Green transition at a crossroads: Europe's strategic response

In a world where geopolitics, energy security and climate policy are increasingly intertwined, Financial Investigator spoke with Jean-Jacques Barbéris, Head of the Institutional and Corporate Clients division & ESG at Amundi, to discuss how the green transition is evolving six months into Donald Trump's second term.

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How are the rapid progress of renewable energy technologies, the surge in power demand and recent geopolitical events impacting the transition six months after Donald Trump's inauguration?
'Six months into Donald Trump's second presidential term, global energy and investment landscapes are navigating shifting tides. While geopolitical tensions and rising protectionism might seem like roadblocks to the green transition, they also reveal unexpected accelerants, particularly in energy security, innovation in clean technologies, and Europe's drive toward strategic autonomy.

Far from stalling, the transition to a low-carbon economy is proving remarkably resilient. Indeed, the drive for energy security and resilience has emerged as a pivotal geopolitical theme, as we observe a widening gap between energy-exporting economies reliant on hydrocarbons and energy-importing regions focused on clean alternatives. For Europe, reducing its dependence on fossil fuel imports, particularly from politically unstable regions, is now directly aligned with accelerating the deployment of renewable energy, enhancing power grid efficiency, and scaling up energy storage technologies.

The momentum behind clean energy is undeniable, with a global boom in renewables despite short-term volatility:
- Investment in clean energy is double that of fossil fuels.
- In 2024, 90% of new electricity generation capacity in the US came from renewable sources.
- Solar and wind are now cost-competitive with gas-powered generation, even when factoring in the costs of intermittency.
- Solar now represents 75% of added renewable capacity, outpacing forecasts.
- Battery costs have fallen 75% since 2015, and innovations like sodium-based batteries, less dependent on scarce resources like lithium, promise further cost reductions.

On the fossil fuel front, the most productive US shale reserves, such as the Permian Basin and Bakken formation, are already being exploited. US institutions now expect a supply surplus, as the country has been a net energy exporter since 2019. Trade tariffs may further hinder the global competitiveness of US oil and gas.

Climate finance, however, is facing several headwinds. Domestically, in the US, renewable energy has recently experienced a negative green premium, where clean technologies are penalized relative to traditional assets, although this is starting to diminish. New tariffs targeting Chinese imports also pose a threat, particularly in solar, where China remains the dominant supplier.

We believe the transition may slow under Trump's administration, but it will not reverse. Market dynamics, technological progress, and international policy responses provide restoring forces that will sustain long-term momentum.'

What dynamics are there in 2025 for the responsible investment market and investors' commitment?
'The responsible investment landscape today is highly polarized. While the US have experienced an ESG backlash since 2022, Europe has maintained its regulatory and capital deployment momentum, a trend

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that has now spread to Asia and Latin America. 2024 was emblematic of this divergence. In the US, selective ESG funds have experienced persistent outflows, seen since mid-2022. In Europe, flows into ESG, down compared to conventional strategies for the first time since 2021, remained positive. The nature of ESG flows also evolved, mirroring a mature investment cycle with a rotation toward fixed income assets.

Despite the challenging political context, 2024 was a strong year for financial performance. Over 70% of asset classes posted positive returns. Equity markets soared, with major indices reaching historic highs. However, returns were uneven, with significant performance dispersion between mega-caps and other sectors, a dynamic also reflected in responsible investment strategies.

Data from the first quarter 2025 confirms that the ESG funds market is maturing. The US continues to see outflows from ESG funds, especially in actively managed equity. Globally, fixed income ESG strategies are thriving, highlighting investors’ preference for lower-risk products during uncertain times. In contrast, responsible investment remains an essential pillar in investment discussions in Europe, where basic ESG strategies, offering broader inclusion criteria, drew € 54 billion in net inflows, especially in fixed income. Meanwhile, more selective strategies saw outflows, reflecting short-term risk aversion rather than a loss of long-term conviction. While the US market is experiencing outflows and a shift in sentiment towards responsible investment, the European market remains resilient and continues to show strong inflows into RI funds.

Specific segments struggled: thematic funds and best-in-class strategies experienced outflows of € 9.3 billion and € 8.6 billion respectively. Still, our outlook remains confident. Client discussions and choices demonstrate sustained investor appetite and belief in the structural growth of the ESG market.’

How can simplification in ESG regulations in the EU support both investor needs and the green transition?

‘Striking the right balance between sustainability and competitivess is not only possible: it is essential. The EU has launched its first ‘simplification’ Omnibus package, with the aim of reducing administrative burdens. For investors, the key concern is that the simplification process, which should ultimately lead to streamlined ESG data requirements exclusively focused on investor-relevant information, must not compromise ambition. It is clear that Europe will be unable to achieve this without harmonized, credible non-financial data that supports the EU’s climate neutrality goals. From a competitiveness perspective, the extraterritorial scope of EU ESG rules is not certain, to ensure foreign companies operating in Europe play by the same rules as European firms. Finally, a key innovation of the European framework is the double materiality principle, formally introduced in 2019, which evaluates both financial and environmental/social impacts. It is important that this is preserved, whilst simplification is ongoing. Simplification should be a tool to enhance the transition, not weaken it.’

What trends are you observing now among ESG funds and investor appetite?

‘Despite market fluctuations and political headwinds, investors’ appetite for sustainable finance remains robust. A March 2025 survey by the Morgan Stanley Institute revealed that 88% of investors globally are at least ‘somewhat interested’ in responsible investing, 51% are ‘very interested’, and two-thirds report that their interest has grown in the past two years.

> ‘Sustainable finance is no longer a niche trend or a moral imperative, it’s a strategic necessity.’

CV

Jean-Jacques Barbéris

Jean-Jacques Barbéris began his career in 2008 at the French Treasury, responsible for economic issues related to climate and financial markets. In 2010, he joined the French securities regulator. In 2012, he joined the French Ministry of the Economy and Finance, then moved to the office of the French President as economic and financial affairs adviser. He joined Amundi in 2016, where he is currently working as Head of the Institutional and Corporate Clients division & ESG.

Investor interest spans geographies and product types. The Green, Social and Sustainability (GSS) bond market saw 23% volume growth in emerging markets in 2024. Impact investing has grown at a 21% compounded annual growth rate since 2019, with increasing interest in outcome-based financing, particularly in fixed income.

The vocal step-back from US players in the responsible investment space creates concerns among European investors. This trend is clearly evident in the growing demand from our clients for robust sustainability approaches and commitments, with stewardship activities becoming a key expectation. We are observing this dynamic among European asset owners, and we also anticipate seeing these trends develop in Europe and Asia.

We believe that the future of responsible investing lies in strategies that are outcome-oriented, aligned with real-world decarbonization and social progress, and that provide sector diversification to avoid concentration risks and seize opportunities in a broad variety of sectors that will actually contribute to the transition. Investors are already increasingly incorporating forward-looking metrics, such as a company's carbon transition cost and its capacity to implement a viable climate plan, into their toolboxes.

These are not niche approaches. They are becoming core components of long-term investment strategies.'

How does this relate to EU sovereignty?
'Energy policy and industrial competitiveness are now intrinsically linked. Trump's protectionist policies, including new tariffs and a pro-oil stance, have accelerated efforts in Europe and China to solidify energy sovereignty. Both regions are highly exposed to the US trade measures and share similar priorities: enhancing domestic clean tech capacity, reducing dependence on imported fossil fuels, and transforming decarbonization into an economic growth driver.

China is leading the charge with unprecedented levels of renewable energy development and clean tech manufacturing capacity, investing over $ 100 billion in clean energy and accounting for 80% of global solar panel manufacturing and 70% of electric vehicle production.

Europe's response is gaining momentum. The 'Competitiveness Compass', launched in January 2025, outlines a clear path: simplify regulation, cut energy costs, and support industrial decarbonization. The subsequent Clean Industrial Deal should mobilize over € 100 billion to help heavy industries transition while stimulating clean technology production.

Trump's policies may even backfire economically. The spending cuts and tariff environment is already prompting some US green tech firms, that benefited from Biden-era programs, to consider relocating part of their operations to Europe, drawn by regulatory certainty and supportive policies.'

Is sustainable finance now considered a strategic imperative rather than a moral choice?
'The intersection of geopolitics, climate policy, and financial markets has created a pivotal moment. While uncertainties remain, the strategic direction is clear.

Sustainable finance is no longer a niche trend or a moral imperative, it's a strategic necessity. Whether through accelerating the energy transition, reinforcing European sovereignty, or providing long-term value to investors, the market is adapting.

And in this new global context, those with the agility to understand evolving dynamics and the conviction to stay the course will be best positioned to lead the way.' ■