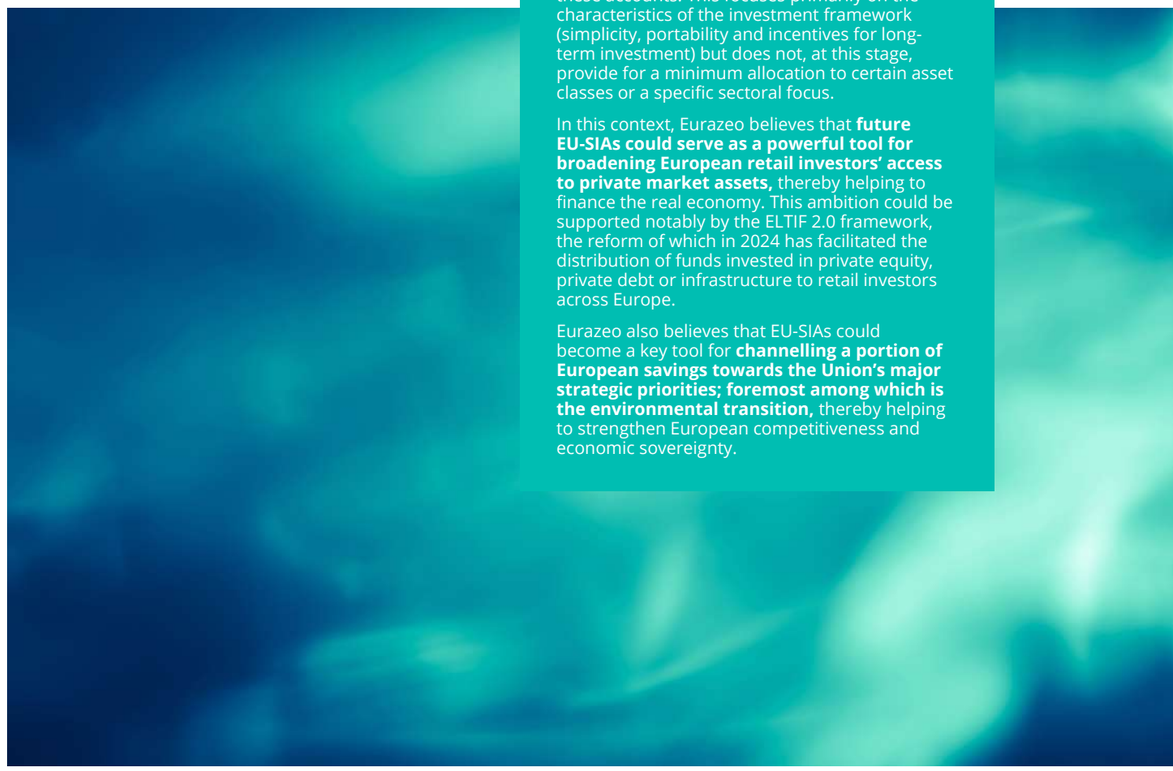
Despite these limitations, **the PIR has demonstrated that a savings scheme can effectively channel significant funds into underfunded segments of the market.** It has enabled many Italian SMEs and mid-cap companies – which are structurally undercapitalized and overly reliant on bank credit – to access funding that they would often have been unable to secure on the same terms through traditional channels. This scheme has also supported the markets for listed Italian SMEs by increasing investment volumes and facilitating fundraising in this segment.

[131] *European Commission, Commission Staff Working Document Accompanying the Commission Recommendation on Increasing the Availability of Savings and Investment Accounts with Simplified and Advantageous Tax Treatment, SWD(2025) 6800 final (Brussels: European Commission, 2025).*
[132] *Bank of France, Statistics on Share Savings Schemes – 2025, June 2026.*
[133] *Whilst eligible securities must, in principle, be European, investors can also gain indirect access to global markets – particularly the US market – via synthetic ETFs that track indices such as the S&P 500 or the MSCI World.*
[134] *The Banque de France does not publish a breakdown of listed versus unlisted shares within the PEA.*
[135] *Assogestioni, Osservatorio Piani Individuali di Risparmio, May 2026.*





**These various examples show that a savings product achieves lasting success when it combines four key elements: a strong tax incentive, attractive underlying assets, large-scale distribution and a simple structure for savers.**



### Savings and Investment Account (EU-SIA)

The Savings and Investment Account (EU-SIA) is one of the flagship initiatives of the Savings and Investments Union (SIU) launched by the European Commission in March 2025. Its aim is to **strengthen the channelling of household savings towards the financing of the European economy** by encouraging the development of simple, portable and tax-efficient savings and investment accounts. **The project draws inspiration from national schemes that have proven effective** in channelling long-term savings, such as the PEA, the PIR and the ISK. The aim is not to replace these national schemes but to propose a European reference framework that could inspire their further development or the creation of new national vehicles compatible with the SIU's objectives.

In September 2025, the Commission published a recommendation setting out a blueprint for these accounts. This focuses primarily on the characteristics of the investment framework (simplicity, portability and incentives for long-term investment) but does not, at this stage, provide for a minimum allocation to certain asset classes or a specific sectoral focus.

In this context, Eurazeo believes that **future EU-SIAs could serve as a powerful tool for broadening European retail investors' access to private market assets,** thereby helping to finance the real economy. This ambition could be supported notably by the ELTIF 2.0 framework, the reform of which in 2024 has facilitated the distribution of funds invested in private equity, private debt or infrastructure to retail investors across Europe.

Eurazeo also believes that EU-SIAs could become a key tool for **channelling a portion of European savings towards the Union's major strategic priorities; foremost among which is the environmental transition,** thereby helping to strengthen European competitiveness and economic sovereignty.

PART 6

## Action

# THREE PROPOSALS TO MAKE ENVIRONMENTAL CAPITAL **THE DRIVING FORCE BEHIND EUROPE'S POWER IN THE 21ST CENTURY**

The following three proposals translate these shifts in approach and clarifications into a concrete action plan. They are addressed to European institutions, Member States, financial regulators, asset managers and savers.

1. Create a public European reference directory of private market environmental funds

2. Facilitate the allocation of assets by insurers and pension funds to private market environmental funds

3. Mobilize the Scale-up Facility of the future European Competitiveness Fund to support environmental solutions

# PROPOSAL 1:
# CREATE A PUBLIC EUROPEAN REFERENCE DIRECTORY OF PRIVATE MARKET ENVIRONMENTAL FUNDS

One of the main obstacles to the development of the market for environmental solutions today is the **lack of a common reference framework** for identifying, comparing and monitoring the investment vehicles that contribute to it.

Against this backdrop, Eurazeo proposes **the creation of a public European reference directory listing all private market environmental funds** disclosed under Article 9 as per SFDR and, in the long term, funds falling within the future 'Sustainable' category as per SFDR 2.0.

This directory, accessible to all, could include the following information for each fund:

- Asset class,
- Investment thesis (intentionality and additionality),
- Impact indicators (measurability),
- Investment universe (sector, geography, company size), and
- Key financial data.

This proposal offers several advantages. Firstly, it draws on **information already produced by asset managers** in accordance with SFDR requirements, which facilitates its implementation without creating an additional workload. The directory could form part of existing initiatives such as the European Single Access Point, the European platform designed to centralize financial and non-financial information on companies and financial products[136]. Furthermore, it would help to **significantly improve market transparency** by offering investors a single point of access to identify and compare private market environmental funds. Finally, it would provide the necessary infrastructure to **channel capital more effectively towards the strategies that contribute most to the environmental transition,** in line with the proposals hereafter. This proposal could also cover the listed funds.

[136] *The European Single Access Point (ESAP) is a European Union initiative aimed at centralizing, within a single platform, public access to financial and non-financial information on companies and investment products. It is scheduled to come into operation from July 2027.*





# PROPOSAL 2:
# FACILITATE INSTITUTIONAL INVESTORS' ALLOCATION TO PRIVATE MARKET ENVIRONMENTAL FUNDS

Extending the Solvency II and IORP II prudential exemption to private market Article 9 (and future 'Sustainable') environmental funds is **the most powerful lever for accelerating the financing and growth of environmental solutions.**

At present, structuring a private market Article 9 fund entails significant additional costs (specialized teams, reporting, auditing, structuring of incentive mechanisms), without benefiting from any specific incentives, whether fiscal or prudential. This situation automatically limits the development of these strategies. Similarly, **access to investment in private market assets for certain institutional investors, such as insurers, remains severely restricted.** In this context, the prudential framework plays a decisive role.

> "THE PRUDENTIAL FRAMEWORK PLAYS A DECISIVE ROLE IN FINANCING ENVIRONMENTAL SOLUTIONS."

The 2019 revision of the Solvency II framework introduced **the Long-Term Equity Investments (LTEI) regime[137], allowing certain equity exposures held for the long term to benefit from favorable prudential treatment,** subject to compliance with strict eligibility criteria, notably a minimum holding period of approximately five years. Under this framework, the capital charge (i.e. the amount of own funds required) is reduced to around 22%, compared with nearly 49% under the standard regime applicable to the riskiest equity exposures, notably private equity[138].

**In practice, this scheme remains largely underused** according to the consultancy firm Macfarlanes[139]: "In theory, since 2019, certain private equity investments could qualify as long-term equity (LTE) and benefit from a reduced capital charge of 22%. However, only 1% of European insurers' equity portfolios have so far benefited from this provision, due to strict eligibility criteria."

The associated requirements severely limit its accessibility. Above all, **they were designed for equity investments held directly by insurers** and prove particularly difficult to apply to investments made via funds, particularly private equity funds. This mismatch largely explains the low uptake of the scheme. Furthermore, this regime takes no account of how the asset is used: it treats an oil company in the same way as a company that finances decarbonization.

In this context, Eurazeo proposes **extending access to this preferential treatment (22% rate) to private market Article 9 environmental funds** and future SFDR 2.0 'Sustainable' funds listed in the public European reference directory (proposal 1), by adapting the eligibility criteria to base them on their environmental contribution. At unchanged capital requirements, **an insurer could thus more than double its exposure to these assets** (22% vs 49%).

[137] *CVC, Private Equity for Insurers: Unlocking Capital Efficiency under Solvency II, May 2026 (SCR of 22% vs 49% + symmetric adjustment for private market shares excluding LTEI; Delegated Regulation (EU) 2026/2692 in force on March 10, 2026, applicable from January 30, 2027).*
[138] *European Commission, 'Questions and answers on the Solvency II Delegated Regulation', October 29, 2025 (European insurers manage approximately €10,000 billion in assets; expected effects of the revision estimated at ~€90 billion in capital released in the short term).*
[139] *« The German Insurance Market: Opportunities and Considerations for Fund Managers », Macfarlanes, April 30, 2026*

> THE AIM IS TO RECOGNIZE THAT CERTAIN ENVIRONMENTAL SOLUTIONS SERVE A STRATEGIC EUROPEAN INTEREST.

In the same vein, **changes could be envisaged for pension funds, as part of the ongoing revision of IORP II,** with a view to easing certain prudential constraints on private market assets, whilst providing an incentive to invest in private market environmental funds listed in the directory, and at the same time enhancing transparency through dedicated reporting on these allocations.

The pool of capital that can be mobilized is considerable. European insurers manage over €10,000 billion in assets and occupational pension funds nearly €3,000 billion[140], of which a still very limited proportion is invested in private equity (1.9% for insurers alone[141]). Eurazeo's proposal aims to **encourage the prioritized allocation of a portion of this pool towards the financing of environmental solutions.**

This proposal has three key qualities: it is feasible, targeted and neutral. Feasible, because the 22% factor already exists within the current prudential framework. Targeted, because its scope would be strictly defined by the reference directory presented earlier. Neutral, finally, because it does not alter either the prudential treatment or the financing conditions for other asset classes.

The aim is not to grant a regulatory advantage to assets classified as 'green' on principle. The aim is to recognize that **certain environmental solutions serve a strategic European interest and contribute directly to reducing long-term systemic risks**: exposure to climate change, resource dependence, energy vulnerabilities, etc. In this sense, these investments help to strengthen Europe's economic resilience and may have a more favorable risk profile than others.

[140] *EIOPA, "Statement to the ECON Committee of the European Parliament", November 17, 2025.*
[141] *EIOPA, Financial Stability Report June 2024, June 27, 2024.*





# **PROPOSAL 3:** MOBILIZE THE SCALE-UP FACILITY OF THE FUTURE EUROPEAN COMPETITIVENESS FUND TO SUPPORT THE ENVIRONMENTAL TRANSITION

The European Competitiveness Fund, proposed by the European Commission as part of the forthcoming 2028–2034 multiannual budget, aims to strengthen **the European Union's capacity to foster and finance strategic companies capable of scaling up** on the European and international markets.

Among the instruments envisaged, Article 22 provides for the creation of a Scale-up Facility, designed to address one of the main weaknesses of the European ecosystem: the lack of available funding for companies in the scaling-up phase. This facility is designed to mobilize various financial instruments in order to **use public resources to attract private capital and thereby increase the financing available to companies with high growth potential.**

Whilst the European Competitiveness Fund targets several strategic areas such as industrial decarbonization, digitization, health and defense, the Scale-up Facility could also serve as a relevant lever to accelerate the development of companies offering environmental solutions. Strengthening European competitiveness and resilience also depends on the emergence of leaders in fields such as energy efficiency, electrification, the circular economy and adaptation to climate change.

In order to do this, Eurazeo **proposes mobilizing the Scale-up Facility of the European Competitiveness Fund to support the creation of at least two pan-European funds of around €5 billion each,** modelled on the Scaleup Europe initiative, to support the scaling up of companies offering environmental solutions.

# APPENDIX

## Overview: €100–130 billion per year in European public funding for environmental solutions

European public funding for environmental solutions aimed at businesses and funds: funding schemes for businesses and investment funds. Data for 2025–2026.

| Type of funding | Average annual amount | Share | What funds this line | Beneficiaries (businesses / funds) |
|---|---|---|---|---|
| **Pure grants (non-repayable)**[142] | **€12–15 billion per year** | 10-12% | Innovation Fund (regular grants), Horizon Europe Cluster 5, CEF Energy, CEF Transport, LIFE. | Companies and industrial consortia leading low-carbon projects (CAPEX > €2.5 million). As of June 2025: 208 projects under the Innovation Fund, €11.6 billion in funding committed. |
| **Fixed production incentives**[143] | **€2–3 billion per year** | ~ 2% | European Hydrogen Bank (auctions), auction for decarbonized industrial heat. | Producers of renewable hydrogen and industrial heat, remunerated via a fixed premium (€/kg) over 10 years. IF25: ~€10 billion in bids received in 2026. |
| **Preferential-rate loans**[144] | **€50–60 billion per year** | ≈ 50% | EIB Group — €51 billion for climate projects out of €89 billion signed in 2024 (~60%). Target of €1,000 billion for climate projects 2021–2030. 2025: €100 billion signed. Includes EIB Water. | Large enterprises, mid-cap companies, infrastructure developers (networks, renewables, net-zero, storage); SMEs via intermediary banks. |
| **Guarantees (triggering private loans)**[145] | **€8–10 billion per year** | ~ 8% | InvestEU (guarantee increased to €29.1 billion, leverage effect ~×11–15), STEP, intermediated programs. €397 billion mobilized by the end of 2025. | SMEs, small/large mid-caps, infrastructure — via financial intermediaries (banks, funds). The EIF is deploying €28.8 billion backed by €14.8 billion from InvestEU. |
| **National state aid approved by Brussels** [146] | **€15–25 billion per year** | 15–20% | IPCEI Batteries (€3.2 + 2.9 billion), Hydrogen (€5.4 billion), Microelectronics (€8 billion). CISAF: new state aid framework under the Clean Industrial Deal (June 2025). | National industrial champions and strategic value chains (batteries, semiconductors, H2) selected by Member States and then notified to the Commission. |
| **Equity / quasi-equity**[147] | **€8–10 billion per year** *(EIB record 2024)* | 8-10 % | The 'structural gap' highlighted by Draghi has now been partially bridged: EIB €8 billion equity (a record level in 2024); ETCI / TechEU (VC/PE fund-of-funds); EIC Fund; EU-Catalyst Partnership (€420 million with Gates). | Scale-ups & deep-tech (via the EIC Fund, equity of up to €10 million); European VC/PE funds via ETCI 2.0 (€1.25 billion committed by December 2025) and the EIF fund-of-funds. STEP Scale-Up: €10–30 million per company. |
| **Industrial Decarbonization Bank (launch Q2 2026)**[148] | **0 in 2025–2026 ≈ €10–15 billion per year from 2027** | Future | Mix of grants + guarantees + Carbon Contracts for difference / €100 billion targeted for 2026–2034 | Large-scale decarbonization projects in heavy industry (steel, cement, chemicals) via carbon contracts for difference. To be channelled through the future Competitiveness Fund. |
| **CURRENT TOTAL**[149] | **€100–130 billion per year** | 100% | To be compared with the ≈ €400 billion per year green investment gap estimated by the EEA (2025). Single framework. | The complete ecosystem: businesses (grants, loans, equity), investment funds (EIF guarantees, ETCI funds-of-funds), national champions (IPCEI). |

*[142] European Commission, 'Innovation Fund', Directorate-General for Climate Action (DG CLIMA); Clean Air Task Force (CATF), 'Making €100 Billion Count: Turning Europe's Industrial Decarbonization Ambitions into Steel on the Ground', press release, April 29, 2026.*
*[143] European Commission, 'European Hydrogen Bank', Directorate-General for Climate Action (DG CLIMA); European Commission, 'Innovation Fund 2025 auctions attract almost €10 billion in bids for European industry decarbonization', press release, March 20, 2026.*
*[144] European Investment Bank (EIB), 'EIB Group achieves record results in 2024, targets €95 billion in investments for 2025', press release, January 30, 2025; European Investment Bank (EIB), 'EIB Group renews record-high financing target of €100 billion to boost Europe's strategic and technological independence', press release, December 11, 2025.*
*[145] European Commission, 'InvestEU Fund'; European Commission, 'InvestEU Programme'; European Investment Fund (EIF), 'InvestEU: Overview'.*
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