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Tomorrow's *Sustainability Opportunities* from Metropolis

Insights from NYC Climate Week **2025**

Loomis Sayles Sustainability Team

October 2025

The Best Week of the Year

The third week of September is one of the busiest weeks of the year in NYC. Why? Because it's climate week. Hosted by the Climate Group, alongside the United Nations General Assembly, and surrounded by hundreds of private, investment-focused events, this is the premier event for sustainability professionals. Attendees explore and learn more about the latest climate concepts, research, and areas for potential alpha generation over the next few years. This event brings together investment banks, institutional investors, governments, insurers, sustainability data providers, scientists, and more.

This year, the entire sustainability team participated, attending 100+ sessions from 51 separate, invitation-only events - some lasting all day, others a single panel. We split up to cover as much as possible, focusing on the themes our team is most interested in: AI & the energy transition, physical risk and insurance, adaptation, and water. We used AI to distill over 100 pages of our team's notes, then analyzed and edited the results to develop the brief summary you see here. **Our key takeaway from Climate Week was "opportunity." We are collectively entering a new era due to the evolution of AI. When combined with the changing landscape of energy use, physical risk and adaptation, many believe the next five years will be transformative.**

This is just the beginning. Our next steps will be to partner with our fundamental analysts, who are experts in their sectors, to further understand their views, where they agree or disagree with the ideas shared at Climate Week, and to then identify areas of partnership for longer-term research and potential investment opportunities.

Personally, I have never been more excited about what the future holds for investing. Please reach out to us if you are interested in a deeper discussion of these themes.

Colleen Denzler, CFA,
Chief Sustainability Officer

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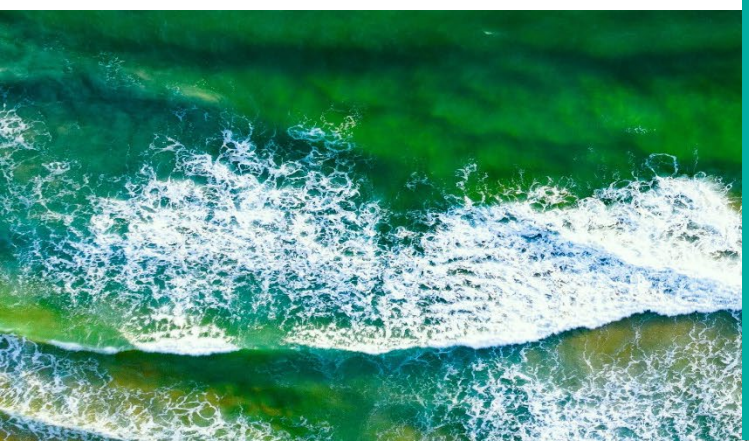
"Our key takeaway from Climate Week was "opportunity." We are collectively entering a new era due to the evolution of AI. When combined with the changing landscape of energy use, physical risk and adaptation, many believe the next five years will be transformative."

Colleen Denzler, CFA – Chief Sustainability Officer



AI & Energy – Catch Me if You Can

The hottest topic this year at NYC Climate Week was AI and energy demand and supply. What is clear is that AI energy demand is increasing exponentially, we believe that will continue to be the case for the next five years, at least. The overall climate impact of AI was a debated concept. Optimists believe that AI generated efficiency gains in the longer-term could lead to AI being net positive for carbon footprints. However, the near-term will likely reflect absolute emissions increases as companies focus on speed, scale, and reliability in an 'all of the above' approach to energy sourcing.

Skeptics are worried that even with the unprecedented effort to quickly scale the power supply available to support data centers, along with work on grid optimization and permitting reform, it wouldn't be enough to satisfy the exponential demand, thus potentially leading to higher energy costs. We believe both may be true. Additionally, this new paradigm will offer first and second-order opportunities, which could range from utilities, hyperscalers, and renewables to downstream companies that can leverage AI for operational efficiency.

> *"The AI revolution presents a significant opportunity for the power sector; clean energy technologies will complement traditional sources as we enter a new era of growth."*
>
> **Justine Gearin,** Sustainability Analyst

Potential Investment Implications

The next 5-10 years are imperative for building capacity: Globally, AI could add 10% to electricity consumption and could triple power demand by 2030[1].

Multiple speakers highlighted solar as the quickest and cheapest power source, which can be online in 18 months or less. For reference, new gas-fired power generation plants can take more than five years, and traditional nuclear is even longer.

Key Takeaways & Stats

Emerging technologies are approaching viability more quickly than previously believed: One banker predicted that nuclear fusion could reach viability by 2028–2029, ahead of small modular reactors (2030+). One fusion company discussed building a plant outside of Boston they expect to be operating at scale by 2030.

EV charging could add 25% to electricity demand at peak: In addition to data centers, manufacturing reshoring, diversification from China, cooling infrastructure in buildings, and EV charging stations are also driving power demand.

Transmission infrastructure, including fiber optics and high-density cables are expected to be major beneficiaries, supporting connectivity, decarbonization, and data center expansion.

The UAE is building the largest data center outside the US: Four nuclear power plants are under construction, Solar and batteries will power the data center.

Mind the Gap – Physical Risk

The increasing frequency and severity of physical risk events caused by climate change were common topics that spanned many of the Climate Week sessions we attended, specifically the potential financial costs posed by these risks. Given the accelerating pace of physical risk, it is highly likely that even regions known to have exposure to high physical risk which have some modicum of mitigation in place currently will be forced to look to longer-term adaptation.

Throughout the week, we consistently heard about the impacts physical risk poses to the insurance industry, and the potential implications including insurers adjusting their premiums, or worse yet, withdrawing from high-risk markets altogether.

Instruments like parametric insurance, while not new, are gaining traction (think catastrophic bonds).

Parametric insurance is essentially index-based insurance that uses a measurable parameter to determine a payout based on a predetermined amount for a defined event, rather than a payout based on actual physical losses, facilitating quick access to insurance funds and relief to those affected. We agree that the current under-insurance of physical risk is a factor that should be accounted for when modeling for risk exposures, especially as physical risk valuations are increasing and may likely soon surpass the valuation of transition risk.

> *"As physical risk increasingly manifests through devastating natural disasters, it is becoming a central concern for communities and companies facing growing vulnerability."*
>
> **Stephanie Mittaz –** Sustainability Associate

Potential Investment Implications

The long term costs of chronic physical risk may not be embedded in current valuations. Chronic physical risk is a slow moving, longer-term phenomenon. The underlying implication is that the market may not yet begun to understand how these risks could change over time, which could result in unintended exposure, potentially leading to asset devaluation or unexpected financial losses.

To address this challenge and the potential risk to our clients' portfolios, Loomis Sayles has built a physical risk model to capture the potential valuation implications.

Physical risk valuation surpasses transition risk at 3.1 °C[2]: This is the estimated turning point where the present value of physical climate risk exceeds that of transition risk.

Key Takeaways & Stats

Flood risk is likely underinsured globally: Countries have developed different types of protection in response. For example, the UK developed a re-insurance fund paid by a small premium of each citizen while Germany relies on the private sector and catastrophe bonds.

Securities like parametric insurance may fill the gap: Instead of assessing damage after the fact, parametric insurance uses measurable parameters, like wind speed, rainfall levels, or earthquake magnitude to determine payouts.

Homeowner's insurance and property tax costs could = possible political issue: For example, one speaker mentioned that homeowners' top concern in Texas was insurance, ahead of groceries and rent.

Adaptation – The Crossroads of Risk and Opportunity

At this year's Climate Week, there seemed to be a collective understanding that adapting to physical climate risks has become increasingly paramount, given that the world will likely miss the 1.5°C warming target established in Paris. What was striking is that the sustainable investing community was only lukewarm to the adaptation topic even just last year; now, it seems to be the center of every other conversation.

There was an emphasis on both the opportunities and risk management associated with adaptation at all of the events we attended. The opportunity side of the equation affirmed that many companies generate revenues from climate-resilient solutions such as building insulation or cooling. The risk management argument focused on potential cost savings; entities that invest in resilience could see lower contingent liabilities and thus have a stronger credit profile.

However, we sensed there was still some ambiguity about how to invest in this theme. We heard from a few investors who were either focused on private market deals, capturing growth in solutions through the public equity markets, or a few who highlighted government – particularly municipal – bonds.

Our research focus at Loomis Sayles is bottom-up. As such, the main investment implication from this theme for us is to work together with our fundamental experts to fully understand which initiatives issuers are undertaking to reduce their downside climate physical risk and potentially capture upside revenue growth to benefit our clients. We are uniquely positioned to capitalize on this, as we have fundamental analysts and coverage across corporates and municipals in public and private markets.

> *"Adaptation to physical risks went from a reluctant mention last year, to top of mind at this year's Climate Week."*
>
> **Alex Schober –** Sustainability Analyst

Potential Investment Implications

We need a "big three" for adaptation investment opportunities: Water, cooling, engineering & construction. This is similar to the "big three" of mitigation: solar, batteries, and EVs.

Private capital is likely to be the most logical investment platform for adaptation: Investors or lenders can require that certain adaptation targets or KPIs be met as part of the terms of the investment, tying financial performance to environmental outcomes.

Resilience = lower contingent liabilities, which could potentially lead to improved issuer creditworthiness.

Governments have financed the majority of adaptation projects but there are limits on how this can last. Municipal bonds for example, already finance 90% of US infrastructure projects. However, high and rising government debt burdens globally cap how much financing the public sector can provide. The private sector could fill in the gap starting from a low base using both equity and debt financing.

Key Takeaways & Stats

Three possible definitions of adaptation: Incremental upgrades (retrofits); New resilient builds (hardened data centers, climate-proof roads, improved insulation for heat); Community investments (sea walls, wetlands, water table restoration).

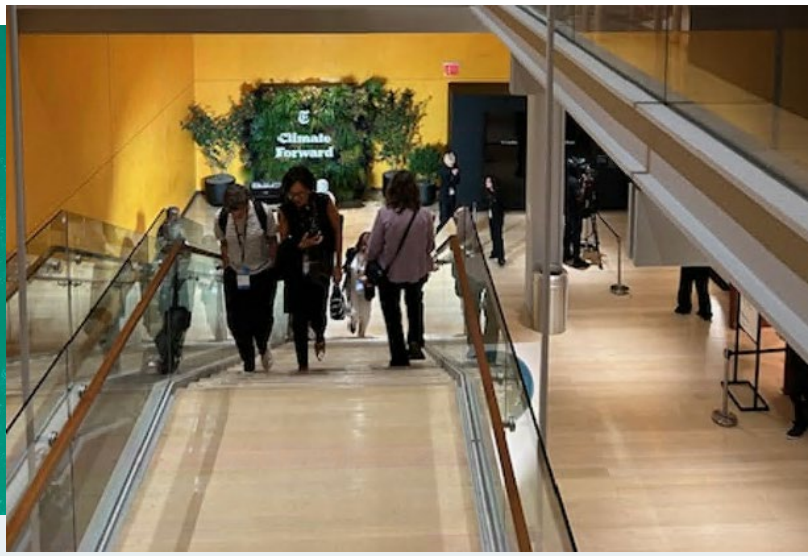
Adaptation must be local and hazard-specific. Questions to consider: Where will the hazard happen? When will the hazard happen? What types of hazard are you exposed to? Without narrowing down the project plans spending requirements would be too high.

Rating agencies are beginning to score for "climate readiness." As this is now being considered, it has been observed that only approximately 20% of companies disclose adaptation plans; with about 40% in utilities, and nearly 30% in energy. Asset-heavy sectors have shown the most progress in adaptation planning.

Water stress in Latin America: Brazil has been attracting tech capital and data centers in areas where water demand exceeds supply by nearly 60%.

Policy, Carbon Markets, Biodiversity and Beyond

Political discussions at the global and national level during Climate Week emphasized vastly differentiated perspectives regarding the Paris Agreement and the growing influence of China. State and industry specific discussions centered on meeting demands from economic growth, as well as a renewed focus on near-term energy prices and Speed to Market of energy supply to address AI requirements.



Potential Investment Implications

There is bipartisan support for nuclear power and emerging democratic support for an overhaul of the permitting process. This could enable new sources of energy to connect to the US grid.

Despite evolving geopolitical landscapes, many leading companies remain steadfast in their commitment to sustainability objectives. Carbon capture, carbon removal, biodiversity loss and water stress remain topics to follow as technologies and markets continue to develop around these issues.

"Companies exchanged ideas about meeting demands from AI and an unfolding transition, not the political headlines."

Justin Dutcher – Associate Director of Sustainability

Key Takeaways & Stats

While in the US fossil fuels will likely see national support in the short to medium term from the GOP, expect renewables with low 'system costs' to see broad support in the medium to long term: Leading Democrats discussed a desire to shift the parties' message on energy to be more focused on the cost advantages of renewables.

Nature performance bonds and ecological-linked finance are emerging within sustainable debt markets: Blue bonds or bonds that benefit the water ecosystem, have grown from three issuers in 2023 to 269 year-to-date in 2025.

Carbon exchanges and registries are gaining ground: particularly those operating in Latin America. Brazil supplies approximately 25% of all global carbon credit issuance and also accounts for 60% of the world's projects for nature/biodiversity.

Early movers in carbon capture and carbon storage have seen profitability and have invested CAPEX: While there were discussions about the lack of clarity on assessing projects, many noted there were 2X the growth of removal credits in 2025 as compared to earlier this year.

The US may have a competitive advantage in carbon capture storage paired with natural gas: We will be watching the California Resources, Elk Hills project as a "proof of concept" to monitor.

Redefining global competitiveness: The intersection of rapid AI growth and surging energy demand is now a central geopolitical and investment lever, especially in US-China relations. It is also presents global opportunities. The Global South represents a multi-hundred-billion-dollar market for electrification and infrastructure.

Disclosure Statement

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