FLEXSTONE PARTNERS 20 YEARS

AN AFFILIATE OF NATIXIS INVESTMENT MANAGERS

SUSTAINABILITY

NEWSLETTER – JUNE 2025

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SUSTAINABILITY REGULATION
JUNE UPDATE – EUROPE

01

The European Commission Proposes Target to Achieve 90% Emission Reductions by 2040

On 2nd July, **the European Commission** proposed an amendment to the **EU Climate Law** (2021), setting **a 2040 EU climate target of 90% reduction in net greenhouse gas (GHG) emissions**, compared to 1990 levels. This proposal builds on the EU's current legally binding goal of reducing net GHG emissions by at least 55% by 2030 and sets a new way to achieve the EU's clean transition objectives.

- The proposal is aligned with the latest Eurobarometer survey published on June 30th, which found that **8 in 10 (81%) support EU's goal** to reach climate neutrality by 2050 and **71% agree** that the cost of damage due to climate change is much higher than the investment needed for a net-zero transition.
- The proposal is aligned with the EU Competitiveness Compass, Clean Industrial Deal and Affordable Energy Action Plan and **based on an in-depth impact** assessment conducted by the IPCC.
- A central element of the proposal is flexibilities for the Commission to consider in designing future energy and climate legislation, including a limited role for high-quality international credits starting from 2036, the use of domestic permanent removals in the EU ETS, and greater flexibilities across sectors to achieve a cost-effective and just transition.

Go to the press release

02

The European Commission to Cut EU Taxonomy Red Tape for Companies

The European Commission has adopted on 4th July a set of measures to simplify the application of **EU Taxonomy**. The main simplification measures include:

- Companies are exempt from assessing Taxonomy-eligibility for non-material activities (activities under 10% of total revenue, CapEx, or OpEx for non-financial companies).
- Non-financial companies are exempt from assessing Taxonomy alignment for their entire operational expenditure when it is considered non-material for their business model.
- For financial companies, KPIs like the **green asset ratio (GAR)** for **banks** are simplified, and they are granted an option not to report detailed Taxonomy KPIs for **two years**.
- Taxonomy reporting templates are streamlined by cutting the number of reported data points by 64% for non-financial companies and by 89% for financial companies.
- The criteria for **'do no significant harm'** to pollution prevention and control related to the use and presence of chemicals are simplified.

The simplification measures laid out in this Delegated Act will apply as of **1 January 2026** and will cover the **2025 financial year**.

Go to the press release

SUSTAINABILITY REGULATION
JUNE UPDATE – EUROPE

03 UK Releases Exposure Drafts of New UK Sustainability Reporting Standards

On 25th June, the **UK government released** the drafts of new **UK Sustainability Reporting Standards (UK SRS)** as part of a series of sustainability disclosure-related consultations (transition plans). The standards, are based on the sustainability and climate-related standards developed by the IFRS Foundation's International Sustainability Standards Board (ISSB).

- The consultation on the draft UK SRS is **open until 17 June 2025.** As a part of the consultation, the government seeks to **understand the costs and benefits** of implementing the new standards for companies.
- The drafts include **UK SRS S1 and UK SRS S2**, **in alignment with the ISSB's S1 (sustainability-related) and S2 (climate-related)** standards. However, the government has **proposed several amendments** based on recommendations by the UK Sustainability Disclosure Technical Advisory Committee (TAC).
- The proposed amendments include extending transition relief in IFRS S1 to **permit a 'climate-first' approach**, giving companies extra-time to disclose certain sustainability-risks, and removing the transition relief in IFRS S1 that permits delayed reporting in year one which the TAC concluded **compromises the connectivity of sustainability-related information with financial statements.**

Go to the full article

04 French Senate Adopts a Bill to Curb the Environmental Impacts of Fast Fashion

On Tuesday, June 10, 2025, the French Senate **unanimously adopted a new bill targeting ultra-fast fashion with eco-tax, ad bans, and transparency rules,** becoming the first European country to pass legislation directly aimed at reducing the environmental impact of global e-commerce giants such as SHEIN and Temu.

- In France, the number of clothing sold annually has increased to **3.3 billion products, or more than 48 per capita**, largely because of fast-fashion brands.
- The proposed law intends to strengthen consumer information and awareness on the environmental impact of fast fashion and prohibit fast-fashion advertising.
- Measures introduced by the bill include: (i) **An eco-tax starting with €5 per clothing item in 2025** and rising to €10 by 2030. The revenue will be used to fund France's sustainable fashion sector; (ii) **Banning of all advertising and influencer marketing** related to ultra-fast fashion, including social media platforms; and (iii) **Mandatory eco-disclosures** on carbon, resource, and recyclability data, with penalties up to 50% of product price for non-compliance.

Go to the full article

SUSTAINABILITY REGULATION
JUNE UPDATE – APAC

05 Singapore Launches Public Consultation on the Draft Voluntary Carbon Market Guidance on How Companies Can Use Carbon Credits for Decarbonization

The National Climate Change Secretariat (NCCS), the Ministry of Trade and Industry (MTI), and Enterprise Singapore (EnterpriseSG) **jointly issued a draft guidance for Voluntary Carbon Market (VCM).** The new guidance aims to strengthen the credibility of carbon credit use in corporate decarbonization plans. The consultation on the guidance closed on the 20th of July.

- **Carbon markets**, which facilitate the buying and selling of carbon credits, are a critical enabler for the global transition to net zero. Key issues constraining the growth of carbon markets **include the lack of standardization** which has **undermined market confidence and left companies concerned about reputational risks** related to carbon credits. There is a need for the government to provide guidance on the VCM, including how carbon credits can be used **as a part of credible decarbonization plans.**
- The guidance emphasizes that carbon credits should be of high environmental integrity and that **companies should prioritize all feasible abatement efforts** before considering the use of carbon credits to address remaining emissions.

The key principles for quality carbon credits defined by the guidance in alignment with Article 6 of the Paris Agreement, include:

- **Not double-counted** - examples include incidents of 'double claiming' and 'double issuance'.
- **Additionality** – certified reductions or removals must exceed any reductions / removals required by law or any requirement of the host country and would otherwise not occur in a business-as-usual scenario.
- **Real** – the reductions / removals must be quantified based on a realistic, defensible and conservative estimate.
- **Quantified and verified** – calculations must be conservative and transparent and been measured and verified by an accredited and independent third-party verification entity before issuance.
- **Permanent** – the reductions / removals must not be reversible,
- **Do no net harm** – the project / program must not violate any applicable laws, regulatory requirements or international obligations of the host country.
- **No leakage** - The project / program generating the emission reductions / removals must not result in a material increase in emissions elsewhere.

Go to Draft Voluntary Carbon Market Guidance from NCCS

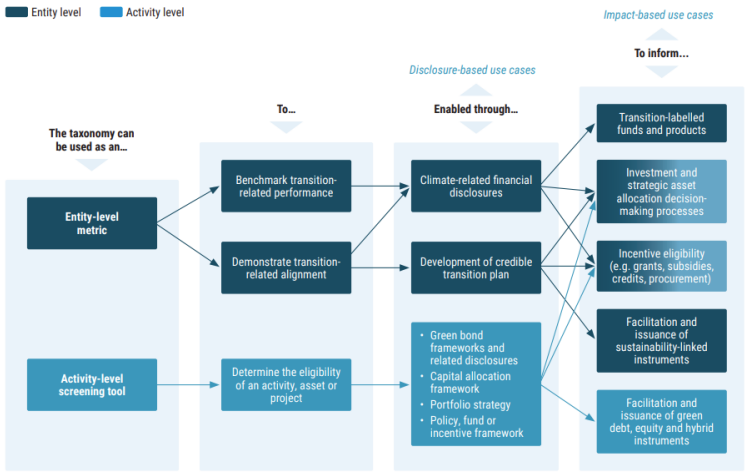
SUSTAINABILITY REGULATION
JUNE UPDATE – APAC

06 Australia Launches Its Sustainable Finance Taxonomy for Categorizing Green and Transition-focused Economic Activities

On 17 June 2025, the **Australian Sustainable Finance Institute (ASFI)** released the Australian sustainable finance taxonomy to provide a common language for green and transition finance and support the allocation of capital towards activities that enable Australia's net zero ambitions.

- The taxonomy is available for voluntary use and provides a clear, Paris-aligned classification system for green and transition finance, tailored to Australia's unique economic and environmental context.
- While the European Union taxonomy is viewed by many in the market as the benchmark taxonomy, **it does not cover key sectors of importance to Australia, like mining, critical minerals and agriculture**. It is also the first taxonomy in the world to set expectations for engagement with **First Nations peoples and the management of cultural heritage.**
- The Australian taxonomy also translates **Paris-aligned scenarios to actionable investment guidance**, identifying which activities and assets require investment to meet the Paris temperature goals.

Ilustrative Taxonomy Use Cases – Activity And Entity-level



Source: Australian Sustainable Finance Taxonomy, Version 1 – 2025, https://www.asfi.org.au/publications/australian-sustainable-finance-taxonomy-3/#P4

Go to the Australian Sustainable Finance Taxonomy

ESG MARKET INSIGHTS
NEW IFRS GUIDANCE & EDUCATIONAL MATERIALS

01

IFRS Publishes New Guidance on Transition Plan Disclosures

The IFRS Foundation published a new guidance document *'Disclosing information about an entity's climate-related transition, including information about transition plans,* in accordance with IFRS S2' on 23 June 2025.

- Although IFRS S2 (climate-related disclosures) does not require an entity to have a transition plan, **it does require companies to report on sustainability-related risks and opportunities** that could reasonably affect its prospects, including information on its climate-related transition.
- The guidance:

- **Seeks to address the fragmentation of disclosures** about transition plans and is useful for both entities that do not yet have a transition plan as well as those who are in the transition planning process or have already developed a formal transition plan.
- **Explains to entities the information that is necessary to disclose when applying IFRS S2**, if the entity has already set a strategy for its transition to a lower-carbon and/or climate-resilient economy.

The guidance does not add or otherwise change the requirements in IFRS S2.

Go to the full article

02

IFRS Foundation Launches New Online Training to Support the Implementation of ISSB Standards

To support companies with the adoption of ISSB's sustainability-related and climate-related disclosure standards (IFRS S1 and S2), the IFRS foundation has released new e-learning modules.

- The course includes four self-paced modules designed to build foundational knowledge of ISSB Standards:

- Introduction to the IFRS Disclosure Standards;
- Introduction to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information;
- Introduction to IFRS S2 Climate-related Disclosures; and
- Integrated Sustainability Disclosures and Organizational Considerations.

The course serves as an introductory resource for companies in response to market demand for practical tools to facilitate the global implementation of the standards.

The e-learning modules are available for free and can be accessed through the IFRS Sustainability Knowledge Hub.

Go to the full article

ESG MARKET INSIGHTS
BCBS'S NEW CLIMATE RISK DISCLOSURE FRAMEWORK

03 The Basel Committee on Banking Supervision Publishes International Voluntary Climate Risk Disclosure Framework For Banks

On 13 June 2025, the **Basel Committee on Banking Supervision (BCBS)** published a framework for the voluntary disclosure of climate-related financial risk. The framework has been weakened by pressure from U.S. regulators under the Trump administration, shifting from mandated standards to a voluntary framework.

The document sets out a disclosure framework which **would only be mandatory** when required by national supervisors **at a jurisdictional level**. The framework includes quantitative and qualitative requirements including:

- Qualitative information on climate-related financial risks (governance, strategy and risks), transition risk, physical risk and concentration risk.
- Transition risk – exposure and financed emissions by sector as well as emission intensity per physical output and by sector. For real estate, banks are required to disclose exposures in the mortgage portfolio by energy efficiency level.
- Physical risk – exposures subject to physical risks, requiring a breakdown of the bank's gross carrying values subject to chronic and acute climate events.

Example of Disclosure Standards on Climate Risks for Banks

Template CRFR1: Transition risk – exposures and financed emissions by sector

Purpose: To provide an overview of a bank's gross carrying values by sector, together with associated financed emissions, credit quality and maturity ladder. Provide supplementary information on off-balance sheet items by sector.

Scope of application: When required by national supervisors at a jurisdictional level.

Content: Quantitative information.

Frequency: Annual.

Format: Fixed for columns. Flexible for rows that will vary based on each bank's sectoral materiality assessment.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain:

- Sectors: provide qualitative information on the materiality assessment of the sector exposures.
- Non-performing exposures: explain if they are using a definition consistent with [DIS40.2 Table CRB-A].
- Financed emissions: provide qualitative information on the methodology and sources used for the calculation of financed emissions.
- Any significant change, inter alia, in scope, sector classifications or calculation methods over the reporting period and the key drivers of such changes.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		On-balance sheet items														Off-balance sheet items
		Gross carrying values			Allowances/impairments		Residual maturity					Greenhouse gas (GHG) financed emissions				
		Total	%	Of which: non-performing exposures	Total	Of which: non-performing exposures	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted residual maturity	Scope 1, Scope 2 and Scope 3 (MtCO2e)	Of which: Scope 3 (MtCO2e)	GHG target Scope 1, 2 and 3 (MtCO2e)	GHG target – reference year	Amount
1	**Sector**															
2	**Industry group**															
3	**Industry**															
4	Sub-industry															
...	...															
	Other sectors															
TOTAL			100													

Source: Basel Committee on Banking Supervision, A framework for the voluntary disclosure of climate-related financial risks, 13 June 2025.

Go to the Framework from BCBS

ESG MARKET INSIGHTS
FOSTERING EFFECTIVE ENERGY TRANSITION IN 2025

04 The World Economic Forum's annual Energy Transition Report for 2025 Finds that Amid Rising Disruption Energy Transition Progress Remains Uneven

The World Economic Forum's new insight report on global energy transition progress in 2025 (published 18 June 2024) provides a data-driven framework to **assess the Energy Transition Index of 118 countries.** The metric is based on both system performance (security, equity and sustainability outcomes) and transition readiness (regulations and political commitment, finance and investment, education and human capital, infrastructure and innovation). Key findings from the report:

- **Advanced economies continued to lead** the rankings, accounting for 16 of the top 20 performers. Yet, emerging Europe, followed by emerging Asia, made the most progress in 2025.
- Despite over $2 trillion in clean energy investment in 2024, energy security stalled and emissions hit record highs. Three system-level priorities identified by the WEF include **ensuring energy security** (grid resilience, critical mineral access, energy efficiency, and digital infrastructure vulnerability), **addressing capital imbalances** to finance transition in emerging markets and **investing in infrastructure and workforce readiness**.
- The report also **highlights the importance of energy equity** – energy prices remain volatile and gains in clean energy access continue but are incremental rather than transformational.

Top 10 Performers in the Energy Transition Index

Country	2025 ETI score	Structural strengths	Progress highlights 2025
Sweden	77.5	Clean energy mix (biofuels, nuclear, waste), strong regulation, market-based policies[16] and top-tier innovation ecosystem[17]	Continued to lead the ETI, driven by rising low-carbon technology advantages, effective carbon pricing through net carbon rates, low methane emissions, clean job growth, robust R&D investment and a top-ranked credit rating
Finland	71.8	Legally binding 2035 carbon neutrality target, sector-specific decarbonization plans[18] and strong nuclear/renewables energy mix[19]	Advanced with reduced fuel imports and led in grid reliability, with low transmission losses and minimal power interruptions
Denmark	71.6	Net zero by 2045,[20] backed by a comprehensive policy framework, diversified energy mix,[21] offshore wind leadership and hydrogen infrastructure expansion	Led in economic freedom, supported by open markets, transparent regulation and strong institutional frameworks
Norway	71.5	Clean power mix (hydro, wind),[22] robust, interconnected grid, high transport electrification and capital access via sovereign wealth fund[23]	Strengthened position with soaring clean energy investment and world's lowest net energy imports, reflecting strong export capacity
Switzerland	71.0	Advanced regulatory architecture (CO_2 Act),[24] clean, balanced energy mix, and innovation hubs	Maintained performance with rising renewables and clean job growth, underpinned by world-leading carbon pricing
Austria	70.6	Strong public support for early climate neutrality (2040) and accelerating renewable deployment through integrated national energy and climate planning [25]	Climbed rankings with more clean energy jobs and led infrastructure with robust renewable capacity buildout
Latvia	69.4	Expanding renewable share,[27] modernization of grid infrastructure and synchronization of grids with Continental European Network[28]	Top improver with soaring clean investment (+973% y-o-y), lower fuel imports and leading low-carbon job share
Netherlands	69.2	Strong transmission infrastructure and substantial investments in (smart) grid modernization and hydrogen-ready networks[29]	Strengthened performance with a rise in clean energy investments and declining reliance on gas imports
Germany	68.8	Sectoral net-zero targets, strong industrial policy and frameworks for hard-to-abate sectors,[30] and dedicated hydrogen infrastructure[31]	Maintained energy transition progress through expanded renewable capacity, ongoing coal phase-down and growing clean energy investment
Portugal	68.6	Expanding renewable share (wind)[32] and major investments in grid,[33] hydrogen[34] and offshore wind development[35]	Improved performance with a cut in net fuel imports and greater affordability for industry

Source: Fostering Effective Energy Transition 2025, Insight Report, June 2025.

Go to the full report from the World Economic Forum

NEW IN RESEARCH
A FRAMEWORK FOR SCALING BLENDED FINANCE (1/2)

01

BCG's and BII's New *Scaling Blended Finance* Guidance Provides Practical Tools for Blended Finance Fund Design

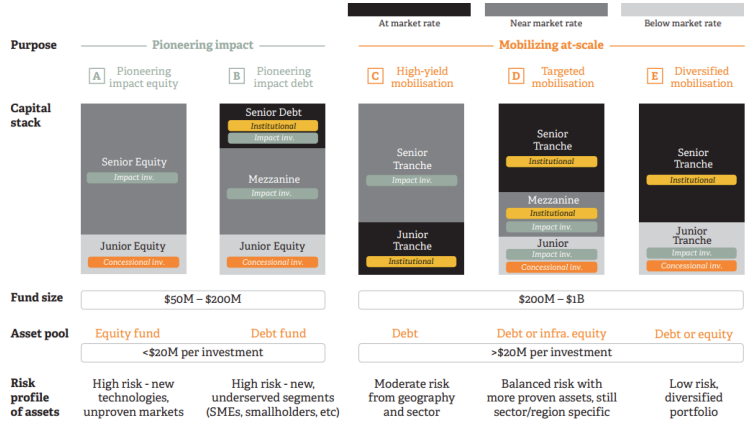
Blended finance* is often described as a key solution for closing the global development funding gap. Through concessional capital, asset pooling and risk tranching, blended finance funds offer a de-risked investment solution for private investors seeking exposure to emerging markets, notably climate-linked assets. However, investment in blended finance products remains limited at around $15 billion per year.

Scaling Blended Finance presents two practical tools – typology of fund archetypes and scorecards – to guide asset managers, investors and donors with fund design, fund evaluation and risk analysis.

Tool 1: Typology - Based on analysis of over 65 funds, BII and BCG identified five blended finance archetypes that reflect the most common patterns in the market today: A – Pioneering impact equity, B – Pioneering impact debt, C – high-yield mobilization, D – Targeted mobilization and E – Diversified mobilization.

The archetypes are differentiated from one another by the fund's purpose, institutional investor risk appetite, and underlying asset risk.

Tool 1 – Blended Finance Fund Archetypes



Note: Scope focused on equity/debt blended finance fund structures; other blended finance instruments, TA funds, guarantees or blended finance at asset-level not in scope

Source: Scaling Blended Finance Report (April 2025), British International Investment and Boston Consulting Group.

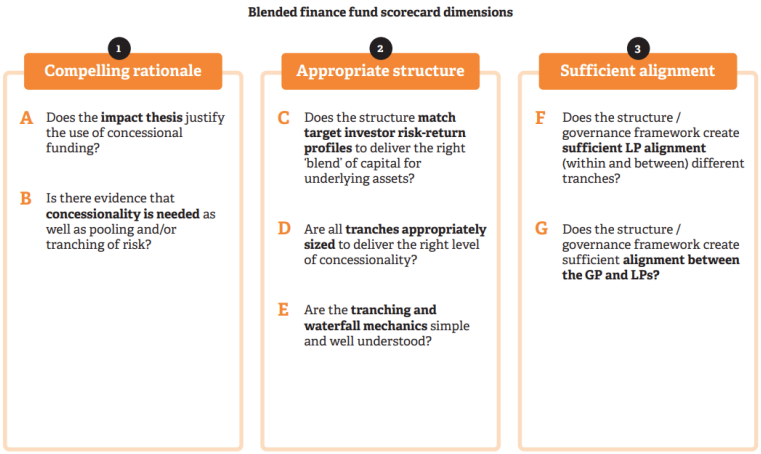
(*) Blended finance is a structuring approach that strategically combines concessional capital with commercial investment. It uses tools from structured finance to align risk and return in transactions that deliver both financial and development outcomes. Blended finance brings together public, philanthropic, and private capital into a single investment structure, with each playing a distinct role and bearing different levels of risk and return.

Go to the full report from BII & BCG

NEW IN RESEARCH
A FRAMEWORK FOR SCALING BLENDED FINANCE (2/2)

02 BCG's and BII's New *Scaling Blended Finance* Guidance Provides Practical Tools for Blended Finance Fund Design

Tool 2 – Blended Finance Fund Scorecard



Source: Scaling Blended Finance Report (April 2025), British International Investment and Boston Consulting Group.

Tool 2 – Scorecard: The second tool developed by the BII & BCG is a dedicated scorecard for blended finance funds to assess the quality of a blended finance structure in a consistent and systematic way.

- It serves as a tool for **fund managers (GPs)** and both **commercial and concessional investors (LPs)** to determine whether a fund's structure aligns with its **objectives, balances stakeholder priorities**, and **adheres to best practices.**
- The scorecard provides a first starting point for evaluating blended finance fund design with a structure approach, alongside other existing due diligence frameworks. It is based on three core dimensions:

- **Dimension 1** – Impact thesis – a clear justification for blending finance is critical to investor confidence and ensuring effective engagement.
- **Dimension 2** – Appropriate structure and waterfall – minimizing complexity ensures scalability and replicability.
- **Dimension 3** – Effective governance to ensure collaboration and alignment of interests between LPs, investors and GPs is critical to achieving the fund's objectives.

Go to the full report from BII & BCG

NEW IN RESEARCH
SUSTAINABLE DEVELOPMENT REPORT(10TH EDITION)

03

A Decade After Their Adoption At The UN, finding that none of the 17 SDGs are on track to be achieved by 2030

On 24th June, **the UN Sustainable Development Solutions Network (SDSN)** released the **10th Edition** of the **Sustainable Development Report (SDR).** The SDR features the updated SDG Index, which assesses and ranks all UN Member States on their performance across the **17** Sustainable Development Goals. It also introduces a new SDGI Index, focused on 17 headline indicators to measure overall SDG progress since 2015.

- The SDR also emphasizes the importance of facilitating capital flow to the emerging and developing countries, stating that 'the Global Financial Architecture (GFA) is broken.' Capital continuous to flow to rich countries, even though emerging and developing economies offer a higher growth potential and rates of return.
- The SDR calls for the Fourth International Conference on Financing for Development (FfD4) to include the reform of the GFA. Notably, the report highlights the responsibility of rich member states, as a matter of distributive and reparative justice, to compensate other countries for the damages their past actions have caused (i.e., GHG emissions, environmental degradation).

Key findings this year's SDR:

- **The implementation gap persists globally** – although 190 out of 193 countries have presented national action plans for advancing sustainable development, at the global level none of the 17 SDGs are on track to be achieved by 2030 (currently, only 17% of the targets are on track to be achieved).
- Most UN member states have made **progress related to basic services & infrastructure,** including mobile broadband use (SDG 5), access to electricity (SDG 7), internet use (SDG 9), under-5 mortality rate (SDG 3) and neonatal mortality (SDG 3).
- **East and South Asia outperformed all other regions** in overall SDG progress since 2017 based on the SDGi's 17 headline indicators.
- **In terms of UN Multilateralism, Barbados ranks first, while US ranks last** in supporting multilateral efforts to achieve the SDGs. In 2025, the US withdrew from the Paris Climate Agreement, the World Health Organization and formally declared its opposition to the SDGs and the 2030 agenda.
- A key barrier to making progress on the SDGs is the **lack of access to long-term, affordable capital and debt burdens.**

Go to the full report from SDSN

IN FOCUS: THE ENERGY TRANSITION IS POSSIBLE
URUGUAY'S SUCCESS STORY (1/3)

01

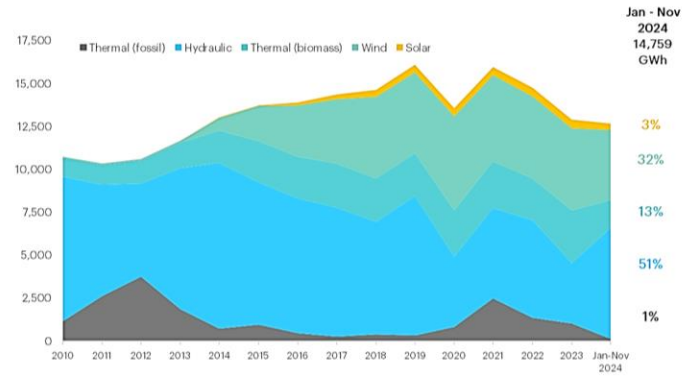
Uruguay's Energy Transition Success Story – Key Lessons for a Radical Transformation

Uruguay, a small country of just over 3 million people, has become **a global leader in renewable energy transformation**. In less than 15 years, Uruguay moved from heavy fossil fuel dependence **to generating 98% of its electricity from renewable energy resources.**

The Challenge

- In 2008, Uruguay faced an economic and energy crisis; the country's economy was rapidly growing, and it did not have enough electrical energy to match increasing energy demand and support economic development.
- With a lack of investment in new energy production, Uruguay depended on four hydroelectric dams built between 1960 and 1979. **During severe droughts, the country had to import fossil fuels to make up the difference** in electrical output, with oil making up 55% of Uruguay's total energy supply in 2025.
- This led to frequent energy black outs and energy rationing, with **cost overruns as high as $1 billion during severe droughts**. Moreover, climate change was undermining the country's long-term energy security.
- In 2008, the government appointed Ramón Méndez Galain – at the time a university physicist who had written a detailed proposal for a national renewable energy transition – as the national director of energy.

Uruguay Electricity Generation by Source (GWH) (2010 – Nov 2024)



Source: Renewable Energies in Uruguay, December 2024. Created by Uruguay XXI based on data from BEN 2023.

Read more about Uruguay's Energy Transition

IN FOCUS: THE ENERGY TRANSITION IS POSSIBLE
URUGUAY'S SUCCESS STORY (2/3)

02

Uruguay's Energy policy - In 2008, Uruguay formalized its 2005-2030 energy policy strategy establishing its commitment to renewable energies and energy sovereignty

2008 Energy Policy – defining Uruguay's long-term policy vision

- In 2008, with the appointment of Ramón Méndez Galain as the national director of energy, Uruguay formalized and launched a comprehensive national energy policy with cross-party political support to ensure continuity across administrations.
- The policy's key objectives were to reduce fossil fuel dependence, diversify the national energy supply, ensure energy security and drive the green transition.
- Designing a new business model for energy – in comparison to fossil fuels, for renewable energy, the cost of energy is determined by the cost of repaying the investment.

Public-Private Partnerships – State-owned energy transmission & distribution supported by private investments

- Uruguay's National Administration of Power Plants and Electrical Transmissions (UTE) owns and operates the transmission, distribution and sale of electricity.
- The government conducted transparent tenders for wind, solar and biomass projects in the form of Purchase Power Agreements (PPAs) with a guarantee that the UTE would buy 100% of the electricity it produced for 20 years.
- Partnerships with academics were also crucial to innovating software to handle energy dispatch and predict the amount of wind and solar electricity available in the grid in advance.

Stable legal & regulatory environment

- Uruguay's National Energy Policy set forth renewable energy targets and empowered the Ministry for Industry, Energy, and Mines and UTE to develop further policy to support the development of renewable infrastructure and renewable feed-in to the grid.
- Uruguay implemented strict regulations for the new energy market, attracting private sector investments in windmills and solar panels while public utility invested heavily in transmission and distribution infrastructure.

Social license to operate – environmental and social considerations

- A vital part of Uruguay's energy transition is the country's social capital, strong democracy and trust in institutions. These conditions have allowed the country to engage its residents and ensure that they benefit from cheap, reliable energy.
- The transition has halved Uruguay's energy costs and created over 50,000 jobs. The government engaged with labour groups early in the transition to reduce the negative impacts of plant closures and implemented workforce training for existing workers to transition to building and operating wind turbines and solar power plants.

Read more about Uruguay's Energy Transition

IN FOCUS: THE ENERGY TRANSITION IS POSSIBLE
URUGUAY'S SUCCESS STORY (3/3)

03

Challenges to the Energy Transition – What are the Challenges Hindering the Low-Carbon Energy Transition Globally?

I. Social challenges

- Public acceptance, education and engagement – public education and consumer engagement are critical to a successful transition and for creating acceptability of low-carbon technologies and the green transition in general.
- Behavioral change- consumers need to be more reactive to energy policy and to adopt low-carbon activities (i.e., use of public transport, lowering energy demand for heating / cooling). Technological changes are not enough to achieve a low-carbon future.
- Labor force reskilling and upskilling to ensure a just energy transition including partnerships with labor unions.

II. Economic challenges

- Incentives and investment risk – there exists a significant imbalance between the required and available funds for the low-carbon transition; significant investment from public and private investors is required to transition the global economy.

III. Environmental challenges

- The energy transition requires land acquisition on a large scale, which can lead to socioeconomic tension ('green' resource grabbing) and further degrade the environment.
- Natural resource consumption and reliance of the energy transition on mineral resources.

IV. Institutional challenges

- Short-termism – the energy transition requires long-term bi-partisan commitment; political short-termism often prioritizes short-term policy benefits over the long-term benefits of the green transition.

V. Technical challenges

- Lack of technical standards to facilitate the adoption of novel technologies, including the distribution of electricity, renewable energy and information technology. Moreover, regulations on issues such as potential influence of operations and toxic pollutants are underdeveloped.
- Lack of infrastructure – the green transition requires a significant investment in changing infrastructures, politics and custom behavior, with an innovative energy infrastructure being a precondition for a successful energy transition.

Read more about challenges to the global energy transition

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