



The Path to Net Zero: Uncovering Investment Potential in Energy Transition

The *Brief* by the Energy Transition Infrastructure Team



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Despite there being a wide range of investment opportunities, a significant funding gap remains in the renewable energy sector. Mirova seeks to bridge this gap by developing investment strategies that enable investors to support the transition to a low-carbon economy.



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Mirova's strategic approach encompasses traditional renewable energy investments and cutting-edge technologies. As government subsidies shift, Mirova emphasizes the importance of detailed analysis to understand regional market dynamics. Through its innovative investment strategy, Mirova aims to lead the way in the global energy transition delivering positive impact and strong financial performance.

01 Is the energy transition market overcrowded?

There is not enough investment. Energy transition, particularly energy infrastructure is a huge opportunity for investors. Infrastructure requires significant investment, from design to operation. The need for infrastructure and its potential has drawn large investors for several decades, enhancing its appeal and development.

Global energy investment is set to exceed \$3 trillion for the first time in 2024, with \$2 trillion going to clean energy technologies and infrastructure¹.

Over the years, Mirova's Energy Transition investment team has built strong relations with mid-market actors. Today, these connections allow Mirova's Energy Transition Funds to benefit from the growth of these companies and to secure bilateral deals before the companies are publicly available, often at attractive prices.

In 2015, the ratio of clean energy to unabated fossil fuel power investments was roughly 2:1. In 2024, this ratio is set to reach 10:1¹.

02 Are renewable energy assets still a smart investment?

Yes, renewable energy is one of the fastest-growing segments of the infrastructure market. Clean energy production, grid connection, storage, and electric transportation is essential to move towards a low-carbon economy, and the investment gap to reach Net Zero targets remains significant.

03 Are there energy transition investment opportunities around the world?

Energy transition is global and there are promising opportunities around the world. However, specialized regional investment expertise is essential when looking for mid-market opportunities with high-return potential.

1. World Energy Investment 2024. International Energy Agency (2024).
The mentioned perspectives reflect the opinion of MIROVA at the date of this document and are likely to change without notice.

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The *Brief* by the Energy Transition Infrastructure Team

Mirova has been investing in Energy Transition Infrastructure (ETI) and building our expertise for more than 20 years. We started out with investing in projects located in France, and since then we have expanded our geographic scope to Northern Europe, Spain, Portugal, Greece, Poland, Baltic countries, and beyond. Today, our strategies are also invested in Canada and Australia.

We are investing in ETI solutions across the world because transitioning to a low-carbon economy is a global challenge. Additionally, exposure to different regional markets allows us to anticipate the rise of ETI in certain countries and therefore benefit from a first-movers' advantage.

Our strategies are at the forefront of the energy transitions across the world which benefits us as managers and gives our investors access to diversified pioneer global strategies.

Our latest strategy focuses on investments in ETI within Europe and OECD² countries, aiming to capitalize on the significant development potential that remains largely untapped.

04 What is the role of low-carbon hydrogen and e-fuels in the transition to a low-carbon economy?

Low-carbon hydrogen and e-fuels sectors are still in developmental stages but are expected to be crucial for the transition to a low-carbon economy in years to come. Compared to renewable energy electricity production, low-carbon hydrogen and e-fuels production have emerged relatively recently. As with any innovation, thorough research and due diligence is essential before making investment decisions to fully understand the market fundamentals and the projects technical characteristics.

The potential of low-carbon hydrogen and e-fuels is clear, and they are set to play a pivotal role in the energy transition. We have a deep understanding of the energy transition landscape including low-carbon hydrogen and e-fuels, including their development, risks, and opportunities.

The European Union aims to produce 10 million tonnes of low-carbon hydrogen by 2030. By 2050, low-carbon hydrogen is expected to cover around 10% of the EU's energy needs.³

05 Do you invest in emerging markets?

Yes, emerging markets are key for a carbon-free economy. In our strategies, we consider emerging markets in terms of geographies and technologies, and both are essential.

Emerging markets in the most common sense, meaning emerging countries, are indeed essential. Today, more than 775m people lack energy access in the world⁴ - mostly in Africa and developing Asia. Mirova offers a strategy dedicated to ETI in Emerging Markets, providing an opportunity for significant impact. Our goal is to alleviate energy poverty and create an equitable, low-carbon world.

There are also emerging markets regarding technologies. Recent technological advances have introduced new methods of producing energy, new types of mobility/transportation, and with these advances there are more challenges that emerge, such as storage and energy efficiency. The Net Zero challenge fosters the development of cutting-edge infrastructure, leading to the emergence of new markets and the need for an in-depth expertise of the ETI universe.

06 What is the effect of government subsidies on investment returns?

Subsidies do not detract from the expected returns of our investments. We conduct a detailed analysis by geographical region and by project. In Europe, for example, governments have phased out subsidies for renewable energy production, resulting in a fully subsidy-free market. More broadly in OECD² countries, renewable energy production and storage are also no longer subsidized.

However, newer sectors such as electric vehicle charging, low-carbon hydrogen and e-fuels continue to receive support from subsidies in Europe. This funding fosters research, development, and maturation within these industries, enhancing the potential upside for our investments.

To achieve the goals set by the European Green Deal, the Commission has pledged to mobilise at least €1 trillion in sustainable investments over the next decade⁵.

2. The Organization for Economic Cooperation and Development. 3. European Commission. Hydrogen 4. Source : IEA. 5. European Commission Finance and the Green Deal. **The mentioned perspectives reflect the opinion of MIROVA at the date of this document and are likely to change without notice.**



ABOUT MIROVA

Mirova is a global asset management company dedicated to sustainable investing and an affiliate of Natixis Investment Managers. At the forefront of sustainable finance for over a decade, Mirova has been developing innovative investment solutions across all asset classes, aiming to combine long term value creation with positive environmental and social impact. Headquartered in Paris, Mirova offers a broad range of equity, fixed income, multi-asset, energy transition infrastructure, natural capital and private equity solutions designed for institutional investors, distribution platforms and retail investors in Europe, North America, and Asia-Pacific. Mirova and its affiliates had €32 billion in assets under management as of December 31, 2024. Mirova is a mission-driven company, labeled B Corp*.

**The reference to a ranking or a label does not prejudice the future performance of the funds or its managers.*

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