

The investment case for climate solutions in emerging market equities

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Emerging Markets (EMs) sit at the centre of the global economic transition, representing over 85% of the world's population and contributing 52% of global GDP growth since 2000.¹

This expansion is driven by well-established structural trends, including rising incomes, rapid urbanisation, and innovation which is supported by advancements in energy, infrastructure, transportation, and resource efficiency.

Developing markets are not only becoming leading global suppliers but are also leveraging domestic demand to accelerate their own development. The ability to deploy modern, scalable solutions, often without the constraints of legacy infrastructure or outdated regulatory frameworks, enables them to build more efficient and resilient systems from the outset. This creates a reinforcing dynamic, whereby delivering cost-effective solutions to global markets simultaneously fuels domestic growth and industrial expansion.

This paper explores the dynamics specific to EMs and presents a potentially attractive investment case, highlighting structural growth drivers, sustainable solutions, relative valuations, and why the current environment presents a compelling entry point.

Why invest in emerging market equities?

Despite their growing economic significance, EM equities remain structurally underrepresented in global portfolios, as highlighted in the figures below. This disconnect shows a meaningful gap between economic reality and market representation.²

Emerging markets have grown significantly in global benchmarks, with MSCI EM's weight in the ACWI 2.4 times higher than in 2001 (**MSCI WAS LAUNCHED IN 2001 - [MSCI Emerging Markets Index](#)**)

The investable universe has also expanded, with 24 countries today vs. 10 at inception

The 24 countries in the MSCI EM Index are:

Asia: China, India, Taiwan, South Korea, Indonesia, Malaysia, Philippines, Thailand

Latin America: Brazil, Chile, Colombia, Mexico, Peru

Middle East & Gulf: Egypt, Kuwait, Qatar, Saudi Arabia, United Arab Emirates

Europe & Africa: Czech Republic, Greece, Hungary, Poland, South Africa, Turkey

Figure 1: Index representation (MSCI ACWI)

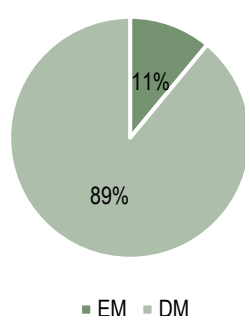
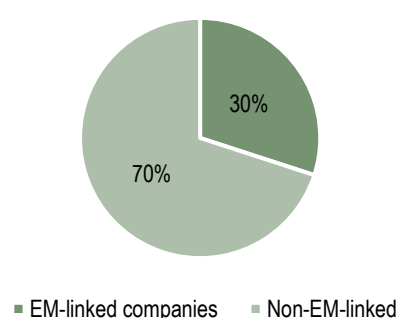


Figure 2: Global market capitalisation exposure



¹ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)

² [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)





At the same time, the fundamental drivers underpinning EMs have strengthened significantly. Importantly, this growth potential is not fully reflected in current valuations. EM equities continue to trade at a discount to developed markets, despite the potential for higher earnings growth and exposure to many of the most critical global investment themes.

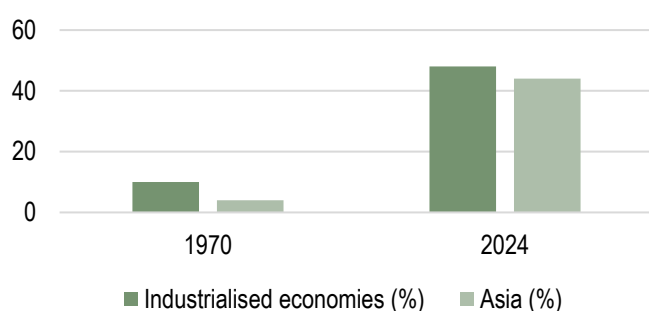
As such, the investment case for emerging market equities is both structural and valuation driven. It rests on three key pillars:

1. Innovation, as electrification is driving further manufacturing, industrialisation and research and development (R&D)
2. Demographics, which provide a sustained labour force engine for growth and consumption
3. Policy and regulations are increasingly enabling industrial development, market deepening, and more capital allocation

Innovation

Over recent decades, emerging markets, particularly in Asia, have undergone a profound transformation in manufacturing capability, R&D and industrialisation - all driven by globalisation, policy support, and sustained capital investment. Greater access to Western markets, alongside strong inflows of foreign direct investment; targeted industrial policies; investment in education; and increased participation in global supply chains have enabled EMs to move up the value chain - from low-cost, labour-intensive production towards higher-value, technology-driven manufacturing.

Figure 3: Share of Global GDP



This transformation is reflected in the evolving composition of global output as illustrated in Figure 3.³ At the same time, labour markets have shifted significantly - from predominantly agrarian systems, where over two-thirds of the workforce was employed in agriculture in the 1960s, to modern economies where more than 65% of workers are now employed in industry and services.⁴ Export profiles have evolved in parallel, transitioning from primary commodities and textiles to high-value sectors such as electronics, automotive manufacturing, robotics, and clean technologies.

This growing industrial depth is being reinforced by a cyclical recovery in global economic activity. Recent data indicates a broad-based expansion across both manufacturing and services, with rising output driven in part by a rebound in global goods demand. This strengthening backdrop is particularly supportive for EMs, which play a central role in global production and supply chains.⁵

Demographics

In contrast to developed economies, where populations are ageing and dependency ratios⁶ are rising, many EMs continue to benefit from younger and expanding workforces that support productivity, consumption, and innovation.⁷

³ [Rise of Asian Economies & Global Impact](#)

⁴ [Rise of Asian Economies & Global Impact](#)

⁵ [Shifting Sands: The Demographic Drivers of Change in Emerging Economies](#)

⁶ The dependency ratio is the measure of the proportion of a population that is not of working age compared to those who are of working age, indicating the economic burden on the workforce.

⁷ There are exceptions to this, including China, where over 15% of the population is aged 65 and above and more than 21% aged 60 and above as of 2023. Source: [Over one-fifth of Chinese population older than 60, says official report](#)



Broadly, the age structure in developing economies continues to resemble a population pyramid, with a larger share of younger cohorts relative to older age groups. This contrasts sharply with developed markets, where population distributions are increasingly concentrated in middle-aged and older cohorts, typically between 35 and 54 years, and where ageing populations are placing upward pressure on dependency ratios.⁸

Globally, while declining birth rates, accelerated temporarily by COVID-19, are beginning to reshape demographic trends, the impact is significantly more pronounced in developed economies. Dependency ratios in these markets are expected to rise materially, potentially reaching 73% by 2050, driven by a growing share of retirees.⁹

By contrast, many EMs remain earlier in this demographic transition. Child dependency ratios are declining, supporting productivity gains and increases in old-age dependency ratios are expected to occur more gradually. This provides a more favourable demographic profile over the medium term, with a larger proportion of the population actively contributing to economic output.¹⁰

For investors, these demographic trends translate into a structural growth tailwind for emerging market equities. Expanding working-age populations support labour force growth, rising incomes, and increasing consumption, while also fostering innovation and entrepreneurship.

Rapid urbanisation

Urbanisation represents a critical driver of economic growth and structural transformation in EMs. Globally, just over 50% of the population currently resides in urban areas, a share projected to rise to approximately 64% by 2045¹¹, an expansion of 1.5 times current levels. This trend is particularly pronounced in developing economies, where urbanisation continues to accelerate as populations shift from rural to urban centres in search of employment, infrastructure, and improved living standards.

The link between urbanisation and economic development is well established: cities generate approximately 80% of global GDP, and higher levels of urbanisation are strongly correlated with higher GDP per capita. Developed markets such as the US (82.7%), Sweden (88.0%), and Australia (86.2%) already exhibit high levels of urban concentration, reflecting their economic maturity.¹² In contrast, many EMs are still in earlier stages of this transition, providing significant space for future growth.¹³

While rapid urbanisation brings challenges - including pressure on infrastructure, housing, and resources - it also presents significant opportunities to shape more sustainable and efficient economic systems. Developing markets' ability to build new infrastructure, often incorporating modern and resource-efficient technologies from the outset, reinforces their capacity to sustain long-term growth and deliver competitive advantages such as lower power costs.

Rising incomes

Rising income levels across EMs represent a powerful structural driver of long-term economic growth and investment opportunity. The global middle classes are expanding rapidly, particularly in developing economies, where an estimated 1.2 billion middle-class households were recorded in 2021 and are projected to grow steadily over the coming decade. Within this, the upper-middle-income segment is expanding even more rapidly: households earning between US\$45,000 and \$100,000 (purchasing power parity) are expected to grow at an annual rate of 5.6% through to 2030 - significantly outpacing overall household growth.

Asia stands at the centre of this transformation. Having established itself as the global manufacturing hub over recent decades, the region is now increasingly positioned to capture the demand generated by its own expanding consumer base. In China, for

⁸ [Shifting Sands: The Demographic Drivers of Change in Emerging Economies](#)

⁹ [Shifting Sands: The Demographic Drivers of Change in Emerging Economies](#)

¹⁰ [Shifting Sands: The Demographic Drivers of Change in Emerging Economies](#)

¹¹ Assuming the global population in 2045 is ~9.44billion

¹² Percentages refer to the % of the population residing in urban areas

¹³ [Shifting Sands: The Demographic Drivers of Change in Emerging Economies](#)



example, households in the \$45,000-to-\$100,000 income bracket are projected to reach approximately 160 million by 2030, forming a powerful new consumer class.

Policy and regulation

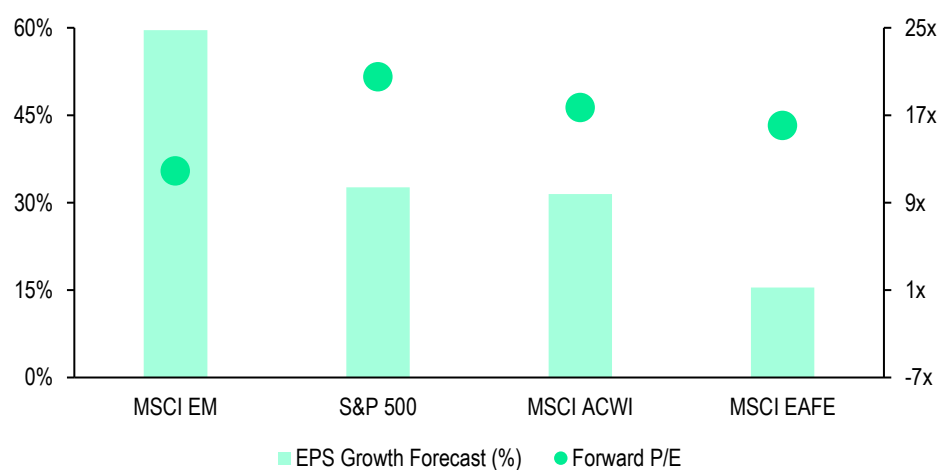
A further structural advantage underpinning EM transition is the ability to implement policy and infrastructure at speed. Many EMs benefit from more centralised, top-down decision-making with long term plans in place, enabling governments and regional provinces to execute large-scale renewable projects without the multi-layered legal, and jurisdictional delays often seen in developed markets.

At the same time, many EMs face fewer structural constraints than developed economies, having avoided the legacy infrastructure lock-in and entrenched fossil fuel interests that often slow the transition elsewhere. While this accelerated model can involve trade-offs, particularly around environmental oversight and community consultation, it highlights a critical point for investors: EM companies are uniquely positioned to deploy technologies at scale and speed, supported by aligned policy, economic incentives, and structural flexibility.

Valuations¹⁴

More broadly, following a prolonged period of relative underperformance, EM companies are trading at attractive valuation levels. As illustrated in Figure 4¹⁵, EM equities remain inexpensive on both an absolute and relative basis. As of June 2026, the MSCI EM Index traded at 12 times forward earnings, compared to 21 times for the S&P 500 and 16 times for the MSCI EAFE (Europe, Australasia, and the Far East) Index. Importantly, this valuation gap is not reflective of inferior growth prospects - consensus expectations indicate that EM earnings growth will exceed that of the US and other developed markets, both in absolute and relative terms.

Figure 4. EM: Inexpensive with Higher Growth Prospect



A key explanation for this persistent discount lies in the risk premia demanded by the global investment community. Historically, investors have required a valuation discount for EM assets relative to developed markets, reflecting perceived gaps across four dimensions:

¹⁴ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)

¹⁵ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)



institutional strength; information availability; macroeconomic stability; and investor base depth. However, as convergence between EM and developed markets continues, these premia are increasingly being challenged, creating scope for gradual re-rating over time. More specifically:

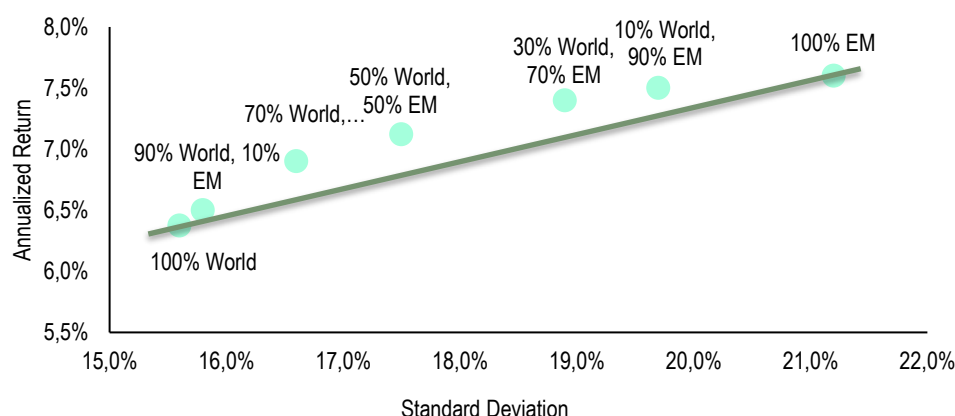
- **The institutional gap** - relating to the strength and independence of legal and political systems - is narrowing in many markets as governance frameworks strengthen
- **The information gap** - reflecting the availability and quality of corporate disclosure - is improving, supported by better reporting standards and increased analyst coverage in larger markets
- **The macro gap** - historically associated with volatility in inflation, currencies, and fiscal frameworks - is becoming less pronounced as many EM central banks have strengthened credibility and policy discipline
- **The investor gap** - defined by a smaller domestic investor base and lower levels of home bias - is gradually closing as pension systems deepen and local capital markets develop ¹⁶

While EM investing is not without risk – political instability, currency volatility and less mature legal and regulatory frameworks - the combination of discounted valuations, stronger earnings growth, and structural tailwinds presents a favourable risk–reward profile. In addition, EM equities can play an important diversification role within global portfolios.

EM equities have historically exhibited higher volatility than developed markets, as measured by the standard deviation of returns. Since 2000, the MSCI EM Index has been more volatile than the MSCI World Index but has also delivered higher returns over the same period. This reflects the inherently higher-risk, higher-growth nature of the asset class.

Crucially, incorporating EM exposure within a broader portfolio has the potential to improve risk-adjusted returns. Blended portfolios combining EM and developed market equities have historically delivered higher returns than developed market-only allocations, with only a modest increase in volatility (Figure 5)¹⁷. This highlights the strategic role EM can play in enhancing portfolio outcomes.

Figure 5. Average Annual Total Return of Portfolios of MSCI EM and MSCI World Rebalanced Monthly (1999 through June 2026)



Beyond headline indices, the breadth of the EM universe provides access to a wide range of under-researched opportunities. Smaller companies in particular tend to operate in more localised or niche markets, offering differentiated exposure relative to larger, globally oriented firms.

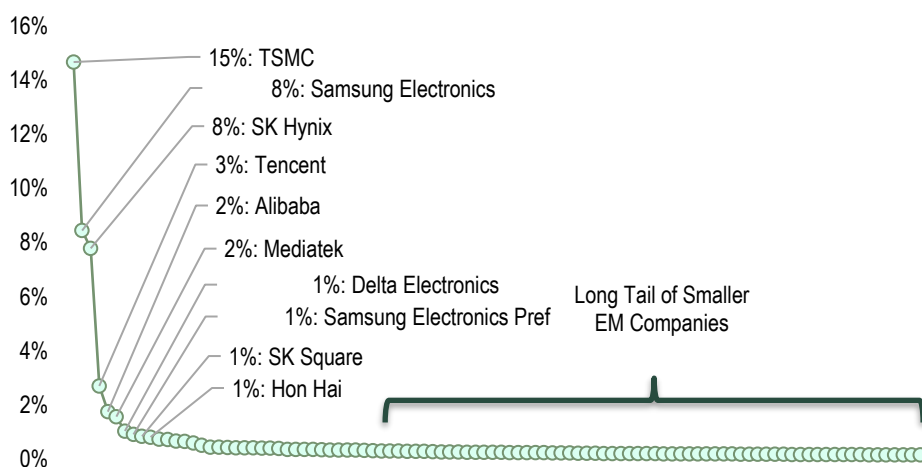
¹⁶ Source: BNPP AM, Macro Economics team, 2026

¹⁷ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)



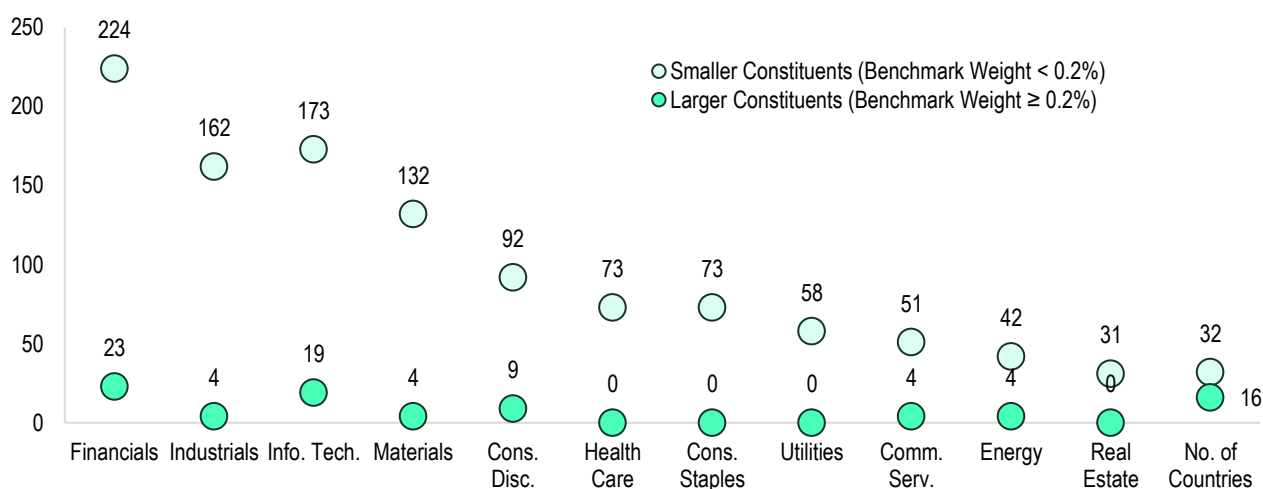
As shown in Figure 6¹⁸, 72% of MSCI EM constituents represent positions of less than 0.05%, compared to 41% in the S&P 500 and 38% in MSCI EAFE. This *long tail* of smaller companies provides significant diversification across industries and geographies.

Figure 6: MSCI EM Constituents



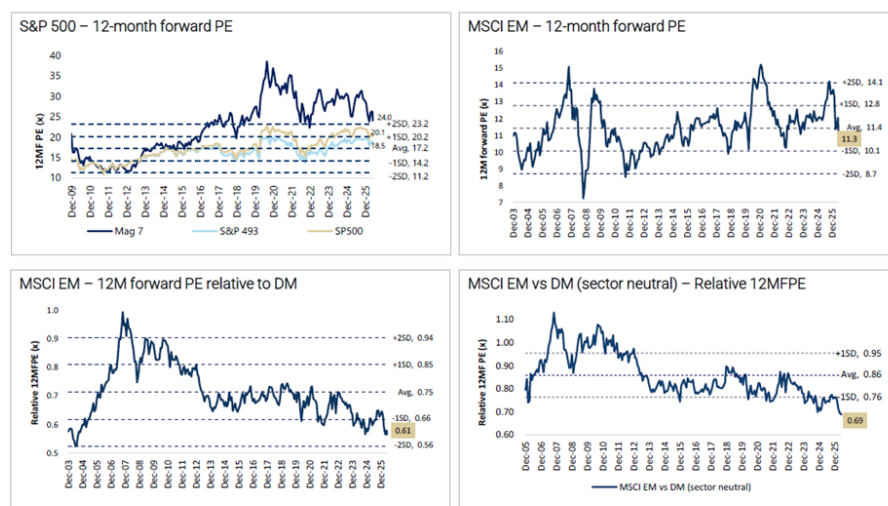
At the sector level, this dispersion is particularly evident. For example, within Industrials there are only four companies in MSCI EM with a weight greater than 0.20%, compared to 162 companies below that threshold (Figure 7)¹⁹. This skew highlights the depth of the opportunity set beyond index heavyweights.

Figure 7: MSCI EM Constituent Count by GICS Sector & Country



¹⁸ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)

¹⁹ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)



Note: Data as of 10-Jun-2026. Bottom-up aggregated with MSCI weights. Source: Jefferies, FactSet

The broader EM universe is estimated to be approximately three times larger than the MSCI EM Index. However, as market capitalisation declines, sell-side research coverage and index inclusion fall away sharply.²⁰ As a result, smaller EM companies are often under-analysed and can trade at discounted valuations. Indeed, the smallest, at some 85% of MSCI EM constituents (by weight) trade at an approximate 15% discount to the largest 20%.²¹ By accessing this less efficient segment of the market, investors can potentially capture additional alpha while enhancing diversification. This makes small-cap EM equities particularly attractive for those seeking to optimise risk-adjusted returns over the long term.

Image source: Jefferies, June 2026

The case for environmental solutions in emerging markets

Building on favourable structural tailwinds, emerging markets are undergoing a rapid transformation in their economic and industrial foundations. One of the clearest expressions of this shift is the expansion and electrification of energy systems, which is both enabling growth and reshaping global energy dynamics.

Renewable energy is emerging as the most effective and scalable solution for expanding power capacity across emerging markets. Nowhere is this more evident than in Asia-Pacific, where countries are accelerating renewable deployment to meet growing demand driven by the structural trends previously described.

Against this backdrop, cleantech industries, including solar, battery storage, and electric end-use technologies, are creating a faster and more accessible path to energy access, and adoption is already advancing rapidly. Despite this strong demand and improving economics, financing remains significantly imbalanced. In 2024, emerging markets and developing economies received just 15% of global clean energy investment, despite accounting for a much larger share of population growth and future energy demand.²²

Where capital is being deployed, the growth trajectory is already material. India, for example, saw total energy investment reach approximately \$150 billion in 2025, including \$101 billion directed towards clean energy, while China is expected to lead regional renewable capacity expansion with some 1390 GW added between 2025 and 2030.^{23,24}

Across the region, renewables are increasingly underpinned by commercial logic rather than subsidies alone. The economics have shifted materially: solar now requires less upfront capital than fossil generation, and in markets such as India, solar power is already significantly cheaper than new thermal generation.²⁵ Off-grid solar-plus-battery systems are also becoming increasingly

²⁰ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)

²¹ [Dodge & Cox; Emerging Markets: Why and Where; May 2024](#)

²² [Global Energy Trends: Clean Energy Growth and Rising Demand | World Resources Institute](#)

²³ [Global Energy Trends: Clean Energy Growth and Rising Demand | World Resources Institute](#)

²⁴ [Asia-Pacific to boost renewable energy capacity in 2026 despite geopolitical challenges, inflation | S&P Global](#)

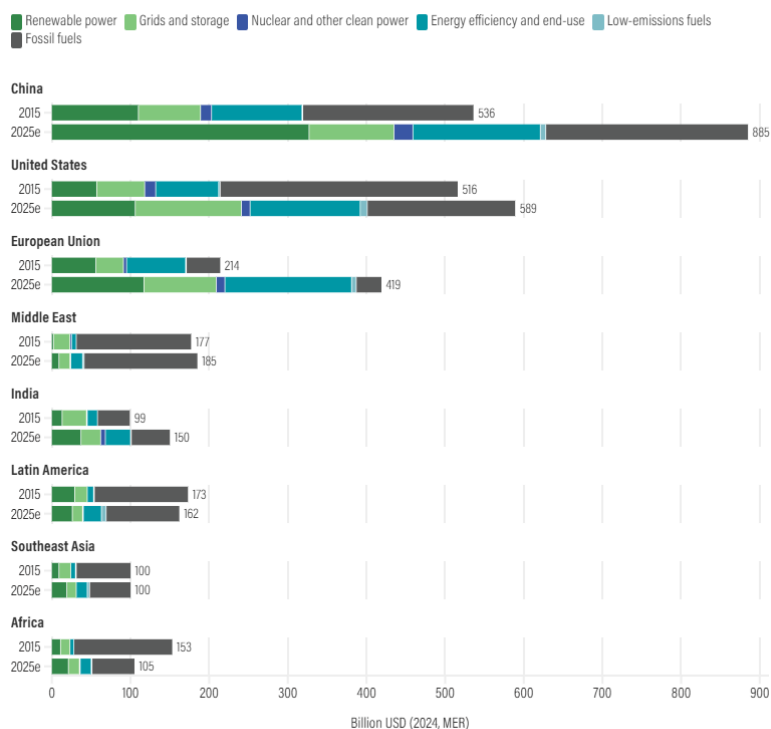
²⁵ [Asia-Pacific to boost renewable energy capacity in 2026 despite geopolitical challenges, inflation | S&P Global](#)





competitive, already cheaper than grid extension for communities located more than a few tens of kilometres from existing transmission lines.

Annual energy investment by selected country and region, 2015 and 2025



Note: 2025e – estimated value for 2025.
Source: IEA 2025



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Crucially, emerging markets, particularly in Asia, are not only meeting domestic energy needs but are also establishing themselves as key suppliers of renewable technologies and infrastructure. From polysilicon and solar modules to batteries, hydrogen, and grid systems, the region's industrial depth enables it to capture value across the full supply chain. This creates a reinforcing dynamic: expanding domestic demand supports industrial scale and cost competitiveness, which in turn strengthens global export capacity and accelerates adoption.

Image Source: [Global Energy Trends: Clean Energy Growth and Rising Demand | World Resources Institute](#)

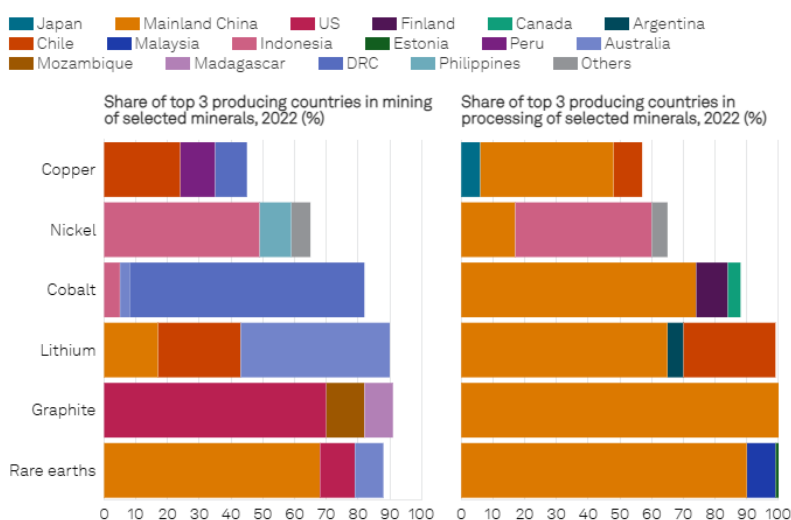
As a result, renewables are not simply part of the energy mix, but a foundational enabler of future growth across emerging markets. By improving power access, lowering energy costs, and reducing dependence on imported fossil fuels, they help unlock productivity, strengthen resilience, and support a more scalable path to industrial development. For investors, this creates a compelling opportunity set, combining structural demand, cost competitiveness, policy support, and significant under-penetration across some of the world's fastest-growing economies.

Up and mid-stream supply chain domination for environmental solutions

The increasing scale of renewables is also placing EMs with critical mineral reserves at the centre of global supply chains. The shift towards electrification and renewable energy is driving exponential demand for inputs such as copper, lithium, nickel, and cobalt-materials essential for electric vehicles, batteries, and grid infrastructure.

For example, global copper demand is projected to double from around 25 million metric tonnes today to 50 million tonnes by 2035, while lithium demand in Europe alone is expected to increase 18-fold by 2030 and up to 60-fold by 2050.²⁶

Emerging markets play a relevant role in critical metals for transition



As of March 2022.
DRC = Democratic Republic of Congo.
Source: International Energy Agency, Paris, 2022.

²⁶ [Emerging Markets: A Decisive Decade | S&P Global](#)





Image Source: [Emerging Markets: A Decisive Decade | S&P Global](#)

Many of these resources are concentrated in emerging markets, with countries such as Chile and Peru leading in copper, Indonesia in nickel, and China maintaining a dominant position across multiple minerals and processing stages. In response, governments are increasingly implementing industrial policies to capture more value domestically.

Indonesia's ban on nickel exports, for instance, has been designed to promote local processing and establish a full electric vehicle supply chain, supported by tax incentives and regulatory reforms. Similarly, Argentina and Chile are leveraging policy frameworks to attract investment into lithium production.²⁷

As global supply chains diversify, supported by initiatives such as the US Inflation Reduction Act and the Minerals Security Partnership, capital is increasingly being directed towards resource-rich emerging markets. This creates a significant opportunity for these economies to move beyond raw material extraction and into higher-value-added processing and manufacturing.

EM countries hit hardest by a changing climate

It is important to recognise that emerging markets are likely to be disproportionately impacted by the adverse physical effects of climate change. Developing countries face heightened exposure to risks such as rising sea levels, extreme weather events, and flooding - particularly in low-lying coastal regions and small island states - as well as water stress and declining agricultural productivity in tropical and glacier-dependent regions.

At the same time, many of these economies remain heavily reliant on climate-sensitive sectors such as agriculture, increasing their vulnerability to even moderate temperature increases. These physical risks are further compounded by structural constraints: limited financial resources, weaker infrastructure, and lower insurance penetration mean that recovery and reconstruction capacity is often significantly constrained.

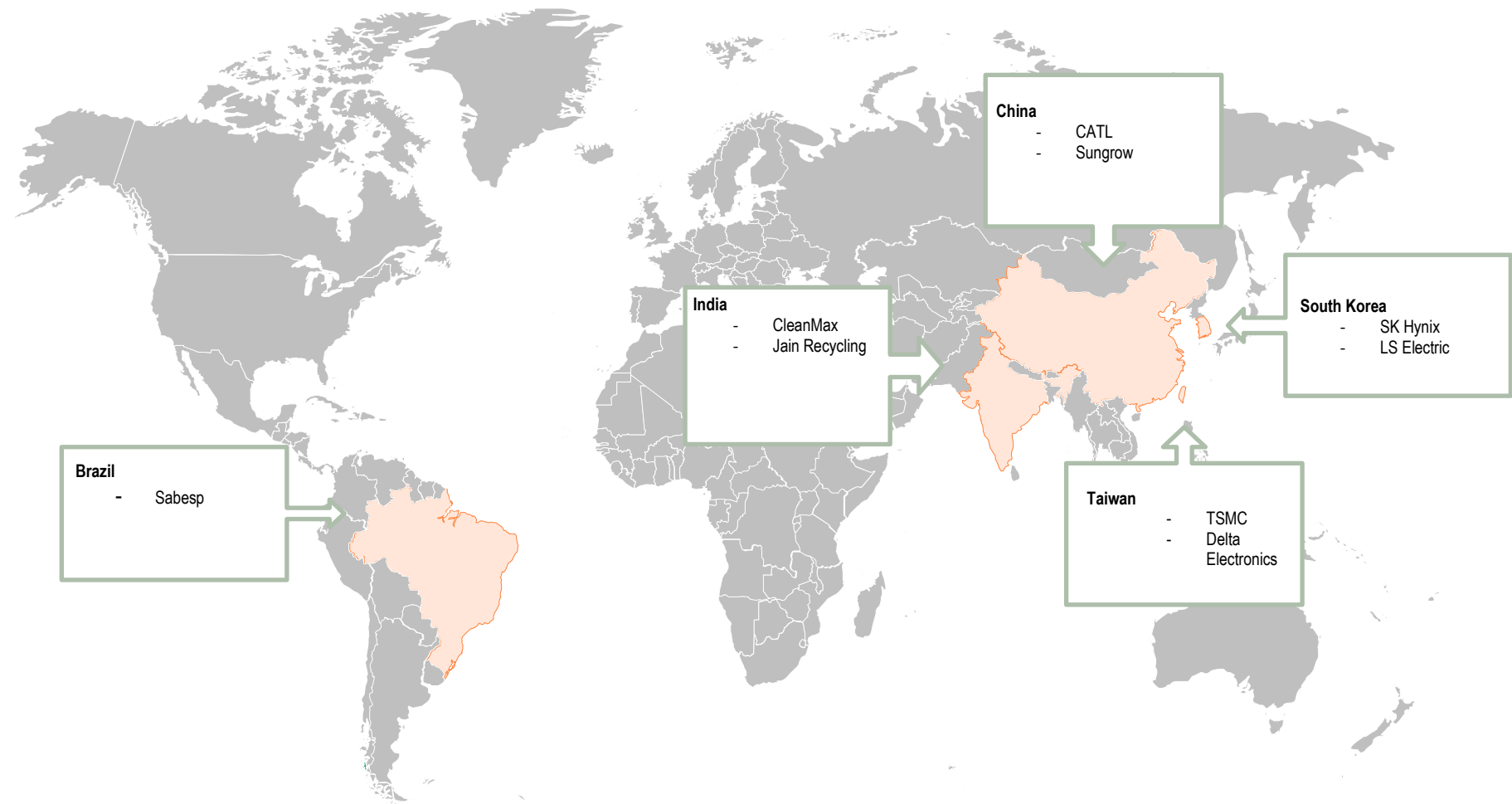
As a result, climate shocks can have more severe and prolonged economic and social impacts, reinforcing the broader challenge that climate change poses to long-term development across emerging markets. As a result, these economies face an even greater incentive to prioritise sustainable, resilient development.²⁸

²⁷ [Emerging Markets: A Decisive Decade | S&P Global](#)

²⁸ [CLIMATE CHANGE: IMPACTS, VULNERABILITIES AND ADAPTATION IN DEVELOPING COUNTRIES](#)



MAP OF EMERGING MARKET ENVIRONMENTAL SOLUTIONS



CASE STUDIES

China

Battery, CATL (300750 CH)

Contemporary Amperex Technology Co., Ltd. (CATL) is the world's largest manufacturer of rechargeable lithium-ion batteries, engaged in the research, development, production, and sales of power battery systems for electric vehicles and energy storage systems, holding a 39.2% global power battery market share in 2025. Industry-leading battery technology, strong ESS demand, and projected net income growth from RMB 72.2 billion in 2025 to RMB 125.7 billion in 2028 should help earnings to grow between 20%-40% in the coming years. CATL directly addresses fossil fuel dependence by supplying batteries that power electric vehicles and enable grid-scale storage of renewable energy; in 2025, the company achieved carbon neutrality across its core operations, with 100% of energy consumed in those operations sourced from zero-carbon electricity.

Renewable energy equipment, Sungrow (300274 CH)

Sungrow Power Supply Co., Ltd. is one of the world's largest manufacturers of solar inverters and energy storage systems, supplying power conversion equipment to utility-scale, commercial, and residential renewable energy projects across more than 150 countries. Sungrow delivered solar inverter shipments of 143 GW and energy storage shipments of 43 GWh in 2025. Analyst consensus forecasts are at circa 19% earnings growth, supported by a guided energy storage systems (ESS) shipment target of over 60 GWh for the year, representing roughly 40% year-over-year volume growth in ESS. Sungrow directly addresses the intermittency challenge of renewable energy - its battery energy storage systems enable solar and wind power to be stored and dispatched on demand, reducing curtailment and supporting grid stability, while its inverters form the critical interface that connects renewable generation assets to power networks globally.

Korea

Memory, SK Hynix (000660 KS)

SK Hynix Inc. is a South Korean semiconductor manufacturer specializing in Dynamic Random-Access Memory (DRAM) and NAND flash memory products and is the world's leading supplier of high bandwidth memory (HBM) - the advanced memory chips that power AI accelerators - holding over 60% global HBM market share and supplying major hyperscalers and AI chip designers worldwide. Consensus estimates point to full year 2026 revenue of approximately KRW 341 trillion, roughly triple 2025's revenue, underpinned by an HBM order book that is fully sold out through 2026. SK Hynix directly addresses energy efficiency in AI computing - its HBM chips deliver substantially higher memory bandwidth per watt than conventional DRAM, reducing the power consumption of AI data centres, and the company has set targets to double HBM energy efficiency by 2026 and increase low-power double data rate (LPDDR) energy efficiency 1.6-fold by 2030, with a longer-term goal of achieving Net Zero and 100% renewable energy usage by 2050.

Electrical power equipment, LS Electric (010120 KS)

LS Electric Co., Ltd. is a South Korean manufacturer of power infrastructure equipment - including high-voltage transformers, gas-insulated switchgear (GIS), and energy storage systems - supplying utilities, data centres, and industrial customers across Korea, the US, and other international markets, with its electrical division accounting for over 70% of total sales. Consensus estimates point to full year 2026 revenue of approximately KRW 6.2 trillion and earnings growth over 50%, supported by a record order backlog of KRW 5.64 trillion as of Q1 2026 and strong demand from US hyperscalers and Korea's grid infrastructure programs. LS Electric directly supports the build-out of renewable energy infrastructure - its high-voltage transformers and switchgear are critical components for connecting wind and solar generation to power grids, and the company has replaced SF6





insulating gas with g3 gas in its 170kV GIS products, achieving over a 98% reduction in greenhouse gas emissions relative to conventional GIS, while targeting carbon neutrality across its own Scope 1 and 2 emissions by 2040.

Taiwan

Semiconductors, TSMC (2330 TT)

Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) is the world's largest dedicated semiconductor foundry, manufacturing chips on behalf of fabless customers across high-performance computing, automotive, and IoT applications, with advanced nodes of 7nm and below accounting for 74% of wafer revenue in Q1 2026. Consensus estimates for full year 2026 revenue of approximately TWD 5.2 trillion and adjusted net income of approximately TWD 2.6 trillion, with and company guidance also indicating a full-year 2026 revenue growth exceeding 30% in USD terms. TSMC's chips are central to enabling energy-efficient AI computing and the broader electrification of the economy through their unique expertise in the manufacture of the most efficient leading-node (i.e. 3nm, 2nm) chips; the company has also committed to sourcing 60% of its production-site electricity from renewables by 2030, brought forward its global 100% renewable energy target from 2050 to 2040, and launched a NTD 84 million carbon reduction subsidy programme to drive electricity, water, and waste reduction across its supply chain.

Electronics, Delta (2308 TT)

Delta Electronics, Inc. is a Taiwanese manufacturer of power management and thermal solutions, serving data centers, industrial automation, and clean energy applications, with its power electronics segment - which supplies server power supplies, liquid cooling systems, and high-voltage DC power racks for AI infrastructure - accounting for 54% of Q1 2026 revenue and growing 87% year-over-year in that quarter. Consensus estimates point to FY2026 revenue of strong-double-digit levels over the medium term (40-75%), as AI data center demand drives both volume growth and margin expansion. Delta directly addresses energy efficiency in computing infrastructure; its high-efficiency power supplies, liquid cooling systems, and advanced HVDC power architectures reduce energy waste in AI data centers, and the company has set a 1.5°C-aligned Science-Based Target for emissions reduction, aims for net positive environmental impact by 2050, and is investing in solid oxide fuel cell technology as a clean power generation solution for future data center energy needs.

Brazil

Water and waste, SABESP (SBSP3 BZ)

Companhia de Saneamento Básico do Estado de São Paulo (SABESP) is Brazil's largest water and sewage utility, providing water supply, sewage collection, and wastewater treatment services to the São Paulo Metropolitan Region and surrounding municipalities, serving tens of millions of residents across one of the world's most populous urban areas. Profitability is expected to grow steadily in the coming years underpinned by a post-privatisation investment programme of BRL 70 billion through 2029 that is expected to drive sustained volume growth and tariff-linked revenue expansion. SABESP directly addresses the critical environmental challenge of water and sewage treatment: the company is targeting an 80% increase in wastewater treatment capacity by 2029, reaching 42.3 cubic metres per second, with the goal of achieving universal water and sewage coverage ahead of Brazil's federal legislative deadline of 2033, while also developing projects to convert sewage sludge into biogas, energy, and green fertilisers.

India

Renewable developers, CleanMax (Cleanmax IN)



CleanMax Enviro Energy Solutions Ltd. is India's largest commercial and industrial (C&I) renewable energy provider, developing and operating solar and wind power projects under long-term power purchase agreements for corporate clients, including data center operators, multinationals, and investment-grade corporates, with a total contracted capacity of approximately 6.5 GW as of 31 March 2026. Consensus estimates point to full year 2026 revenue of approximately INR 19 billion, growing close to 30% year-over-year, reflecting the earnings potential of the contracted but not yet fully operational backlog of projects. CleanMax directly addresses the decarbonisation of corporate energy consumption in India by supplying renewable electricity under average PPA tenures of 23 years, displacing fossil fuel-based grid power for its clients. Data centre and AI customers who require large volumes of clean power now account for 42% of total contracted capacity, up from 14% just two years prior, underscoring the company's role in enabling the green energy transition for some of India's most power-intensive industries.

Metal Recycling, Jain Recycling (JAINREC IN)

Jain Resource Recycling Ltd. is India's largest non-ferrous metal recycling company by revenue, processing imported and domestically sourced scrap into copper, lead, aluminum, and tin products across three facilities in Chennai, with a total installed recycling capacity of over 308,000 MTPA and a global sourcing network spanning more than 120 countries. The company reported FY2026 revenue of approximately INR 9,543 crores, up 48% year-over-year, supported by forward integration into higher-value copper products including anodes, cathodes, wire rods, and busbars expected to commission in FY2027. Jain Resource Recycling directly addresses the environmental challenge of metal waste and resource depletion. By recycling non-ferrous scrap rather than relying on primary mined metals, the company reduces energy consumption, greenhouse gas emissions, and the environmental degradation associated with mining, while also developing a dedicated plastic recycling unit and pursuing a zero-waste circular economy model that converts industrial waste streams into commercially valuable secondary materials.

Source for all case studies: Bloomberg and Company Reports, 2026

The road ahead

This rebalancing of global demand - from “the West to the rest” - reinforces the long-term investment case for emerging market equities, particularly for those able to identify businesses strategically positioned to capture these expanding consumption trends.

However, the opportunity extends beyond consumption alone. As demonstrated throughout this paper, emerging markets are increasingly central to the global energy transition, underpinned by structural advantages in demographics, industrial capability, policy alignment, and resource endowments.

Electrification, renewable energy deployment, and critical mineral supply chains are not only enabling domestic development but are also positioning emerging markets as indispensable players in the global transition to a more sustainable economy.

This creates a powerful reinforcing dynamic: rising demand drives investment, industrial scale improves cost competitiveness, and technological leadership strengthens export capacity. At the same time, the disproportionate exposure of these economies to the physical impacts of climate change further intensifies the urgency and inevitability of this transition.

Against this backdrop, public equities offer a compelling and, in many cases, underappreciated opportunity to access these themes. Attractive starting valuations, improving earnings growth, and market inefficiencies provide a favourable entry point for long-term investors. Importantly, emerging market companies are not only beneficiaries of global sustainability trends but are increasingly shaping and delivering the solutions themselves.



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