

June 2025

Reimagining Net Zero: Ten Years After Paris, Five Years Until 2030

Lazard Expert Investment Forum: London Climate Action Week Survey Results

Lazard Expert Investment Forum: June 2025



>£1 trillion

AUM of UK Asset Owners surveyed

36%

confident about achieving current climate targets

88%

actively reviewing or considering reviewing current portfolio climate strategy / targets

32%

willing to accept an increase in portfolio emissions for a reduction in real world emissions

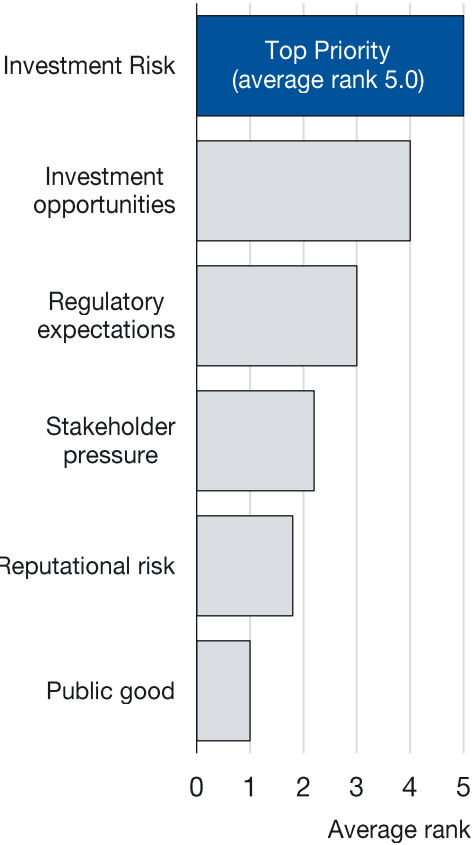
“When do we all admit that 1.5 degrees is in the rear-view mirror?”

UK investor

Lazard Expert Investment Forum

Lazard's London Climate Action Week Survey Results

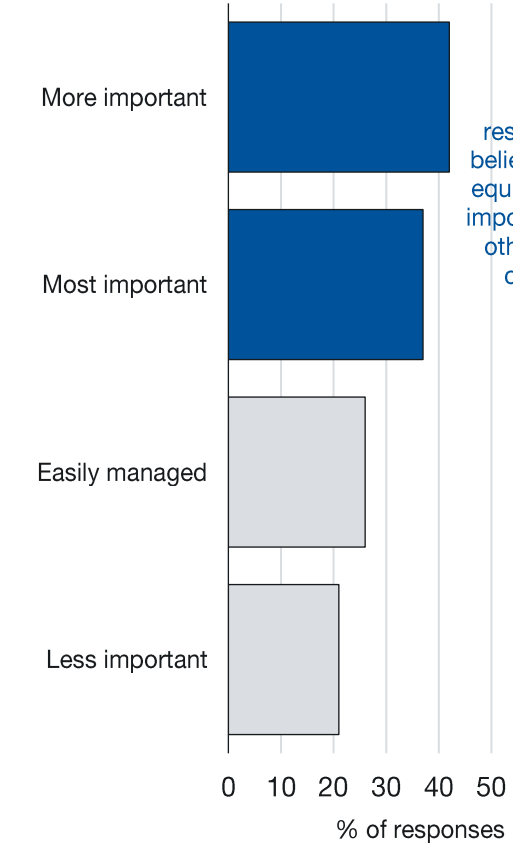
Please rank the key drivers informing your climate strategy



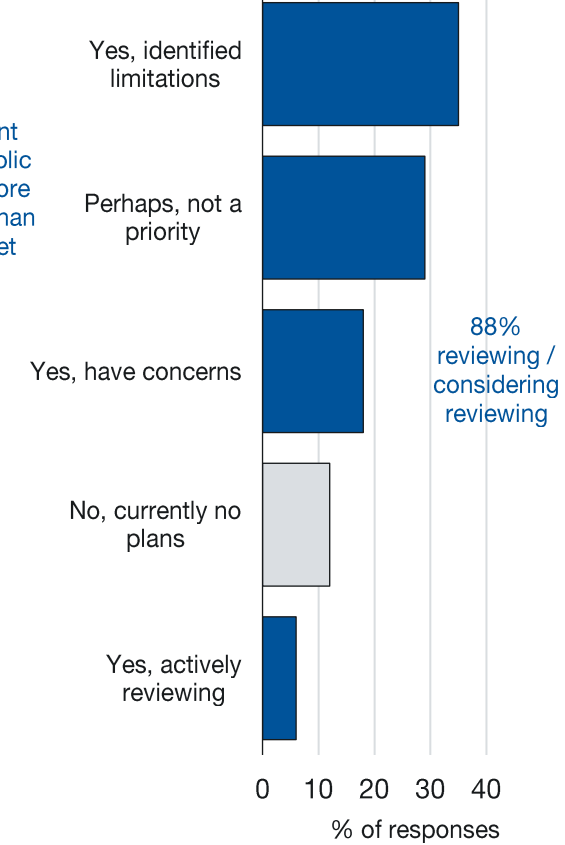
If you have set climate targets, how positive are you about achieving them? (select that apply)



How important are public equities allocations in delivering the objectives/goals of your climate strategy? (select that apply)



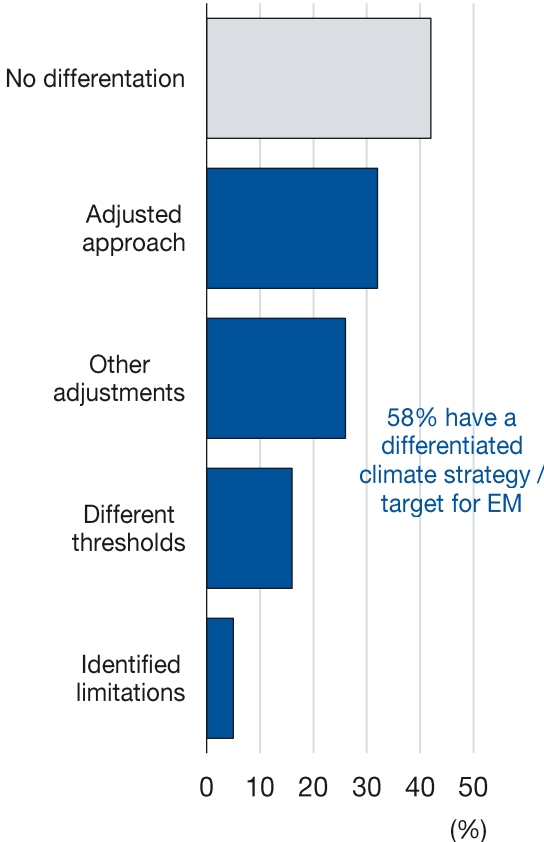
Is your organization planning to review your current portfolio climate strategy / targets?



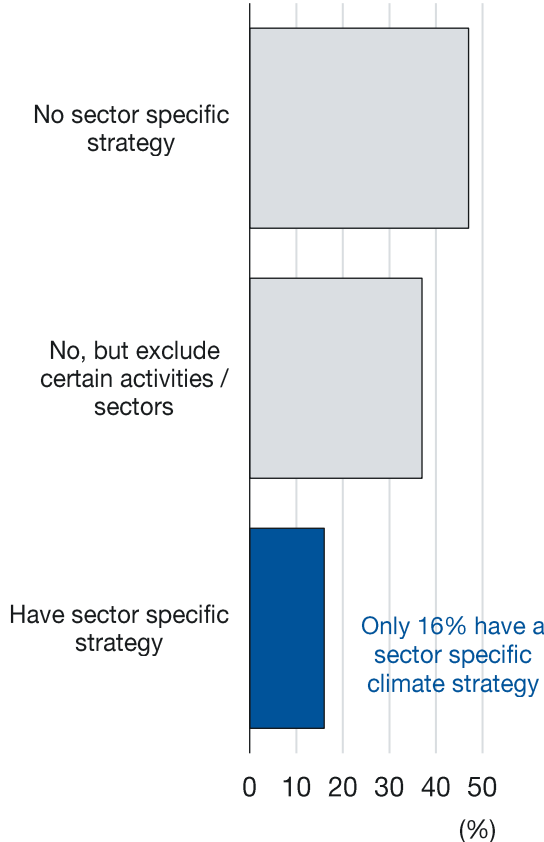
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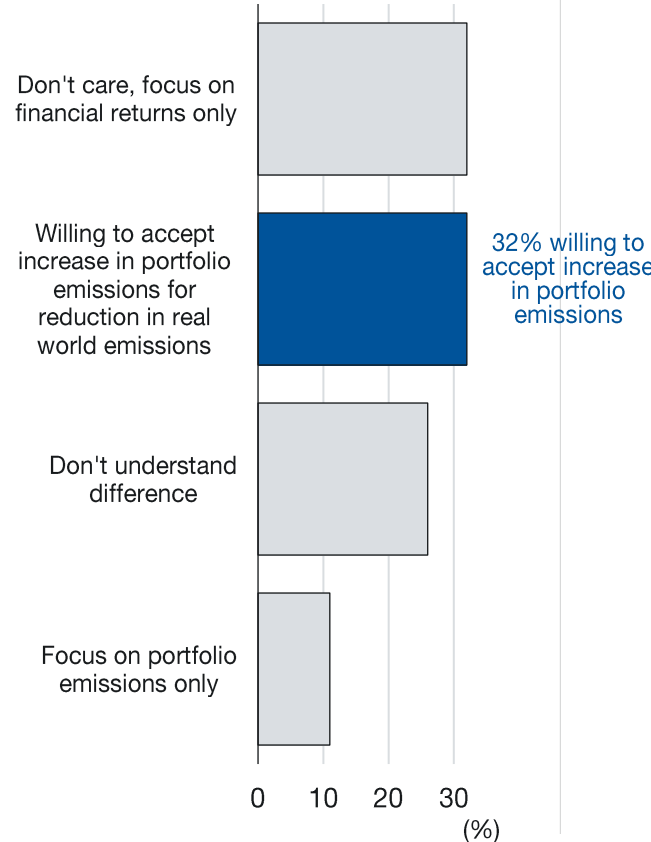
Does your climate strategy / target differentiate between developed and emerging markets? (Select all that apply)



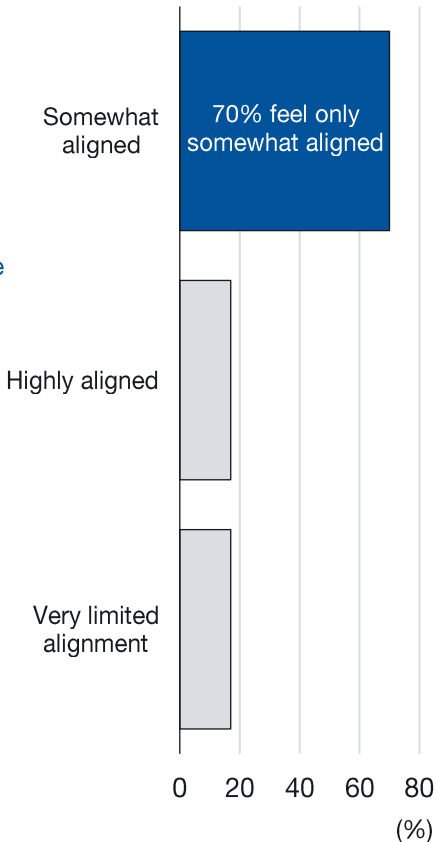
Which of the following statements best describes your organisation's current sector-specific climate strategy?



Do your stakeholders differentiate when evaluating your organization's strategy when it comes to real world vs. portfolio/paper emissions reductions?



How aligned is your current approach with what you think should be doing?



Navigating A Fragmented Climate Transition



Investment insights from Lazard's in-house Climate Transition Forecasting Workshop in partnership with IPR

1

1.8°C to 2.0°C Climate Path

Workshop participants forecasted a decarbonisation path consistent with a 1.8°C to 2.0°C rise above pre-industrial levels by the end of the century, in line with the disorderly climate scenario outlined by the NGFS and supporting our view of a “dual” fragmentation in the climate transition and increased physical risks.

2

China Leads the EV Surge

Rapid growth in electric vehicle (EV) adoption, particularly in China, may offer significant long-term investment opportunities. Technological advancements and robust government support are driving this trend, although challenges remain in Europe and the US due to high electricity prices, reduced policy support and consumer preferences.

3

2040s Peak Oil Demand

Oil demand is projected to decline by the 2040s due to reduced gasoline consumption and the rise of EVs. However, this decline could be counterbalanced by ongoing demand for plastics and aviation fuels, particularly in non-OECD countries. Additionally, growth in emerging markets and shifts in global manufacturing hubs may delay peak oil demand, presenting both challenges and opportunities for investors in the oil sector.

4

Clean Power Challenges Amidst Energy Demand Growth

Despite optimism about clean power economics and increased deployment, the transition to clean power faces obstacles such as high interest rates, grid issues, and supply chain bottlenecks. Despite these challenges, we believe substantial investment opportunities exist in advancing grid modernisation and renewable energy integration. With rising energy demand, the clean power sector is experiencing an ‘energy addition’ rather than a true ‘energy transition’ this decade.

Reimagining Net Zero

What next?

1

A Fragmented Transition Demands Nuance

Amid an increasingly fragmented climate transition across countries and sectors, investors encounter both opportunities and challenges that demand agile and forward-looking strategies. Traditional top-down approaches focused solely on carbon emissions fall short, requiring a more adaptive and nuanced approach to match the transition's evolving pace and complexity.

2

Bottom-Up Analysis is Key to Seeking to Identify Winners and Losers Across Regions and Sectors

Fragmented policies across sectors and regions underscore the importance of bottom-up company analysis. Combining forward-looking models with rigorous financial and climate research, helps pinpoint companies best positioned to succeed strategically and financially in the transition.

3

Active Management and Ownership Mitigate Risks

Active management and engagement offer real-time insights into company risks and opportunities. Constructive dialogue with management and boards complements bottom-up analysis, shaping research priorities and strengthening investment decisions.

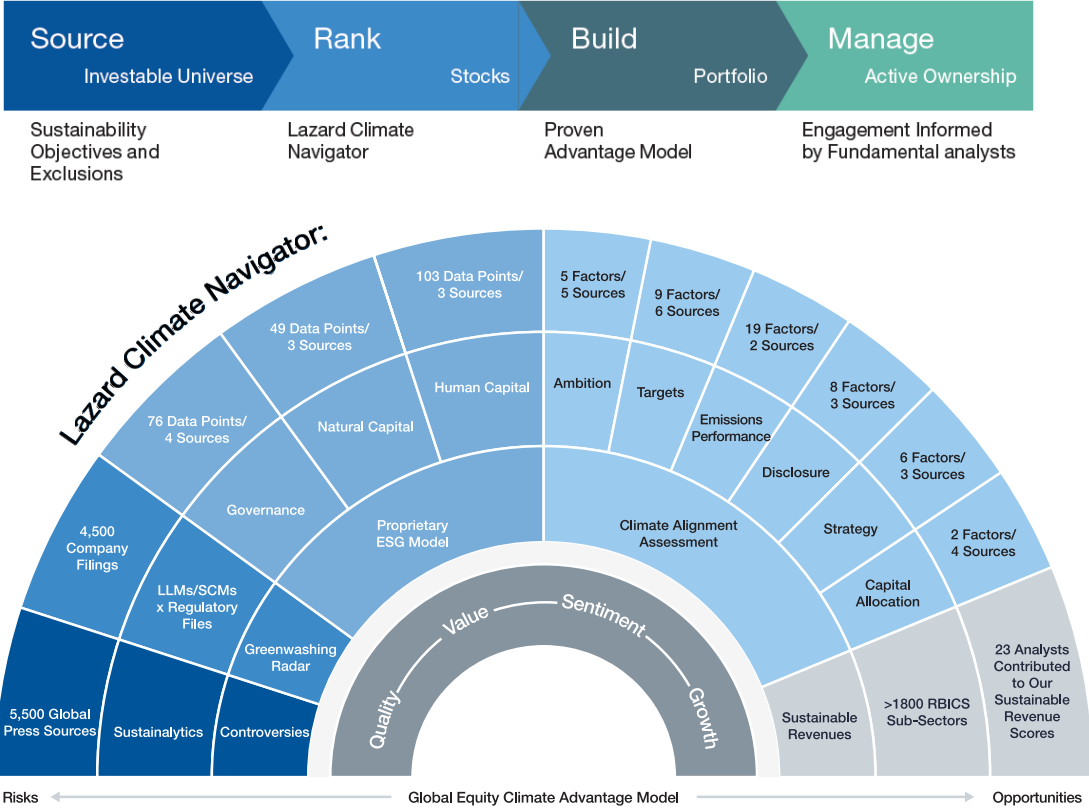
Case Study: Lazard Global Climate Advantage

A forward-looking approach to addressing climate goals

Asset owner objectives:

- 1 Diversified core equity exposure
- 2 Identify companies with strong transition plans and sustainable revenues
- 3 Long term asset owners through credible engagement and voting

Lazard Global Climate Advantage Approach:



Portfolio Characteristics

Performance Target vs Benchmark	0.75 - 1.5%/ year ¹
Typical Range of Holdings	350 - 500
Active Risk Tolerance	1 - 3% Tracking Error ²
Expected Annual Name Turnover	25 - 35%
Expected 1-way Annual Turnover (by weight)	60 - 90%
Style of Management	Core
Sector Exposure	+/- 3% relative the benchmark weight
Country Exposure	+/- 3% relative the benchmark weight
Maximum Position Size	Benchmark +1.0%

1. Performance target is an annual target over a full market cycle. There is no guarantee that these targets will be achieved. Typical benchmarks include the world and ACWI versions of MSCI's Paris Aligned indices and MSCI's World and ACWI indices
 2. Active risk reflects a range under normal market conditions. From time to time, active risk may be outside of range.

Why Lazard?

Lazard Global Climate Advantage



Experienced Collaborative Team

We combine sustainable investment and quantitative expertise. We work together through different market cycles leveraging the insight from 100 analysts and 130 portfolio managers, each with 20 years of experience and strong corporate relationships.



A Quantitative Approach Drawing on Fundamental Insights and Company Engagement

Uses Lazard's proven Advantage process, integrating proprietary forward-looking tools and active ownership. We invest in companies best aligned with the transition to a lower-carbon economy.



Proven Track Record

Lazard's Equity Advantage team has a track record of delivering strong performance from core equity portfolios.

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