Beyond the AI Hype

Takeaways from Climate Week NYC 2026

The Loomis Sayles Sustainability Team

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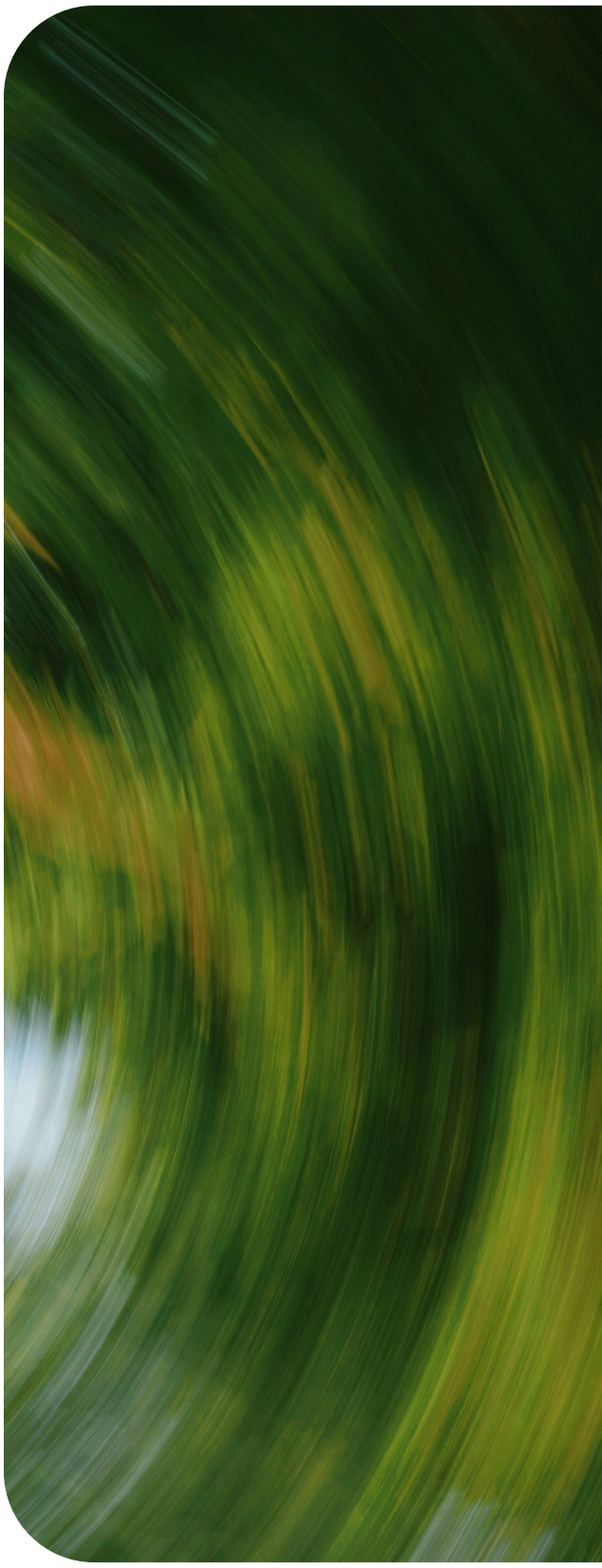
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Climate Week NYC Did Not Disappoint, but AI Dominated

COLLEEN DENZLER, CFA, CHIEF SUSTAINABILITY OFFICER

In September, our Sustainability Team attended Climate Week NYC 2026. In the weeks since, we have been digesting key topics and takeaways as we set our research priorities for 2027. We have rounded up our key insights—including what interested and surprised us most—in this paper.



Without question, Artificial Intelligence (AI) and all its unruly tentacles dominated the narrative at this year's Climate Week. Carbon emissions, net zero trajectories and anything related to 2050 were notably missing from the discussion. Our goal for Climate Week is evergreen: find unique insights on emerging topics and use this to help guide and inform our research for the following year. AI had such a hold over the dialogue this year that it was more challenging than usual to find differentiated perspectives and fresh thinking on emerging thematic and systemic risks.

In fairness, there was plenty of discussion around physical risk, but it centered almost entirely on private homeownership and municipalities. These are worthy topics to be sure, but what surprised us most were the topics we did not hear about, for example, discussion of how companies—and AI data centers in particular—could be affected by rising physical risks. We see that as a notable gap, especially as the emerging Super El Niño brings renewed attention to where and how these risks could emerge (more on that later).

Investment banks stood out as among the most active in researching longer-term themes this year, covering everything from demographics and physical AI to how declining birth rates and shifting immigration patterns could accelerate the adoption of robots as a new workforce. The latter is a topic our team will explore further in 2027.

Quantum computing, one of my research focus areas, was disappointingly absent from the agenda this year. Given the accelerated pace of technological advancement and growth, I am hopeful quantum could break into mainstream Climate Week discussion next year, especially as a partner to traditional AI. The possibilities are limitless—literally.

Bottom line: Climate Week did not disappoint. Across the events we attended, the focus was squarely on financial materiality and alpha, particularly through the often overlooked intermediate-term lens, which is where our team will continue to focus much of its analytical effort.

Please reach out to us if you are interested in discussing any of the topics highlighted in our paper.

Energy—More, More, More Is Better

JUSTINE GEARIN, SUSTAINABILITY ANALYST



Predictably, the conversation around energy permeated discussions throughout the week. The rapid growth of AI and data centers, alongside broader electrification, is creating unrelenting demand for electricity and constant power availability. This demand is driving unprecedented infrastructure investment and shifting the dynamics of the energy industry. For example, as the practical challenges of building new capacity—including repurposing brownfield sites, rising project contingencies, labor constraints and local resistance—become more pronounced, industry collaboration is increasing.

For clean energy, this creates both opportunity and tension. Although renewables remain central to expanding supply and addressing affordability, intermittent generation alone cannot satisfy a world increasingly focused on 24/7 availability and resilience. That reality is contributing to the resurgence of nuclear power, which has benefited from growing public support in the US alongside bipartisan and regulatory tailwinds, even as cost and construction timelines remain significant barriers. Meanwhile, fusion remains a compelling but longer-term prospect due to economic and commercial constraints.

At the same time, the burden of meeting this new demand cannot fall solely on the grid or the communities hosting new infrastructure. New Jersey's approach offers one model: data center developers are expected to bring energy to the table, invest in the grid, disclose their water and power use, create jobs and deliver tangible benefits to surrounding communities. More broadly, developers will need stronger community-engagement strategies, particularly as success with one project does not guarantee acceptance of the next. New Jersey has also increased solar and battery capacity and lifted its 50-year nuclear moratorium in response to double-digit utility-bill increases.

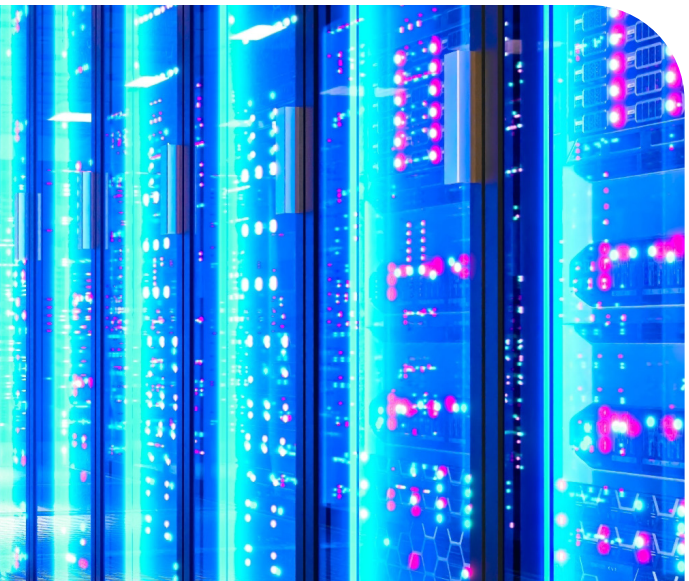
Our takeaway reflects a shift from prior Climate Week energy discussions, where renewables were pitted against traditional energy. The focus now is how we build more of everything, faster and smarter, rather than which energy source will win. Clean energy supports the affordability, resilience and economic growth imperative more than in years past.

Opposition and Opportunity—A Tale of Two AIs

STEPHANIE MITTAZ, SUSTAINABILITY SENIOR ASSOCIATE

AI was front and center at nearly every event our team attended at this year's Climate Week. The familiar headlines were part of the story: scaling data center buildout and addressing its inherent challenges, increasing AI adoption across industries and the current topic du jour, community opposition to AI. But we also encountered a level of optimism not reflected in the news cycle. Some of that enthusiasm came from AI's most committed champions, many of whom also have the most to gain from its success.

In terms of persistent challenges, localized opposition driven by environmental and social concerns continues to influence where projects can come online. In our view, the highly localized nature of permitting, power constraints and community opposition makes a uniform policy response doubtful. Many industry participants believe the power supply demand imbalance will continue at least through 2028. Additionally, hyperscalers face shortages of construction workers and other skilled labor such as electricians and welders, a challenge that could intensify as many workers in these fields approach retirement age.



At the same time, the rationale for that opposition appears to be evolving, with concerns increasingly focused on the rapid progression of AI capabilities and its implications for human safety. It's less *Not In My Backyard* and more *Terminator*. To assuage these fears, hyperscalers will have to build trust with communities, beginning with transparency. There is concern that one incident could shake public confidence and market support. Our research on AI backlash similarly suggests that bipartisan opposition is unlikely to translate into durable federal constraints on data center buildout. The Trump administration continues to prioritize AI infrastructure for its economic and national security benefits and its role in the technology competition with China. Instead, frontier labs are continuing to pursue self-regulation, while growing demand among institutional investors to allocate capital to the sector is helping deepen industry support.

Now for the optimists. In the wake of the midterm elections, we expect selective moratoria and political pushback to ease, particularly in regions critical to data center development. However, the Democrats winning both branches means there will be focus on affordability, highlighting the public's desire to see lower prices and more community benefits. Even amid current buildout constraints and their potential material impacts on hyperscaler issuers, there seemed to be a sense of optimism surrounding AI and the opportunities it could bring. Even in the face of opposition, some utility and development professionals are seeing communities welcome new data centers for their potential economic benefits. Panelists highlighted possibilities from outsized benefits for the healthcare sector (we expect to hear more on this topic), to the potential to drive decarbonization and "solve" climate change, to the sheer magnitude of wealth and capital creation associated with AI-related IPOs.

AI Adoption: Insights into the Application of Today's Technology

JUSTIN DUTCHER, ASSOCIATE DIRECTOR OF SUSTAINABILITY

While much of the AI discussion at Climate Week was about future technology and related industrial and economic transformations, there were also interesting insights into how technology available today is being used. We attended several events that focused on AI use cases that are well beyond workflow efficiency gains, including one client whose agent helped centralize scattered energy data across 25 facilities in 12 countries into one place so finance, facilities, procurement and sustainability can forecast and plan from the data set with ease. Another is building a supplier-level dataset (emissions, Science Based Targets Initiative status, disclosures) to segment and prioritize suppliers, shrinking their prioritization process from weeks to days.

Academics and industry practitioners (NVIDIA, Google) at Columbia Engineering shared insights into their use of agentic AI models in climate science. In addition to boosting scientists' productivity, today's agentic AI makes climate science far more accessible to other industries so it can become embedded in strategic decision-making.

El Niño: The Overlooked Inflation Risk at Climate Week

ALEX SCHOBER, SUSTAINABILITY ANALYST

The emerging Super El Niño, projected to be one of the strongest on record, was scarcely mentioned at Climate Week relative to AI and the impact of the war in Iran on energy security. Few panels or investors connected the Strait of Hormuz closure to the potential effects of a Super El Niño. Yet, it is precisely the compounding risks from energy security, extreme weather and supply chain bottlenecks that have our team concerned about global inflation in 2027.

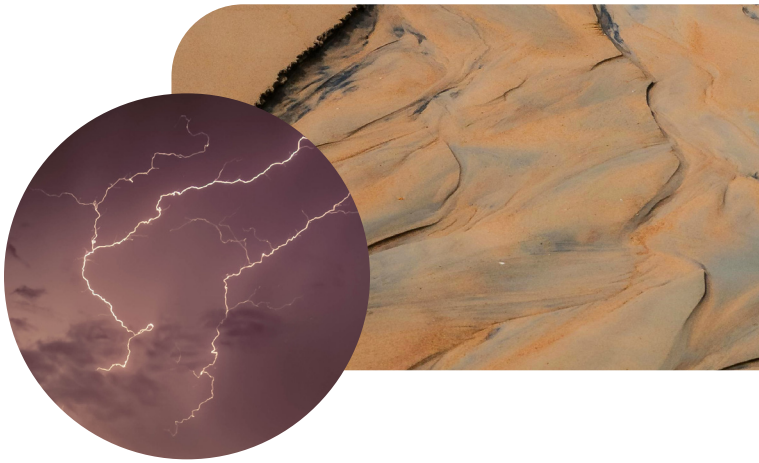
We have studied El Niño extensively over the past six months because of its potential impact on inflation, growth and fiscal balances globally. Given the lack of formal coverage on the topic at Climate Week and our ongoing research focus, we caught up with Morgan Stanley's sustainability and Emerging Markets (EM) strategy teams on the sidelines to exchange views.

Historically, El Niño has disrupted geographies unevenly, as well as agricultural and climate-sensitive sectors like mining and utilities, often with broad-reaching economic implications. We believe commodities and geographically concentrated crops such as cocoa and palm oil have a stronger relationship with El Niño; their prices typically rise during an El Niño, while the price impact on other staples tends to be more idiosyncratic.

Our primary concern is where climate and geopolitical risks converge. We see global inflation risk if the Strait of Hormuz stays closed into 2027, which would squeeze energy and fertilizer supply, both critical agricultural inputs, just as extreme weather is expected to put downward pressure on crop yields. Our peers at Morgan Stanley share our view that climate and geopolitical shocks tend to reach the global economy through the same channel: inflation.

Physical Risk and Corporate Valuations—Are We There Yet?

JUSTINE GEARIN, SUSTAINABILITY ANALYST



Physical risk has long featured in Climate Week discussions, but its implications for corporate issuers have rarely been at the center of the dialogue. This year was no exception. Still, we sensed growing recognition that these risks can no longer be overlooked.

For corporate issuers, the key question is: when does physical exposure become financially material? Financial materiality can occur when assets, supply chains, workforces or customers are concentrated in areas vulnerable to business disruption and economic loss. Assessing this exposure for corporates requires considering the possibility of multiple perils occurring in close succession. Two or more events within a short timeframe could overwhelm the resilience of an already impaired location, even if the probability of such a sequence is low. Insurers also emphasized how important it is to understand the accumulation of risk over time rather than viewing individual hazards in isolation.

Despite the risk implications, corporate disclosures and balance sheets today do not necessarily reflect the extent of underlying physical risk. While only 35% of companies disclose extreme weather as a material risk, the proportion is estimated to be considerably higher for municipalities and communities, which tend to have greater direct exposure. States and consumers, not corporate balance sheets, have absorbed much of the financial impact from major weather events. Residential insurance premiums, for example, continue to rise, increasing pressure on homeowners while prompting some insurers to retreat from markets where risks have become extreme.

At the same time, some of the public-sector support that has helped absorb these costs now looks less assured. Growing uncertainty around public-sector post-disaster support is compounding the uncertainty. Municipalities must increasingly consider whether the federal relief they have historically relied on will be available at the same level going forward. Planning may entail less dependence on FEMA reimbursement and acknowledgment that federal disaster aid could be slower, less predictable or more limited.

Taken together, these dynamics suggest death by a thousand cuts as the more likely threat to valuations. Repeated disruptions, rising insurance costs and potentially less reliable public-sector support could progressively erode resilience and, ultimately, valuations. Cities may have incentives to plan for long-term resilience, but corporate time horizons are often considerably shorter. That mismatch reinforces the need for due diligence across asset classes to understand outsized physical risk and inform issuer engagement on resilience and mitigation, particularly as large-scale events grow in frequency and intensity.

Resilience & Adaptation—An Emerging Credit Theme

ALLISON LAWS, LOOMIS SAYLES ASSOCIATE DEVELOPMENT PROGRAM PARTICIPANT

Climate Week highlighted a growing shift toward resilience and adaptation investing. Adaptation investing aligns with structural economic themes such as infrastructure modernization (water, urban and supply-chain infrastructure) and the energy transition (grid modernization, energy security and affordability). For asset managers, identifying where resilience translates into better insurability, lower tail risk and more stable cash flows is a key investment consideration.

Adaptation investing remains fragmented and largely funded by domestic capital, with activity slowing in developed markets and increasing in emerging markets. Panels emphasized preserving value by pricing downside risk. As climate risk presents itself through infrastructure vulnerabilities, supply-chain disruptions and insurance costs, location and interconnected dependencies can become important credit variables, especially in private markets.

Insurers and asset managers framed resilience as the intersection of climate and financial risk. In housing, rising premiums and declining insurability can pressure affordability and mortgage performance, while adaptation measures can reduce losses and improve insurance economics.

This year's Climate Week shifted from emissions commitments to financing resilient systems, pricing climate risk and investing in the energy transition. Resilience is increasingly a valuation consideration, but the industry still lacks standardized frameworks for translating risk reduction into measurable returns.



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Diversification does not ensure a profit or guarantee against a loss.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

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