

## Resolution Insights

# Climate investing in an age of uncertainty

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This *Resolution Insights* piece explores the potential implications that an evolving global perspective on climate change, and an increasingly challenging US administration will have on climate-aligned investing. We examine the widening gap between political rhetoric and on-the-ground realities, and how political skepticism toward experts and science is shaping the narrative around – though not necessarily the trajectory of – sustainable investment.

We highlight the enduring drivers of climate-aligned investing beyond regulation: economics, corporate risk-management, shifting consumer preferences, and the resilience of local support for clean air, water, and low-impact development. We also look at how technology-led, apolitical trends continue to create opportunities regardless of who sits in the White House.

Our investment framework is grounded in long-term structural change, not dependent on ideological momentum or regulatory support. We hope this provides a useful lens on how we think about risk, resilience, and opportunity in the face of political volatility.

As ever, we welcome your thoughts and feedback. With best wishes,

**The Resolution Team**

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# Climate-aligned investing in 2025

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At Resolution, we invest with discipline and purpose. Our process is rooted in deep fundamental analysis – evaluating company quality, industry structure, culture, management, business model resilience, and valuation. We view environmental impact as a material, cross-cutting risk, and invest only in businesses well positioned to adapt – and ideally benefit from – the climate transition.

We have conviction that our processes, helped by continuous improvement and refinement, position us to deliver strong risk-adjusted returns. That said, companies do not operate in isolation. Shifts in the political and economic landscape, as well as the mood of the market, are always at play. As stewards of capital, we remain attuned to this wider context.

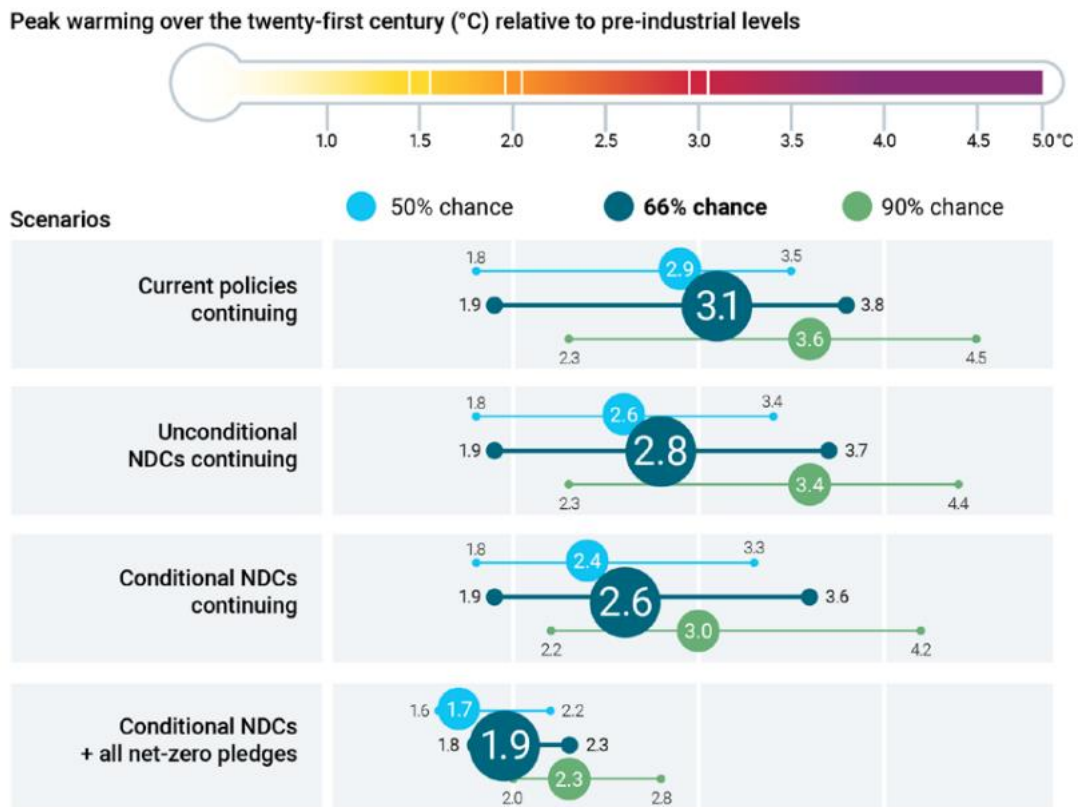
A question we often hear from clients is whether climate-aligned investing is riskier in today's political environment. We believe the opposite: ignoring structural change in favour of short-term political noise increases volatility and undermines long-term returns.

## The backdrop – a Second Trump Era

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The world is navigating a period of high uncertainty. Aggressive tariffs and countermeasures are being implemented, reversed and reintroduced – often at escalating levels. For investors focused on climate, there are strong political currents pushing back against the fundamentals of climate science and reversing support for the energy transition. Emissions reduction targets are being missed widely, climate-focused investment strategies face growing scrutiny, and in the United States, the new President has promised to dismantle anything “green”.

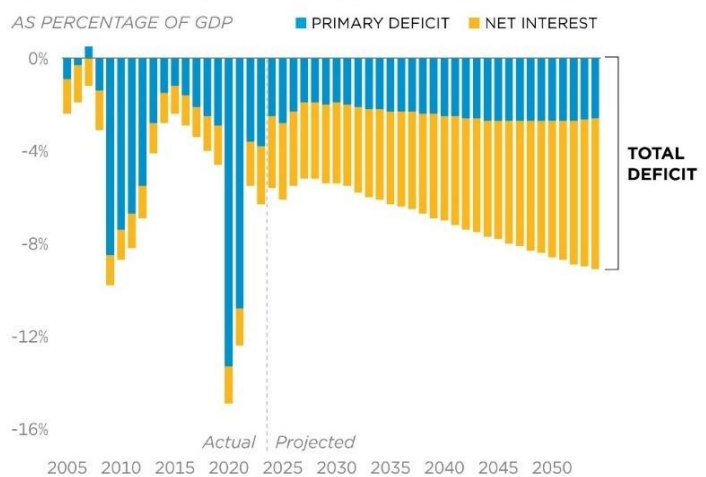
It is understandable that advocates for climate action may feel disheartened. Global emissions and temperatures continue to trend in the wrong direction. As the chart below shows, the world remains on a path towards warming of more than 2°C, - a trajectory with terrible consequences for the planet and the global economy.



Source: UN Environment Programme – Emissions Gap Report 2024

At the same time, the dual pressures of a widening budget deficit and mounting federal debt in the United States are reducing the likelihood of near-term regulatory support for the energy transition. The U.S. budget deficit now represents 6.3% of GDP, while total federal debt has reached \$36 trillion, or 120% of GDP. Perhaps most strikingly, annual interest payments have risen to \$880 billion - equivalent to nearly half the entire deficit.

### INTEREST COSTS A MAJOR BURDEN



Source: Congressional Budget Office.

heritage.org

# What makes us hopeful at Resolution

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Despite today's challenging political backdrop, we remain convinced that equity investors should not be deflected from assessing the climate alignment of their holdings. Equities are long-duration assets – their value reflects cash flows stretching decades into the future. And the climate science is unambiguous: the need to address the economic risks of unchecked warming will only intensify over time. Long after President Trump has left office, policymakers will be compelled to act, and markets will continue to price in climate-related risks and opportunities.

History shows that when structural vulnerabilities become clear – whether in coal, oil and gas, or the automotive sector – markets reprice swiftly. Investors who ignore the climate transition risk being wrong-footed by these moves. Incorporating a company's preparedness for a lower-carbon economy is, in our view, a prudent way to mitigate long-term downside risk.

More careful assessments of both the broad landscape and specific issues lead us to retain a much higher degree of optimism. Near-term U.S. regulatory support is likely to slow under the current administration. Some elements of the Inflation Reduction Act ("IRA") will likely be rolled back or delayed, and others will end up mired in the courts. That said, it is notable that 21 Republican members of Congress have urged President Trump not to dismantle the IRA entirely – a signal of growing bipartisan recognition of its economic importance.

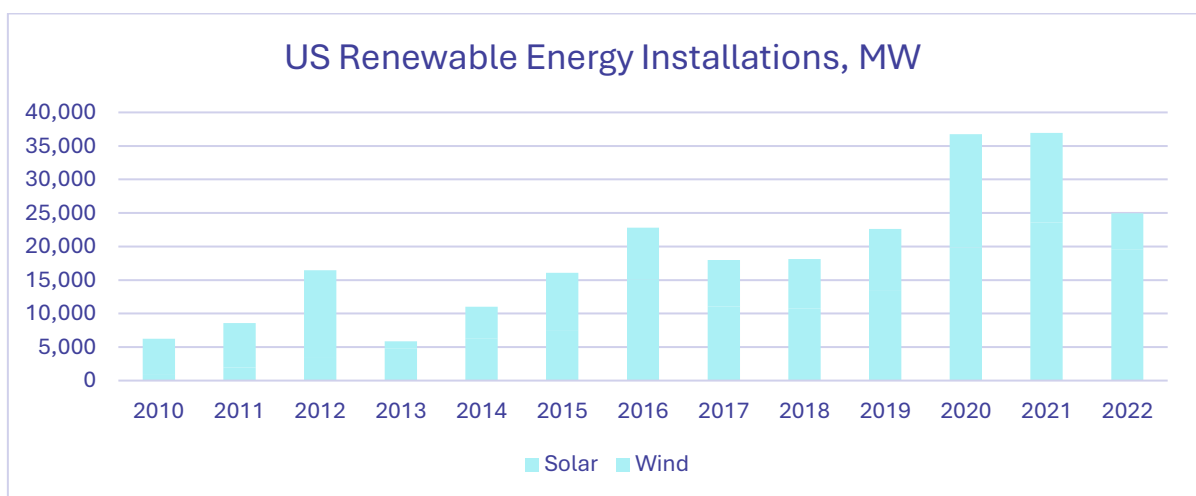
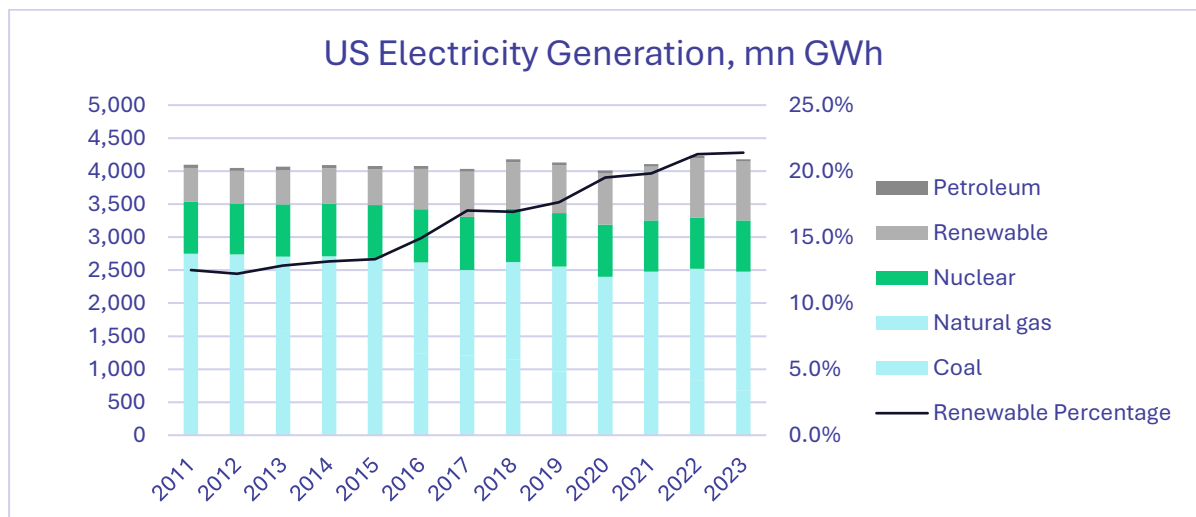
More importantly, structural momentum in the private sector is strong. Consumer demand for clean energy and sustainable transport is well established. Corporate decarbonisation targets, disclosure frameworks, and capital investment in renewables are advancing steadily. Critically, these are market-led forces, and so unlikely to reverse.

For investors, the task is to determine how these shifts will affect demand, cost structures, and ultimately equity valuations. While political noise from Washington may cloud the picture, the underlying signals remain clear. In the following sections, we explore how these trends are evolving, drawing lessons from Trump's first term and offering views on the second.

# Beware the rhetoric – the reality of Trump I

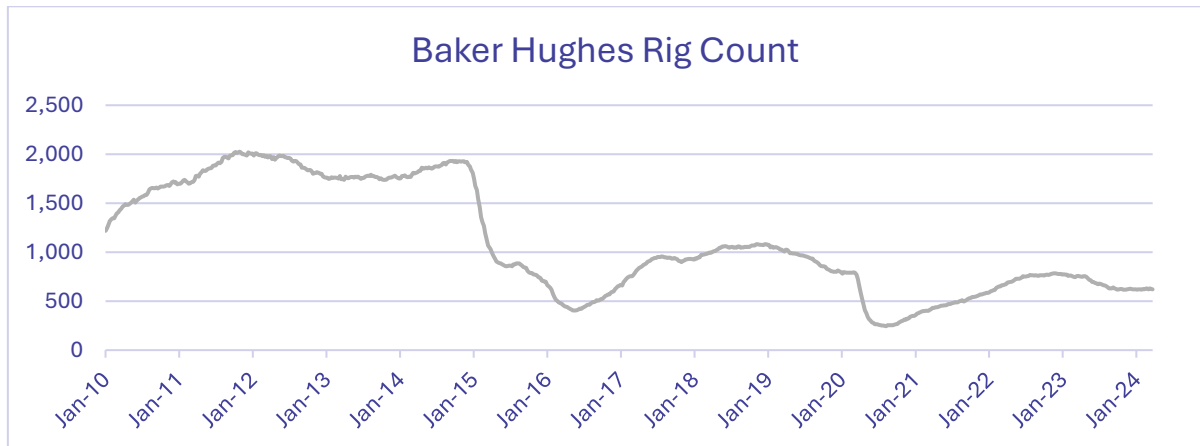
The anti-green rhetoric of the first Trump administration did not consistently translate into action on the ground. We highlight three examples – among many – that illustrate this disconnect:

**First**, U.S. solar power installations accelerated significantly during Trump’s first term, outpacing growth under the ostensibly more clean-tech-friendly Obama administration. Wind energy followed a similar trajectory – average annual onshore wind installations rose from 7,100 MW under Obama to 10,040 MW under Trump. Over the same period, the share of renewables in the U.S. energy generation mix increased from roughly 15% to 20%.



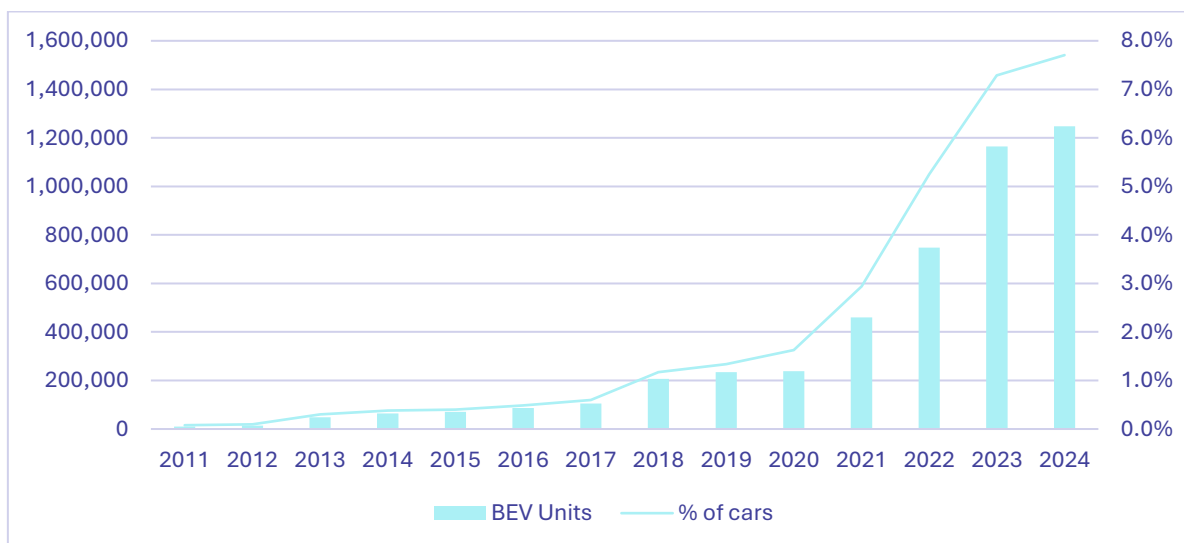
Sources: EIA; US Department of Energy

**Second**, U.S. rig counts, as tracked by Baker Hughes, peaked in 2014 under the Obama administration when oil prices were around \$100 per barrel – and have not returned to those levels since. The primary driver of drilling activity is the oil price, not regulation. Today’s oil price of around \$60, combined with a flat futures curve and subdued demand growth, both historic and forecast, continues to limit investment.



Source: *Baker Hughes Inc.*

**Third**, battery electric vehicle (“BEV”) sales provide another example where rhetoric diverged from reality. During Trump’s previous term, BEVs more than tripled their share of the U.S. auto market – despite no meaningful change in federal tax credits. Growth was driven primarily by improving technology, falling costs, and rising consumer demand.



Source: *Argonne National Laboratory*

## Beware the rhetoric – the outlook for Trump II

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While tax and regulatory regimes have shifted over time, technological progress continues to drive down costs across renewable energy and EVs. The advantages of EVs are increasingly evident: superior performance, lower maintenance due to fewer moving parts, home charging convenience, and reduced local emissions. Today, the unsubsidised price premium has narrowed significantly.

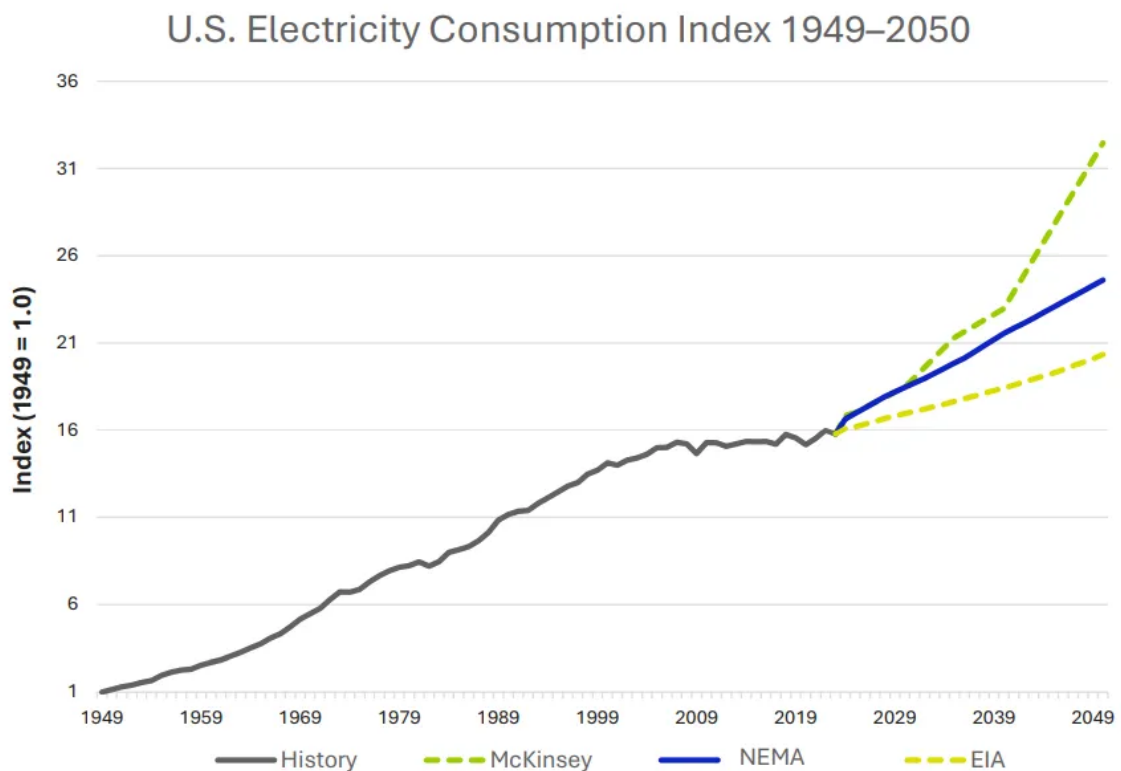
In power generation, the levelized cost of energy for many renewable technologies now matches – or undercuts – fossil fuels, even when accounting for battery storage to support grid stability. Much of the world's renewable deployment is pragmatic, not ideological. China, for example, accounts for roughly two-thirds of global renewable capacity – driven by energy security and public demand for cleaner air. Germany's *Energiewende* (Energy Transition) similarly reflects long-term geopolitical concerns, including energy dependence on Russia.

In the U.S., the federal system grants substantial power to individual states. Environmental policy often gains more traction at the state and local level, where benefits like cleaner air, healthier rivers, and local job creation are more visible and politically popular.

Markets, meanwhile, respond to more than just federal policy. Oil prices, drilling economics, consumer preferences and private-sector innovation are all powerful drivers of the energy transition. Despite political shifts, many climate-related sectors continue to benefit from strong underlying momentum.

This broader context is essential when evaluating the potential impact of a second Trump administration. The push to reshore U.S. manufacturing - often linked to Trump's tariff-heavy agenda - pre-dates the current administration. The Inflation Reduction Act and CHIPS Act catalysed this shift by tying funding and incentives to domestic production. Meanwhile, COVID-era supply chain shocks and geopolitical events such as the war in Ukraine have only sharpened focus on industrial resilience.

This re-shoring of industry, coupled with surging demand from data centres is driving a sharp increase in U.S. electricity demand after nearly two decades of stagnation. The chart below illustrates these revised demand projections.

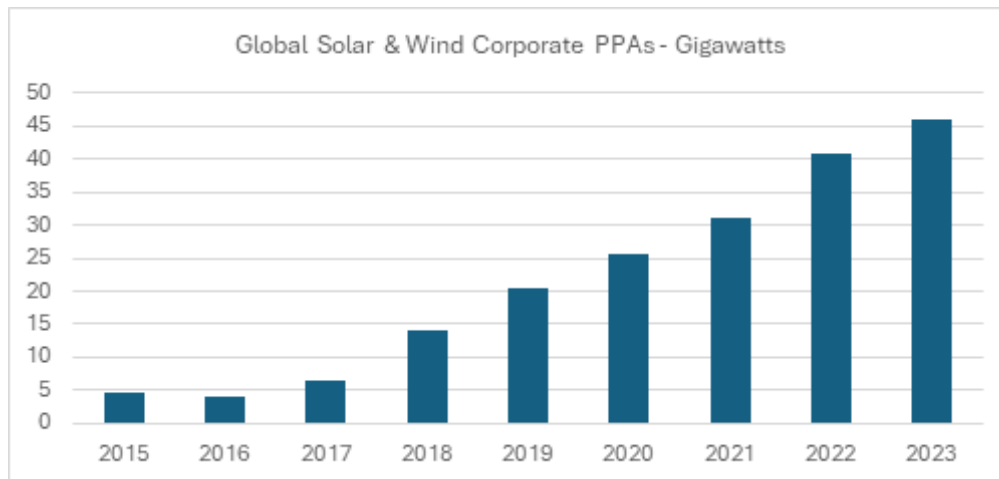


Source: *Wood Mackenzie*

This rising demand for electricity must be met with new supply – here, the structural differences between fossil fuels and renewables become critical. Fossil fuel plants rely on the continuous extraction, transportation, and combustion of fuel, followed by long-distance transmission of electricity to end-users. In contrast, while renewable projects are capital-intensive upfront, they are reliable and relatively autonomous once operational and can often be built closer to the point of demand. This enables more predictable operating costs and enhances energy security.

Although the US is largely self-sufficient in hydrocarbons, global price – such as those triggered by conflict or supply disruption – still have domestic consequences. Renewables provide diversification and insulation from such volatility.

Corporates increasingly recognise this. Energy planning is now seen not as a regulatory compliance issue, but as a core strategic risk. Renewable power purchase agreements (“PPAs”) continue to gain traction, enabling companies to lock in clean energy at fixed prices and reduce long-term cost uncertainty. These decisions are being made by management teams accountable to shareholders – not politicians – underscoring the structural nature of the transition.



Source: *Bloomberg New Energy Finance*

## Secular opportunities

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Given the backdrop outlined above, below are some examples on sectors and themes we believe are driven by apolitical structural tailwinds. These areas will continue to grow, underpinned by their economic fundamentals and consumer preferences, regardless of the regulatory environment.

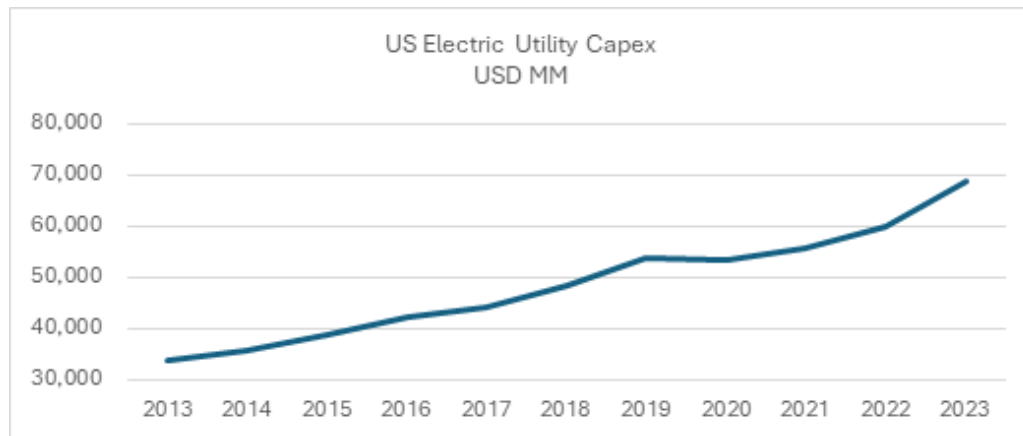
### Grid stability and upgrades

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***Resolution Investors Target List Companies: Quanta Services, Schneider Electric, Autodesk, Bentley Systems, Hubbell Incorporated***

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The U.S. power grid is under growing strain. Rising electricity demand and greater network complexity – driven by AI data centres, electric vehicles, distributed renewables, and on-shored manufacturing – are colliding with aging infrastructure and more frequent extreme weather events. Over 70% of the grid is more than 25 years old, and the U.S. has added fewer transmission miles over the past decade than any other major economy. This has resulted in a clear upward trajectory for electric utility capital expenditures.



Source: *S&P Global*

A central promise of the Trump campaign was to streamline permitting and accelerate energy infrastructure buildout. While the “Energy Emergency Declaration” lacks detail, permitting reform was a consistent campaign priority. Both federal and state procedures continue to serve as bottlenecks for faster deployment. However, many U.S. states have made material efforts to expedite the approval process of transmission and distribution line investment.

Grid flexibility and resilience are becoming economic necessities, not political preferences – providing a robust tailwind for companies positioned to support the transition.

## Efficient Buildings

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**Resolution Target List Companies: Carlisle Companies, Kingspan, Legrand, Schneider Electric, Sika**

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There has been a steady drumbeat of efficiency improvements as commercial building owners grow increasingly aware of the costs of HVAC inefficiency. This is a critical environmental issue – heating and cooling accounts for over 7% of global emissions.

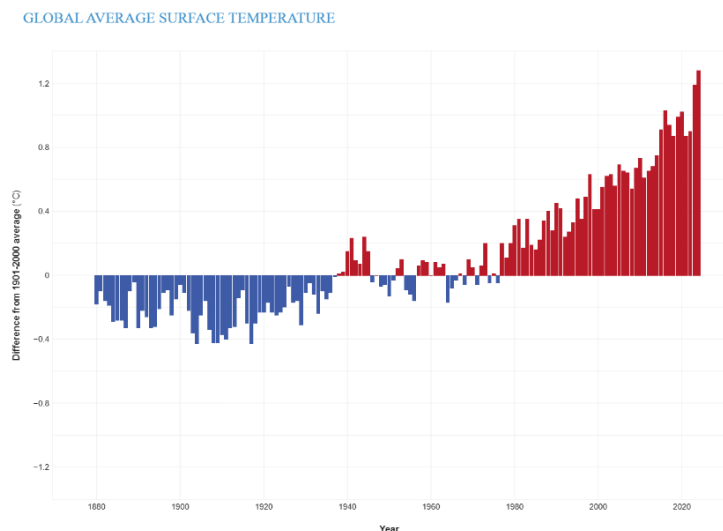
The U.S. Green Building Council’s LEED Platinum Certificate is the most widely recognized standard for building efficiency. For well over a decade, certifications have grown steadily year after year, showing no significant change across different political administrations.



Source: *US Green Building Council*

Because buildings are long-lived assets with long-duration financing, investors focus closely on total lifecycle cost. Many of the companies on our Target List offer products that reduce emission from construction and operations, while also improving overall project economics.

These are just two examples, but we believe that most of our investable companies are supported by similar secular trends. Indeed, every Adaptation Solution company we consider must have a growth driver aligned with rising global temperatures and related challenges such as water scarcity.



Source: *NOAA National Center for Environmental Information*

## Concluding thoughts

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At Resolution, our team has navigated decades of market and geopolitical upheaval – from the tech bubble to COVID-19, from currency crises to multiple rate cycles. This experience reinforces our conviction: strong long-term returns come from investing in businesses that create real customer value, manage externalities, maintain pricing power, and respect capital and minority shareholders. These traits matter most in times of uncertainty, when resilient cultures and clear strategic focus set the winners apart.

Despite political headwinds – including the U.S. administration's rollback of some climate commitments and its scepticism about anthropogenic climate change – we remain committed to companies with credible climate strategies at reasonable valuations. While global warming has become increasingly politicised, the imperative to protect local environments, improve air and water quality, and reduce waste remains widely supported. These concerns provide enduring tailwinds for environmental investments, even when broader narratives are under pressure.

At the same time, rapid advances in clean and resource-efficient technologies are delivering solutions with both environmental and economic benefits. Companies that adopt these innovations can improve competitiveness, reduce cost volatility, and future-proof operations.

The sectors we have discussed – energy, infrastructure, buildings, and transportation – demonstrate how decarbonisation is progressing across the economy. These are structural, not cyclical, shifts. Companies are increasingly focused on shrinking their environmental footprints, and capital markets quickly penalise the laggards. Our investment process targets firms aligned with long-term transformation, not reactive to short-term politics. In a world shaped by volatile policy – from tariffs to geopolitical friction – security, resilience, and diversification will matter more. Businesses must prepare for multiple outcomes, and sustainable investments will be a vital part of that strategic toolkit.

Finally, while U.S. policy carries influence, it's worth remembering the country accounts for just 12% of global emissions. Encouragingly, the recent anti-climate rhetoric in Washington has not resonated globally. As investors and environmental stewards, we take confidence from this international commitment.

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