ERM
SUSTAINABILITY
INSTITUTE

Sustainability Trends

QUARTERLY OUTLOOK

October 2025

Contents

TREND 1

Nature credits and finance in focus as risks mount

Key Takeaways

- Companies face mounting nature-related risks, while significant gaps remain between nature-related ambitions and actions.
- Nature financing instruments mature as investors integrate nature into investment strategies and mobilize capital to support nature-positive outcomes.
- Increasing demand is driving rapid growth in nature credits markets, as organizations look to capitalize on financing and mitigation benefits.

What this means for companies

- → Companies face increasing financial and operational exposure to nature-related risks, making proactive risk assessment and management essential to long-term corporate performance and resilience.
- → New financial instruments are creating pathways for companies to access capital and support nature strategies.
- → Nature credits and nature-based carbon credits present new opportunities for companies to progress sustainability goals and contribute to nature-positive outcomes simultaneously.

TREND 2

Workplace stressors increase as job environment evolves

Key Takeaways

- Climate change is putting millions of workers at risk, prompting companies to adopt mitigation measures.
- Companies are reevaluating and restructuring workforces while employees prioritize job security as job markets shift and economies evolve.
- With AI reshaping the workplace, both technology and non-technology companies are prioritizing digital upskilling initiatives.

What this means for companies

- → Safeguarding workers' health and sustaining productivity requires companies to assess climate-related exposures and devise adaptation strategies.
- → With employees switching jobs less frequently and corporate recruitment budgets tightening, companies can maximize workforce potential and foster a resilient workplace by investing in employees.
- → By investing in digital-focused upskilling, companies can bolster social licenses to operate and ensure access to a future-ready workforce.

TREND 3

Companies continue product sustainability efforts

Key Takeaways

- Global treaty negotiations to curb plastic pollution have stalled even as health and environmental concerns rise.
- Extended Producer Responsibility (EPR) regulations are compelling companies to change approaches to product design and packaging.
- Companies are accelerating efforts to reduce waste, repurpose materials, and adopt innovative alternatives.

What this means for companies

→ Growing awareness of the health impacts of plastics is influencing consumer behavior, creating opportunities for companies.

→ As EPR regulations expand, companies will need robust data systems and digital tools for compliance and competitive advantages.

→ Companies that invest in product sustainability can capture market share and future-proof their businesses.

TREND 4

Renewable energy expansion faces critical moment

Key Takeaways

- The world is at risk of falling short of its 2030 target to triple renewable energy capacity.
- U.S. policy shifts are spurring uncertainty about the future of renewable energy despite strong solar and wind deployment.
- Renewable energy continues to gain momentum nearly everywhere.

What this means for companies

→ Increased renewable energy investment is critical to achieving both global and private sector targets and accessing future market growth.

→ With U.S. renewables policy volatility likely for the foreseeable future, companies must act to ensure renewable energy plans remain viable.

→ Amidst turbulence, renewable energy investment opportunities are still available to companies but they must act decisively.

TREND 1

Nature credits and finance in focus as risks mount

Key takeaways:

- **Nature risks loom, action lags:**
  Companies face mounting nature-related risks that threaten operations and financial performance. Yet gaps between ambition and action continue.
- **Nature finance matures:**
  The nature financing space is maturing as investors look to integrate nature into investment strategies and mobilize capital for nature-positive outcomes.
- **Nature credits go mainstream:**
  Increasing support for nature credits from both companies and governments is pushing the space to new heights, as organizations look to capitalize on financing and mitigation benefits.

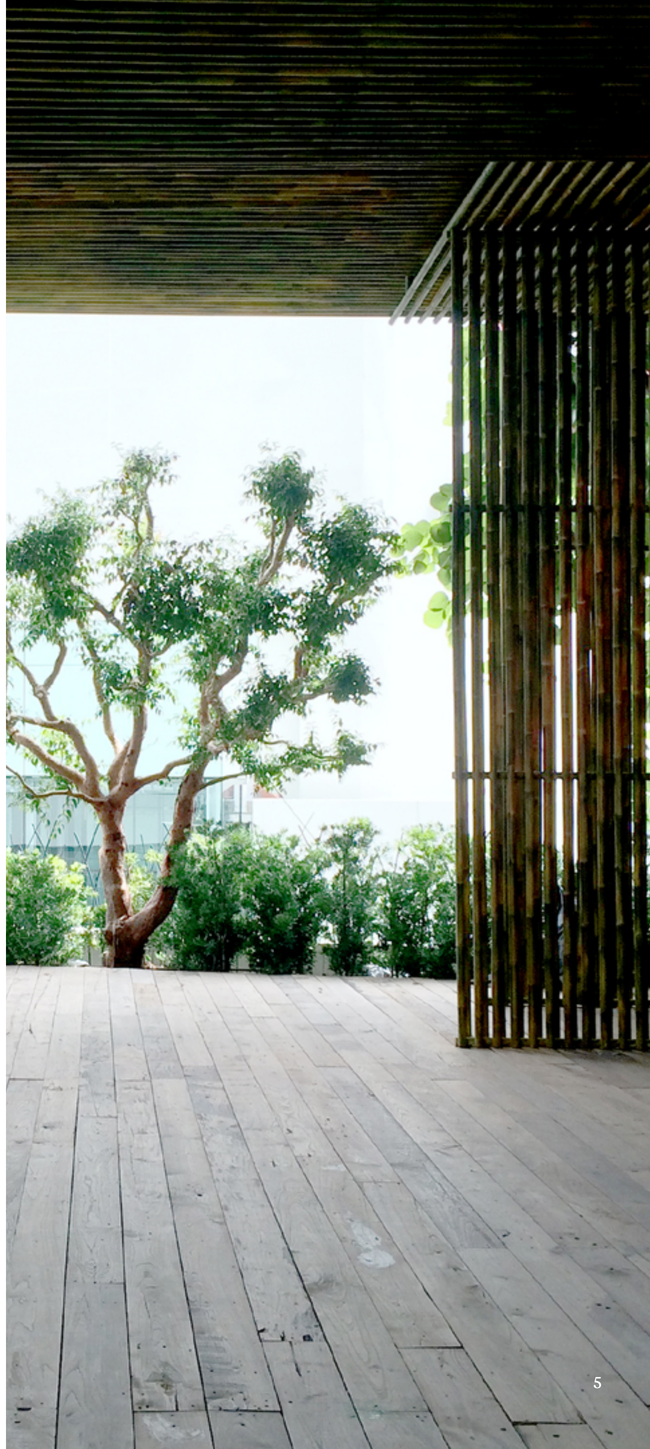
Sustainable finance sees new growth in Asia

The corporate nature landscape has advanced significantly in recent years, with the formation of the Taskforce on Nature-related Financial Disclosures (TNFD) and the increasing number of companies setting nature-related targets, pursuing corresponding actions, and preparing disclosures on their nature-related performance.

This momentum was underscored in the TNFD's first Status Report, published on the sidelines of Climate Week 2025 in late September. The report notes significant uptake of the TNFD's recommendations, with 620 organizations across more than 50 countries publicly committing to begin recommendations-aligned nature-related reporting and over 500 first- and second-generation TNFD reports now issued.

As reporting increases, companies continue to contend with significant economic exposures to nature-related risks. An August 2025 study found that 60 percent of global land area is outside its "safe operating space", where essential ecosystem functions can be maintained. Further, of this 60 percent, 38 percent of the land area is at high risk of severe ecosystem disruptions that could strain economies.

Another study from September 2025 found that five key drivers of nature loss (spread of alien species, pollution, overexploitation of natural resources, climate change, and land and sea use change) could cost the global economy up to $430 billion per year over the next five years.



At the company level, a June 2025 report from the TNFD found that while few companies assess or disclose nature-related risks as financially material, there is clear evidence that these risks can have serious financial impacts. The report points to the four risks (water scarcity, liability, reputational, and policy) with the strongest evidence of material financial effects, noting that they have the potential to lead to greater capital and operational expenditure, lawsuits, and negative valuation impacts.

The study's results are further supported by a Morgan Stanley report that found that 25 percent of companies listed across ten major global equity indices are exposed to biodiversity-related risks, particularly within the Energy, Materials, Industrials, Consumer Staples, and Consumer Discretionary sectors.

With clear risks identified, decisive and committed action by companies and governments could help limit impact. However, one recent development points to the opposite. Following an agreement at COP16, parties launched the Cali Fund in February 2025 to enable company-country benefit sharing. Companies that benefit from genetic resources found in nature were invited to pay into the fund voluntarily, which would distribute resources to the developing countries where many of these resources are found. Almost a year later, the fund is empty, with only one company so far pledging to contribute, and many other major firms hesitating to commit to providing funds.

Nature financing innovation gains steam

As nature-related risks mount while public and private sector action moves slowly, there is a growing push for innovative finance approaches that could support positive outcomes for nature.

In September 2025, the World Economic Forum released Finance Solutions for Nature, a framework to help financial institutions identify ways to unlock nature-related investment. The report focuses on 10 priority solutions, or those "with high potential to mobilize capital for nature and deliver investible returns." The solutions are wide-ranging, spanning from sustainability-linked bonds and loans to nature impact funds and debt-for-nature swaps. The World Resources Institute published a similar guide in June 2025 to help investors better understand and harness nature-based solutions in investment strategies.

Financial institutions are pursuing innovative solutions too. Goldman Sachs Asset Management launched a biodiversity bond fund in March 2025 that includes green, social, and sustainability bonds whose proceeds will fund biodiversity projects and corporate bonds issued by companies who generate revenue aligned with biodiversity objectives. Meanwhile, in June 2025, the Asian Infrastructure Investment Bank signed letters of intent with the Bank of Jiangsu, Bank of Huzhou, and Tencent to mobilize private capital to support high-impact, nature-related projects in China.

Growth in nature-related bonds could bolster the overall sustainability bond market, which has declined from over 11 percent of the total bond market in 2024 to 10.2 percent as of July 2025.

Nature credits gain traction among companies and governments

Compared to their established carbon credit counterparts, nature (biodiversity) credits (i.e., credits tied to positive nature outcomes) are a relatively new phenomenon, which entered the mainstream after the establishment of the Global Biodiversity Framework at COP 15. The market for nature credits is also still relatively small at **$6 billion** as of April 2025 (compared to **$933 billion** for carbon credits). While market size may be modest, companies and governments are turning to nature credits in growing numbers.

In May 2025, Qarlbo Biodiversity and 6M Properties **announced** the first-ever offtake agreement for nature credits in the U.S. Under the agreement, Qarlbo Biodiversity will generate credits on land it owns in Louisiana, where it is restoring longleaf pine ecosystems, for 6M Properties, a timberland investment firm.

Among governments, the European Commission launched its **Roadmap towards Nature** Credits in July 2025, outlining its plan to develop clear standards and reliable certification for nature-positive actions and ensure that nature credits are effective and trustworthy.

There has also been significant nature-based carbon credit dealmaking in 2025, i.e., credits tied to greenhouse gas emissions reductions and removals. In July, Chestnut Carbon **closed** an up-to-$210 million non-recourse project finance credit facility with ERM acting as project financing technical advisor on behalf of the lenders. A first-of-its-kind bank financing for a U.S. voluntary carbon afforestation initiative, the facility is backed by a long-term carbon removal agreement between Chestnut and Microsoft, which was signed earlier in 2025.

Technology firms like Microsoft have been at the **forefront** of nature-based carbon credit deals looking to neutralize rising emissions associated with AI. Microsoft and Meta, for example, entered into deals to purchase **4.8 million carbon credits** (one carbon credit is equal to one ton of CO_2 emissions) and **677,000 carbon credits** from improved forest management projects in the U.S., respectively.

Outside the U.S., in April 2025, Japan's Sumitomo Corporation **entered** into two carbon credit projects associated with mangrove restoration in Africa that aim to generate 34 million carbon credits over more than 20 years. Elsewhere, Singapore **purchased** more than 2 million carbon credits from projects in Ghana, Paraguay, and Peru that reduce deforestation, increase soil carbon sequestration, and reforest degraded pasturelands.

What this means for companies:

- **Mounting nature-related risks require action**
  Companies face increasing financial and operational exposure to nature-related risks. With threats mounting, proactive risk assessment and management is important to long-term corporate performance and resilience.
- **Finance as a catalyst for nature action**
  Emerging financial instruments for and investor interest in nature are creating new pathways for companies to access capital and external support for nature strategies.
- **Nature credits drive opportunity**
  The rise of nature credits and nature-based carbon credits presents new opportunities for companies to progress nature and climate goals while simultaneously contributing to nature-positive outcomes.

TREND 2

Workplace stressors increase as job environment evolves

Key takeaways:

- **Climate change, heat, and worker safety intersect**
  Climate change is putting millions of workers at risk, prompting companies to adopt mitigation measures to protect employees' health and maintain productivity.
- **Shifting job market dynamics and new worker realities**
  Companies are reevaluating and restructuring workforces as job market dynamics shift and economies evolve. Employees are prioritizing job security amid this shifting landscape, with fewer seeking out new jobs.
- **The rise of upskilling and digital transformation**
  With AI reshaping the workplace, digital upskilling is increasingly crucial to corporate performance and resilience. Both technology and non-technology companies are prioritizing digital upskilling initiatives to ensure stakeholders and workforces keep pace with this changing landscape.

Climate change, heat risk, and workforce adaptation

Climate change and the increasing frequency and intensity of heatwaves are shaping new safety realities for both indoor and outdoor workers. Currently, over 2.4 billion workers (around 70 percent of the global workforce) face excessive heat exposure, contributing to more than 22.85 million occupational injuries and 18,970 work-related deaths annually.

While excessive heat exposure affects workers across sectors, some are more vulnerable than others, particularly those that work in areas including agriculture, natural resource management, construction, waste collection, transportation, and tourism. In addition to direct physical health risks, rising temperatures directly impact worker productivity. A 2025 study revealed that for each degree Celsius rise in temperature beyond 20°C, worker productivity decreases by 2 to 3 percent.

As climate change exacerbates workplace heat risks, companies and governments are taking steps to mitigate these growing threats. At the government level, Japan mandated that businesses implement heatstroke prevention measures or face penalties, starting in March 2025. This mandate, in part, led companies in the country to adopt measures including advanced cooling technologies, altered work schedules, and improved hydration practices to protect workers and maintain productivity in the face of extreme heat.

Limiting occupational heat exposure during peak summer months was also the focus of the United Arab Emirates, which recently concluded a three-month ban on outdoor work during direct sunlight hours. The ban **achieved** a 99 percent compliance rate among companies. Similarly, Singapore began **requiring** mandatory heat stress measures for outdoor work last year. Under the requirements, companies must implement certain measures depending on Wet Bulb Globe Temperature bands (a composite measure for how factors including temperature, humidity, and solar radiation affect heat stress risk levels), such as acclimatizing workers new to Singapore or returning from a week or more away by gradually increasing their daily heat exposure over seven days or more.

Workers face shifting job market dynamics

The balance of power in the job market has noticeably shifted in recent years, from one favoring employees to one favoring the employer. In the immediate aftermath of the COVID-19 pandemic, employees sought greater benefits, flexibility, and work-life balance from their employers and pursued other job opportunities in a hot labor market when they could not secure them in their current roles.

In 2025, the situation is much different as companies and workers cope with economic turbulence, geopolitical tensions, and technological revolutions that have significantly cooled labor markets. Notably, many companies are tightening budgets and streamlining operations by reducing the size of workforces and adopting leaner organizational models to **reduce** middle management layers.

Rather than relying solely on traditional layoffs for restructuring, some companies are also implementing strict **return-to-office** (RTO) policies to subtly nudge employees who want to continue working hybrid or remote schedules towards voluntary departures.

Besides reducing headcount, many companies have instituted hiring freezes, forcing them to **prioritize** internal mobility and upskilling to ensure their organizations can accomplish more with existing employee bases rather than through external hiring.

These evolving approaches to workforce management coincide with shifting approaches among employees. They face the same uncertainties that are altering corporate behavior. Job hopping was so prevalent in the early 2020s that the term “Great Resignation” was coined for it. Now, job stability takes precedence over new opportunities among many workers.

Case in point: quit rates among non-farm workers in the U.S. **reached** 1.9 percent in August 2025, the lowest level since 2020. The story is the same in other parts of the world, including Australia where 7.7 percent of employees have **changed** employers so far in 2025 (compared to a post-pandemic high of 9.6 percent in 2023) and in South Korea where resignations **decreased** by 25 percent in 2025’s first half compared with the previous six-month period.

The digital transformation and the rise of upskilling

As AI and digital technologies continue to reshape the world, companies are racing to equip stakeholders and the next generation of workers with the skills they need to thrive in this new era of transformation.

By nature of their business, technology giants such as Microsoft, Google, and IBM have been at the forefront of this trend. Microsoft, for instance, **aims** to boost AI skills in South Africa by training one million people by 2026. The initiative will equip participants with the AI skills needed for high-tech jobs across various industries, boosting their future employment opportunities.

To further support individuals as AI reshapes industries, Microsoft also recently **launched** Microsoft Elevate and the AI Economy Institute, which will help participants develop AI skills across offerings focused on developing foundational fluency and providing advanced technical training.

Google is also expanding its AI training. As of August 2025, it has **formed** partnerships with over 100 U.S. universities to provide $1 billion in AI education and job training over three years. Further, the company offers free AI training through its "Career Certificates" program and access to a 12-month Google AI Pro plan to all U.S. college students.

Like Google, IBM is also pursuing AI-focused training for college students. The company **introduced** its SkillsBuild University Strategy in February 2025 to help students and aspiring developers form foundational AI expertise. The initiative provides complimentary beginner generative AI courses, practical labs, innovation challenges, and faculty trainings to help them incorporate advanced AI learning into their curricula.

AI and digital-focused upskilling initiatives are not limited to technology companies, other major firms like AT&T and Walmart are also making significant investments. AT&T's Connected Learning Centers (CLCs), for example, **offer** comprehensive digital literacy programs that aim to bridge the digital divide and provide internet access for those who lack connectivity options.

Walmart, meanwhile, is **collaborating** with OpenAI to create a tailored AI certification program to help its frontline (store) and office staff prepare "for the jobs of tomorrow." The program, which will kick-off in 2026, will be designed to help employees develop AI-related skills that are useful both at work and in employees' personal lives.

What this means for companies:

→ **Climate adaptation is essential to workforce well-being and productivity**
Safeguarding workers' health and sustaining productivity requires companies to assess workforce climate change exposures and devise adaptation strategies to prevent harms.

→ **Workforce development over recruitment**
With employees switching jobs less frequently and corporate recruitment budgets tightening, companies can maximize workforce potential and foster a resilient workplace by investing in employee engagement and development.

→ **Empowering stakeholders through digital upskilling**
By investing in digital-focused upskilling for stakeholders and workforces, companies can bolster social licenses to operate and ensure they have access to a future-ready workforce with the skills they need to excel in today's fast-evolving technological landscape.

TREND 3

Companies continue product sustainability efforts

Key takeaways:

- **Global policy progress on plastic stalls as concerns over plastic waste grow:** Global treaty negotiations to curb plastic pollution have stalled as health and environmental concerns rise.
- **Evolving Extended Producer Responsibility (EPR) regulations push companies to act:** EPR regulations are compelling companies to redesign packaging, improve data systems, and adopt collaborative compliance strategies.
- **Companies accelerate waste reduction, repurposing, and alternative material innovation:** Companies are making efforts to reduce waste, repurpose materials, and adopt innovative alternatives, signaling a broader shift towards circular design and resource efficient production.

Global policy progress on plastic falters as concerns over plastic waste grow

Global policy progress on tackling plastic pollution is in the doldrums after attempts to reach a global treaty to curb plastic usage stalled in August 2025, after three years of negotiations. Limits to plastic production were the main hurdle, with oil-producing and petrochemical-dependent countries opposing mandatory caps and limits on certain toxic chemicals, while others pushed for binding reduction targets. There are currently no plans for negotiations to continue.

This multilateral paralysis comes at a time when public concerns over plastic pollution are on the rise. A July 2025 survey found that 79 percent of Americans consider microplastics to be a human and environmental health crisis.

This belief is supported by increasing evidence that microplastics found in humans are causing a range of serious health conditions, including cancers, endocrine and reproductive disorders, and respiratory and cardiovascular diseases. Plastic pollution in the environment worsens the impacts of climate change, ocean acidification, and biodiversity loss too.

Plastics also have significant health-related costs. An August 2025 report found that some key plastics chemicals are responsible for more than $1.5 trillion in global health-related economic losses each year due to their contributions to heart disease, stroke, and other health impacts.

Extended Producer Responsibility regulations signal new era of accountability

The regulatory landscape for Extended Producer Responsibility (EPR) is rapidly evolving, pushing producers to take full lifecycle responsibility for products. The concept at the core of EPR is to **shift** the financial responsibility of end-of-life management from taxpayers to producers. By reallocating the traditional cost burden to producers, EPR regulations aim to encourage sustainable product design and reduce waste generation.

Since the beginning of 2025, numerous countries have revised EPR regulations. The UK fully **implemented** new EPR rules for packaging in January 2025, requiring producers to cover the entire cost of packaging waste management and report more detailed data. The rules will also introduce modulated fees based on recyclability of materials starting in 2026. In August 2025, Indonesia's environment minister **announced** that EPR regulations for plastic waste will transition from voluntary to mandatory in 2025, following a phased plan with full implementation expected by 2029.

From September 2025, EU Member states have 30 months to **implement** textile EPR schemes under the revised Waste Framework Directive, which will require producers to finance the collection, sorting, and recycling of textile waste. The schemes are expected to be fully operational by 2028. This compliments the existing **EU Ecodesign for Sustainable Products Regulation** introduced in July 2024, which aims to improve the sustainability of products placed on the EU market by ensuring companies design with recyclability, energy performance, durability, and material efficiency in mind.

In the U.S., seven states had **enacted** packaging specific EPR laws, as of October 2025. Core obligations for producers to meet these laws include registering with an approved Producer Responsibility Organization (PRO), reporting packaging data, and financing recycling and waste management.

Companies are adapting to this changing regulatory landscape by adopting new EPR strategies. For example, in 2019, British supermarket chain **Tesco** committed to make its private label packaging recyclable or reusable by 2025; Tesco announced in August 2025 that they are on track to meet this target. Also in the UK, **Marks and Spencer** is using the EPR regulation as a **catalyst** for innovation, trialing paper packaging for various private label products.

To support national EPR policies and waste reduction targets, **Danone-AQUA** in Indonesia opened the first large-scale plastic waste collection center in Samarinda, East Kalimantan in 2024. The facility collects up to 500 tons of plastic waste per month in coastal areas vulnerable to marine pollution for reuse by Danone-Aqua after it is processed.

In the U.S, companies are innovating existing packaging options. For example, Stonyfield Farm **created** an all-polyethylene version of its yogurt pouches instead of a previous layered version of plastic and aluminum, helping to reduce the overall amount of material needed per pouch.

Alongside product innovation, increasing numbers of U.S. companies are joining registered Producer Responsibility Organizations (PROs). Part of the appeal of these organizations is that they act as a centralized entity that manages compliance on behalf of its members. For example, PROs assist companies by ensuring legal compliance with waste management and recycling regulations and provide industry recommendations to improve product recyclability.

Companies continue waste reduction, repurposing, and alternative material pursuits

With the global circularity rate (material used from recycled sources) standing at only 6.9 percent of total material use (2.2 percent lower than it was in 2015), companies are doubling down on product sustainability innovation to reduce waste generation.

Reducing waste via technological and collaborative solutions is at the forefront of corporate action. For example, Samsara Eco Pty, a lululemon-backed Australian recycling company, uses AI to engineer enzymes that can break down tough-to-recycle materials like nylon and polyester into resins for new products.

In the collaboration space, the Consortium to Reinvent the Retail Bag created the "Beyond the Bag" initiative in partnership with major U.S. retailers including CVS Health and Target. The initiative advocates reducing single-use bag waste by testing and implementing reusable bag solutions and building customer engagement across 160 national retailers and local shops. Pilot campaigns used unified messaging, cashier prompts, and customer education to encourage a shift in consumer behavior, resulting in an estimated annual reduction of 9.5 million single-use bags.

Repurposing materials into new products is also gaining traction, for example, in the automotive industry, where Toyota and Mazda, are collaborating to combine old EV batteries into a battery storage system that will help power Mazda's Hiroshima factory.

In Europe, Porshe AG and BASF SE, in partnership with sustainable technology firm BEST, successfully completed a pilot project to chemically recycle mixed waste from end-of-life vehicles into raw materials for new vehicle components like foam for steering wheels. Similarly, BMW is recycling plastic wire or filament and granulate from waste 3D printing powder and used parts to create new components using 3D printing technology.

What this means for companies:

→ **Health and environmental concerns can reshape consumer trust**
Growing awareness of plastics' health impacts is influencing consumer behavior, creating opportunities for companies to build brand credibility through safer, sustainable product innovation.

→ **Data and digital infrastructure are strategic assets**
As EPR regulations expand, companies will need robust data systems and digital tools to track packaging materials, manage compliance, and enhance supply chain transparency.

→ **Product sustainability can be a competitive differentiator**
Companies that invest in product sustainability will be better positioned to capture market share and future-proof their businesses.

TREND 4

Renewable energy expansion faces critical moment

Key takeaways:

- **World at risk of falling short of 2030 renewable energy target:** Despite COP28 pledge to triple global renewables by 2030, countries are only on track to double capacity.
- **U.S. policy shifts spur uncertainty despite strong domestic deployment:** Recent U.S. policy changes complicate renewable energy environment, even as recent U.S. deployments break records.
- **Renewables momentum continues globally:** Countries, companies, and investors continue to strongly support renewable energy.

The world has work to do to meet renewable energy ambitions

Parties at COP28 in 2023 pledged to triple the world's renewable energy capacity by 2030. Two years later, the pledge is not on track. An October 2025 report from the International Energy Agency (IEA) projects that global renewable energy capacity in 2030 will be 2.6 times higher than 2022 levels, close to but not achieving the tripling pledge. Even under an accelerated growth scenario where countries minimize policy uncertainties, accelerate permitting, and better facilitate grid interconnections, the IEA projects that 2030 capacity will be only 2.8 times higher.

Renewable energy investment has grown, but at a pace that falls short of what's needed to triple 2030 capacity. According to the IEA, global investment is projected to reach $780 billion in 2025. While a record, total investment must double by 2030 if total installed capacity is to reach COP28's 11 TW tripling goal.

U.S. headwinds complicate domestic renewable energy landscape

While the world wrestles with tripling capacity, the U.S. renewable energy landscape faces unique and significant headwinds. The signing of the One Big Beautiful Bill on July 4, 2025, ushered in significant changes to the tax credit landscape for solar and wind projects, which now must either begin construction on or before July 4, 2026, or enter service by December 31, 2027. The U.S. Treasury Department further tightened rules for tax credit eligibility in August, requiring developers to prove construction has begun by the July 4, 2026, deadline to qualify for the credit, instead of the previous 5 percent project spend requirement.

Offshore wind projects have faced the most turbulence. In July 2025, the Bureau of Ocean Energy Management (BOEM) rescinded all Designated Wind Energy Areas on the Outer Continental Shelf that were used to designate areas suitable for future commercial wind development. The BOEM followed this move in August by ending future offshore wind lease sales.

Individual offshore wind projects have also faced challenges. In August 2025, the BOEM stopped an Ørsted-led project off the coast of Rhode Island that was 80 percent complete over alleged national security concerns. Ørsted has since restarted construction on the project as it pursues a lawsuit over the stop-work order. Also in August, the Department of the Interior asked a District Court in Maryland to vacate a permit granted to a 114 turbine wind project off the coast of Maryland that was set to begin construction in 2026.

Taken together, the IEA expects these political changes to cut renewable energy growth in the U.S. between now and 2030 by close to half, from 500 GW to 250 GW of new capacity.

Despite headwinds, U.S. renewable energy development continues

Renewable energy expansion is continuing in the U.S. in the face of policy changes. Over the first six months of 2025, solar and wind accounted for over 90 percent of all new electricity generation additions across the country. Solar, which accounts for over 70 percent of these additions, has been the largest single source of new generation capacity additions since late 2023.

The U.S. is also meeting more of its energy needs with renewables. In July 2025, nearly 27 percent of the U.S.'s total power generation came from renewable sources after record renewable energy outputs.

Whether renewables' growing share of energy production continues is another matter. As of August 2025, developers cancelled over $18 billion in renewable energy projects in the U.S, compared to just over $800 million in all of 2024. U.S. renewable energy investments are also falling. In the first half of 2025, total investment decreased by $20.5 billion compared to the six months prior.

Renewables are still front and center in other parts of the world

The U.S. is just one part of a much larger global renewable energy picture that is advancing rapidly. In India, the federal government cut the tax rate for renewable energy equipment by more than half to protect the domestic economy from tariff-related impacts and accelerate local capacity additions. Also in the Asia-Pacific region, the Monetary Authority of Singapore secured $510 million to help expand renewable energy and other sustainable energy solutions across South and Southeast Asia.

Companies and investors are contributing as well as governments. In Asia, bp and JERA, Japan's largest utility, launched a joint venture in August 2025 focused on offshore wind that includes 1 GW of installed capacity and 12 GW of potential new capacity additions.

In Europe, onshore repowering, or the upgrading of existing renewable energy assets, is gaining momentum. VSB Group **completed** one of the continent's largest repowering projects in August 2025 when it replaced 50 outdated wind turbines with a total capacity of 30 MW with 16 new turbines with a total capacity of 105.6 MW in Germany.

Despite global progress, renewables also face challenges. Factors including higher costs for input materials and installation, supply chain constraints, lagging grid infrastructure, and permitting delays are weighing on projects. A combination of these factors led The Netherlands to **reduce** its 2040 offshore wind energy goal from 50 GW to between 30 and 40 GW in July 2025. These same elements also contributed to Mitsubishi's **decision** in August 2025 to withdraw from three offshore wind projects in Japan, with the company citing more than doubling construction costs as a primary driver.

What this means for companies:

→ **Increased investment is critical to target achievement**
To help achieve both global and private sector targets, companies should continue to track policy developments and prepare to take advantage of changes that support renewable energy expansion.

→ **U.S. policy volatility as the new normal**
With the U.S. renewable energy landscape likely to remain volatile, companies must reassess their renewable energy plans in the country to ensure they remain viable in the absence of policy support.

→ **Opportunities still available for capitalization**
Companies still have opportunities to capitalize on renewable energy, whether by acting fast on remaining U.S. government incentives or seeking out public and private sector openings in countries where support is still readily available.

ERM SUSTAINABILITY INSTITUTE

Authors

Andrew Angle, ERM

Lauren Kwok, ERM

Sakshi Jain, ERM

Contributors

Jacco Kroon, ERM

Mark Lee, ERM

Design

Siddhartha Ganguly, ERM

Yatish Pal Singh, ERM

The ERM Sustainability Institute

The ERM Sustainability Institute is ERM's primary platform for thought leadership on sustainability. The purpose of the Institute is to define, accelerate, and scale sustainability performance by developing actionable insight for business. We provide an independent and authoritative voice to decode complexities. The Institute identifies innovative solutions to global sustainability challenges built on ERM's experience, expertise, and commitment to transformational change.

LinkedIn: linkedin.com/company/erm

Website: erm.com/insights/