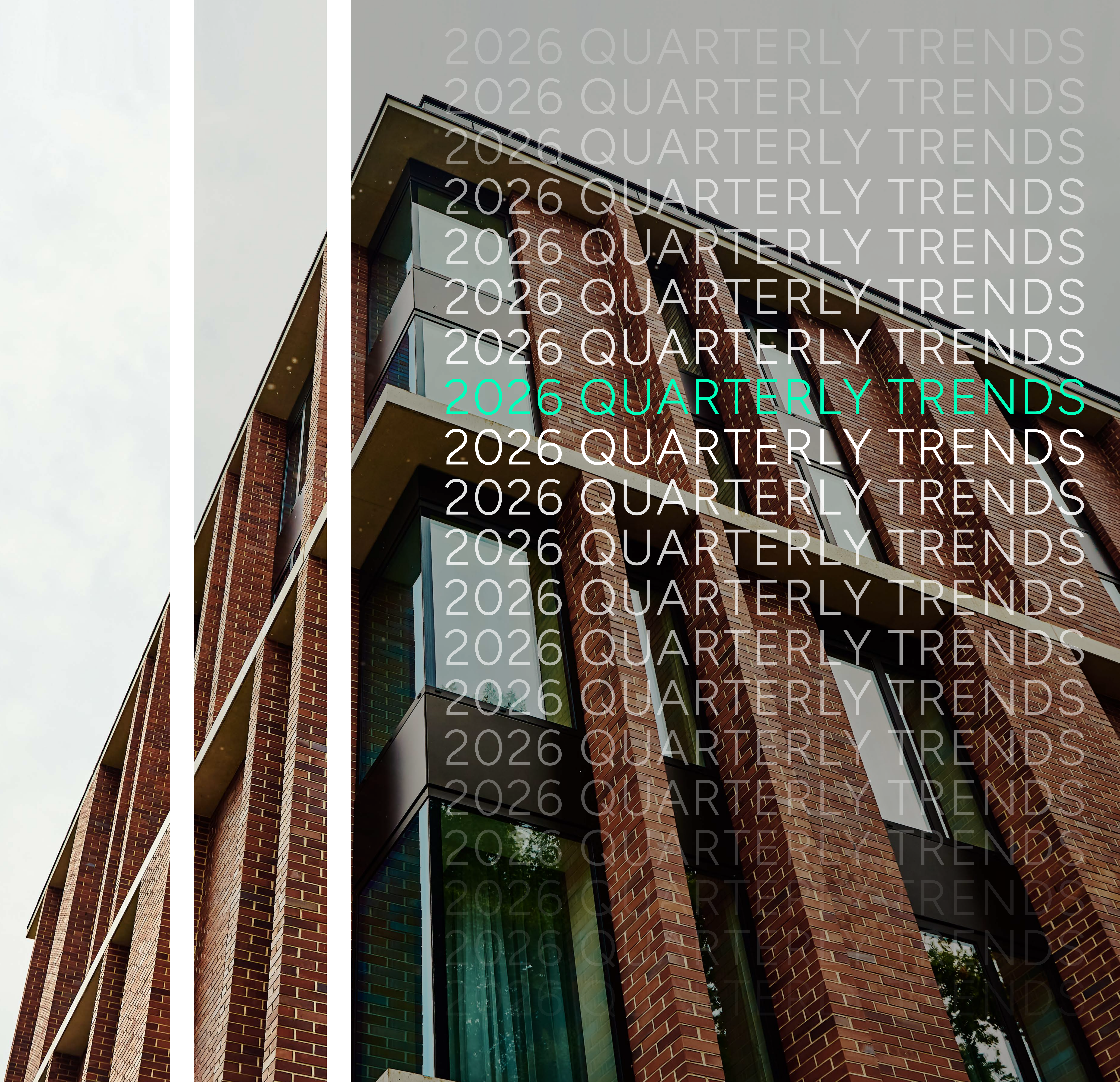
ERM SUSTAINABILITY INSTITUTE

Quarterly Trends

The Implementation Mindset: Digital Developments Drive Shift to Near-Term Execution

JUNE 2026



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Introduction

Corporate sustainability continues to be assailed by disruptions—conflict, trade disputes, polarization, AI—driving companies to question whether long-term goals remain feasible amidst a reality that looks much different than when they were first set. In response, companies are reframing sustainability as an opportunity, prioritizing execution over aspiration and focusing on near-term, tangible value.

In this quarterly edition, we examine execution across four trends. We begin in the digital space, where rapid AI growth is reshaping decarbonization strategies while physical constraints such as power and water are slowing data center expansion. At the same time, companies are using AI to scale sustainable impact while confronting ethical and operational realities.

This focus comes after the recent Trellis Impact conference, which convened sustainability leaders in late June to accelerate solutions for the clean economy. The intersection of AI and sustainability featured prominently, covering many of the same themes we spotlight here.

The sustainability landscape is also being reframed through a financial and implementation lens, with investor, regulator, and standard setter actions emphasizing materiality, decision-useful disclosure, and measurable business value. For example, the Science Based Targets Initiative's (SBTi) new Corporate Net-Zero Standard stresses that targets are only a starting point and that companies should pair them with implementation plans.

Geopolitical instability continues to reshape the energy world, elevating energy security alongside decarbonization as core priorities for both the public and private sectors. Even so, the energy transition continues at pace, with renewables overtaking coal for the first time in energy generation, despite grid infrastructure shortcomings.

Finally, regulatory divergence is reshaping environmental, health, and safety (EHS) priorities with changing regulatory expectations on PFAS and other pollutants, as companies balance tightening compliance rules in the EU with abolishment or postponement of some regulations in the U.S. Alongside this, nature and water restoration are gaining traction as investable remediation and resilience strategies among governments and companies that are scaling efforts to protect resources and manage risk.

Four trends redefining sustainability

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IN THE SPOTLIGHT

Sustainability in digital era:

Balancing emissions, infrastructure limits, and AI impact

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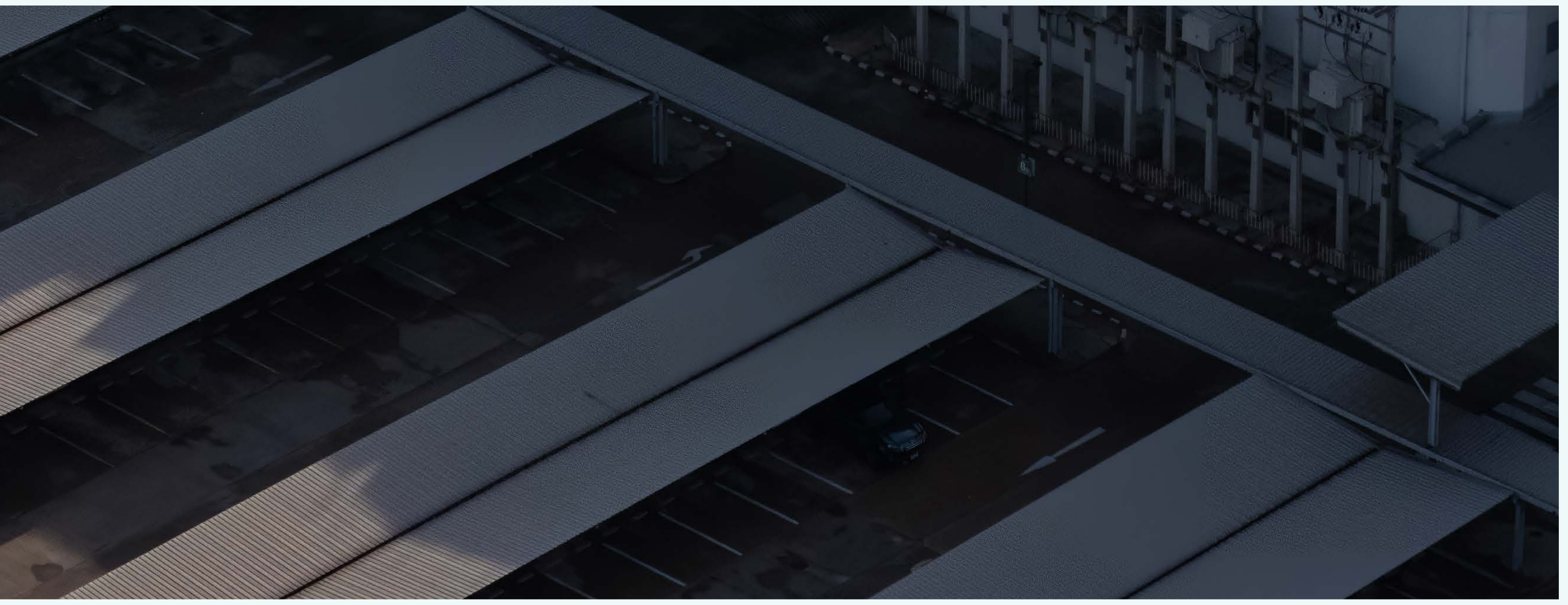


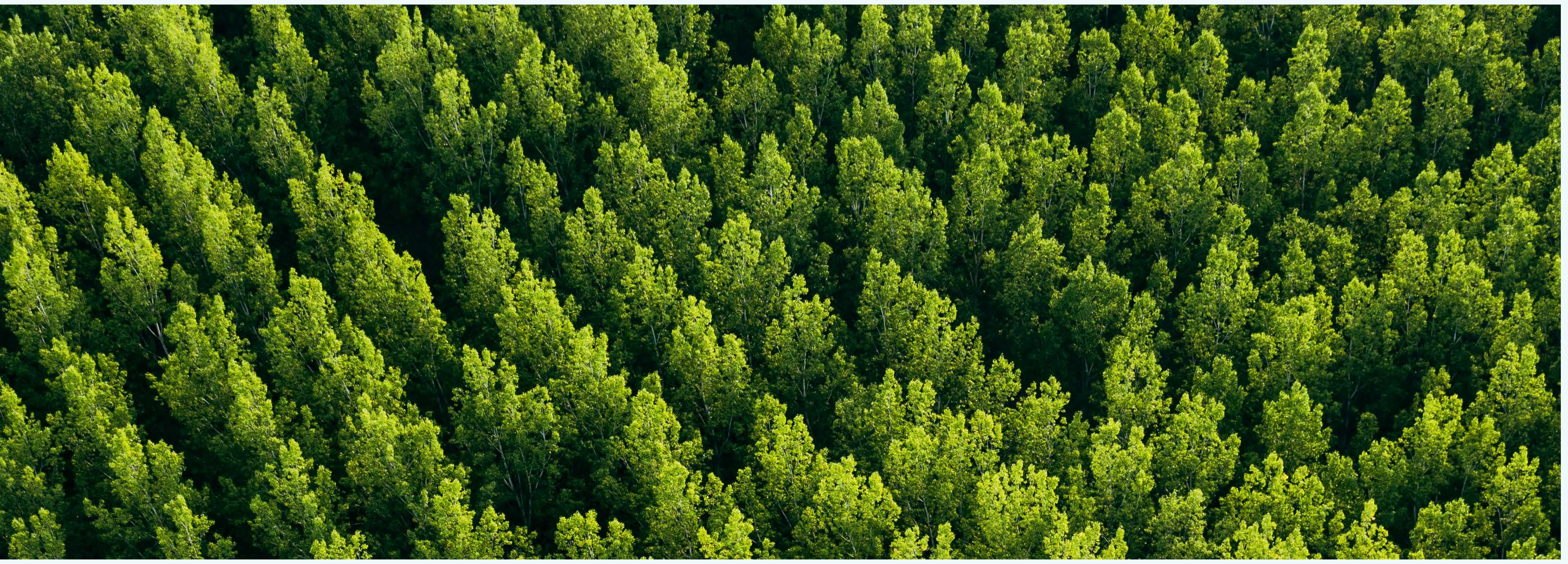
SIGNAL 1:

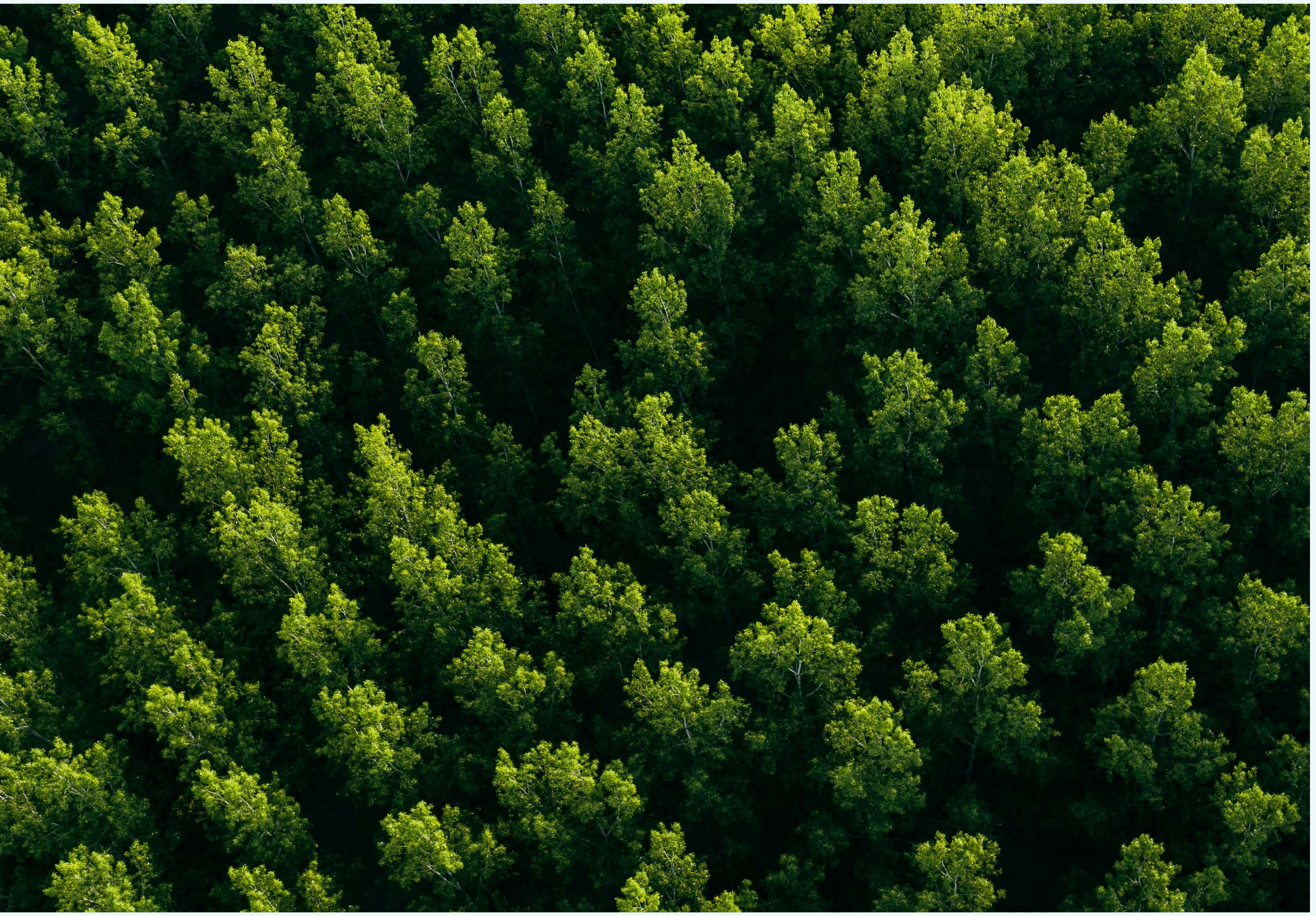
Rising emissions conflict with technology companies' decarbonization targets

With AI uptake accelerating, emissions growth is challenging technology companies' decarbonization ambitions. While this tension is drawing investor scrutiny of climate strategies, companies continue to accelerate clean energy procurement and are turning to carbon markets to bridge interim gaps.

Emissions growth outpaces decarbonization efforts, but action continues

- ***AI-driven emissions growth sharpens scrutiny of technology industry climate goals:*** Leading AI companies have seen operational emissions grow dramatically, increasing by 150% on average since 2020. In response, companies including Alphabet, Amazon, and Meta faced shareholder proposals at their 2026 annual meetings to disclose how they will balance this growth with their climate goals.
- ***Technology companies dominate 2025 corporate clean-energy procurement:*** Despite rising AI-related emissions, technology companies are maintaining climate action. Amazon, Meta, Google, and Microsoft accounted for around half of global corporate clean-energy purchases in 2025.
- ***Clean power purchases for data centers continue:*** Leading technology firms continue to procure clean power at pace. In April, Amazon signed 430 MW of renewable deals in Australia to support data centers. In the U.S., Meta announced 850 MW of PPAs with DESRI, bringing their joint portfolio to more than 2.5 GW across nine U.S. states.





Companies turn to carbon markets in rising numbers

- *AI-driven emissions growth is likely to accelerate demand for carbon removals:* Rising AI-related emissions are spurring demand for high-durability carbon removal. The global carbon credit market is projected to reach nearly $268 billion by 2050, up from around $1.4 billion currently, as firms including Microsoft, Google, and Meta increasingly pair carbon removal with clean energy.
- *Microsoft restarts carbon removal purchases after brief pause:* In May, Microsoft announced its first major carbon-removal purchase since pausing purchases in April. The company is the largest carbon removal buyer globally, representing approximately 90% of the market in 2025.
- *Questions over whether carbon-removal can scale fast enough remain:* Despite demand growth, carbon markets face supply questions, with analysts warning that there are insufficient "high quality" carbon-removal credits to offset rising AI-related emissions.

WHAT COMPANIES NEED TO KNOW

→ **Greater scrutiny over climate credibility a new reality:** Investors and stakeholders are increasingly focused on whether decarbonization pathways reflect operational realities, pressuring technology companies to align goals, energy sourcing, and carbon-market purchases, and transparently communicate their efforts.

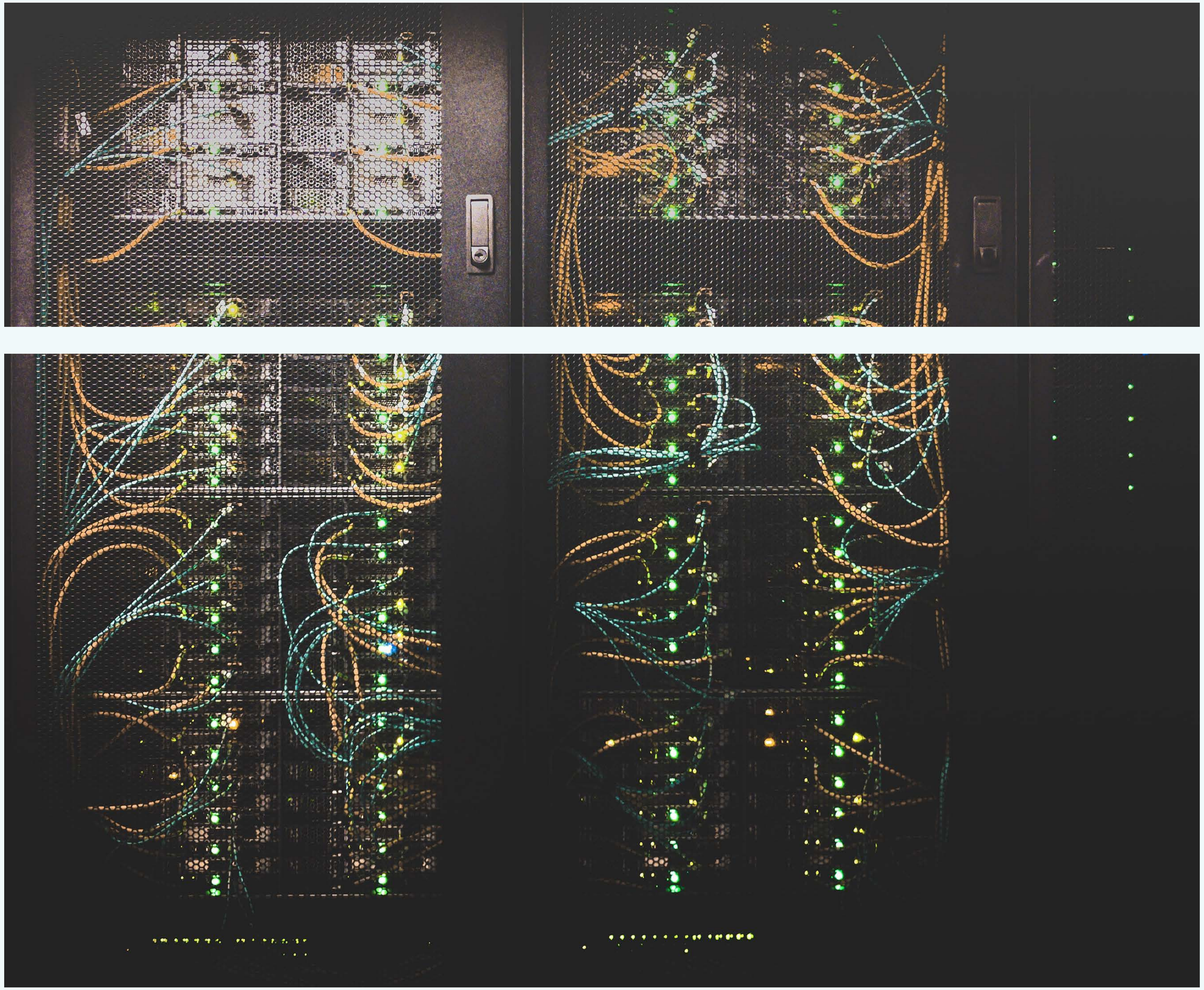
→ **Clean energy procurement alone may no longer be sufficient:** As AI-driven electricity demand accelerates, technology companies will benefit from reassessing whether existing renewable energy strategies can realistically keep pace with demand and subsequent growth in emissions.

→ **Carbon removals are moving from optional to strategic:** Rising technology emissions mean carbon removals are now a strategic complement to clean energy, making early carbon market engagement, quality verification, and long-term contracting critical to keeping climate goals in reach.

SIGNAL 2:

Physical bottlenecks challenge AI deployment

Physical constraints are affecting AI deployment, as bottlenecks across inputs such as power and hardware delay data center buildouts and reshape investment timelines. Once built, rising water demands are triggering local resistance, adding further complexity to scaling AI infrastructure.



Supply chain and power constraints slow AI infrastructure

- *Physical system constraints emerge as binding limit on AI infrastructure:* As ERM's Trellis whitepaper on future-proofing the AI value chain highlights, AI is increasingly constrained by interdependent physical inputs—power, water, chips, land, labor. These pressures are affecting data center deployment, with U.S. additions halving in Q4 2025 versus Q3. Still, as our whitepaper notes, the scale of AI demand can also act as a catalyst, accelerating grid investment, improving water stewardship, and driving circular approaches to hardware and components.

- *Hardware bottlenecks are tightening across AI-critical components:* Surging AI demand has led to shortages of high-bandwidth memory (HBM), with leading suppliers reporting sold-out capacity and prices rising up to 90% since Q4 2025. Advanced semiconductor constraints are also affecting AI delivery and concentrating value among a few manufacturers, with firms including SK Hynix and Micron achieving trillion-dollar market caps in May.

- *Power equipment emerges as a critical AI deployment bottleneck:* Over half of planned U.S. data centers face delays from shortages of transformers and other essential electrical equipment, as extended manufacturing lead times and limited production capacity constrain the ability to connect new facilities to the grid. Operators are instead turning to gas-fired generation to secure reliable power. However, supply chain challenges have extended turbine lead times from two years to as much as five years.

Data center water use meets local community resistance

- *Cooling-driven water demand is scaling with AI growth:* By 2027, global AI-related data center demand is projected to drive up to 6.4 trillion liters of water withdrawals, with large hyperscale facilities using up to 5 million gallons of water per day.

- *Local water impacts trigger pushback in U.S. communities:* Data centers' growing water demands are triggering community pushback. In Georgia, residents **raised** concerns after a data center withdrew nearly 30 million gallons of water and lowered local water pressure. In Pennsylvania, Governor Josh Shapiro introduced the **Responsible Infrastructure Development** (GRID) standards in May, setting water use best practices for data center developers operating in the state.

- *Google publishes community water stewardship commitments:* In June, Google **announced** five water stewardship commitments to minimize local impacts in data center communities. The company will replenish more water than it consumes at its sites by 2030, modernize local water and wastewater infrastructure, protect at-risk watersheds, disclose annual water use, and pursue alternative and reclaimed solutions.

WHAT COMPANIES NEED TO KNOW

→ **Physical constraints are becoming binding limits on AI deployment:** With bottlenecks across power, hardware, water, materials, and labor shaping the pace and feasibility of data center expansion, system-level approaches that treat AI infrastructure as a connected physical system will be critical to minimizing impacts across AI investment timelines and buildout strategies.

→ **Supply-chain and energy infrastructure constraints are slowing AI scaling:** Shortages of AI-critical components and grid connection constraints require portfolio-level planning to overcome, enabling companies to coordinate resource constraints across assets and keep delivery timelines on schedule.

→ **Water-related impacts are increasing operational and stakeholder risk:** AI-driven water demand is intensifying pressure on local water systems, elevating expectations for companies to prioritize transparent water management, efficiency, and stewardship in their data center development and operations.

SIGNAL 3:

AI tools poised to deliver sustainable impact

As companies move from experimentation to scaled deployment, AI is primed to generate value and enhance sustainability performance. In the EHS space, adoption is also rising. However, it remains uneven, as organizations navigate concerns about broad adoption and digitalization.

AI-driven intelligence helps foster value and drive performance

- ***AI is likely to unlock value in sustainability applications:*** AI could generate up to $600 billion in annual climate and sustainability value by 2028, according to a May report. Standout applications include increasing industrial efficiency, climate risk modeling, and power grid management.
- ***ERM partnerships to use AI to scale sustainable impact:*** ERM established two partnerships in May to apply AI to sustainability and infrastructure delivery. A partnership with Carbmee will use AI to identify Scope 3 reduction hotspots from supplier emission data, while a deal with Blumen will use AI to generate permitting and site risk intelligence to inform capital project delivery.

EHS workflows turn to AI, although challenges remain

- ***EHS workflows increasingly include AI, but not without concerns:*** An April survey found that 20% of U.S. companies use AI extensively for EHS purposes, while 62% report moderate usage. However, 90% cite concerns such as overreliance on AI instead of humans and data privacy, indicating hesitancy to scale adoption further.
- ***EHS programs digital capabilities lag technology adoption:*** Despite rising EHS AI use, digital transformations lag, threatening to limit impact. The same April survey found that only 11% of U.S. companies have fully digitalized EHS systems, with 71% relying on digitalized and manual workflows.
- ***ERM's Libryo accelerates EHS audits with AI:*** ERM's regulatory intelligence tool, Libryo Sites, reduces site-specific EHS compliance audit creation time from 1-2 weeks to five minutes with AI. Using Libryo's regulatory database, AI models interpret regulations across jurisdictions and generate primary and secondary audit questions, reducing manual generation and review time and freeing EHS experts to focus on value-add tasks.

WHAT COMPANIES NEED TO KNOW

→ **Pilot no more:** AI has moved from pilot to value lever. Companies that move beyond experimentation towards targeted deployment will be better positioned to capture beneficial financial and sustainability outcomes than those who treat AI as a future opportunity.

→ **Digital maturity will determine impact:** Limited digitalization and fragmented data ecosystems will constrain AI performance. To ensure readiness, companies will need to integrate and standardize data and build the internal governance structures necessary to amplify impact.

→ **Risk management remains central:** As concerns illustrate, AI adoption is not without risk. Companies must be cognizant of their exposures and develop mitigation plans that ensure humans remain in the decision-making loop and enable flexibility as AI and operational realities evolve.

Sustainability that pays:

Evolving stakeholder expectations and operational delivery put value at the forefront

SIGNAL 1:

Investors and standard setters continue to redefine sustainability expectations

Investors are shifting their scrutiny towards how companies identify, manage, and disclose financially relevant sustainability issues, while legal and regulatory changes in the U.S. dampen their proxy engagement. At the same time, regulators and voluntary standard setters are recalibrating disclosure frameworks to emphasize decision utility.

Investor expectations evolve to account for risk and political realities

- *Investors deepen expectations around nature and transition risks:* Asset owners are expanding their sustainability expectations. In April, Norges Bank Investment Management (NBIM) introduced expectations for portfolio companies to assess, manage, and disclose nature-related risks. Manulife in May reshaped its portfolio towards energy transition-focused funds while reducing exposure to oil and gas.
- *UK investors voice concerns over climate commitment recalibration:* The UK pension fund Nest announced in March that it would vote against board chairs at companies with weakened climate commitments. At BP's annual general meeting in April, over 50% of voters opposed company plans to stop climate reporting.
- *U.S. sustainability shareholder proposal retreat continues:* In the 2026 U.S. proxy season, shareholders filed 184 sustainability-related proposals, a 47% decrease from 2025. The fall comes amidst a complicated legal and regulatory environment that has seen the U.S. Securities and Exchange Commission (SEC) make it easier for companies to exclude shareholder proposals and explore if proxy advisors should be held liable for their voting recommendations under anti-fraud rules.

Standard setters and regulators recalibrate sustainability frameworks

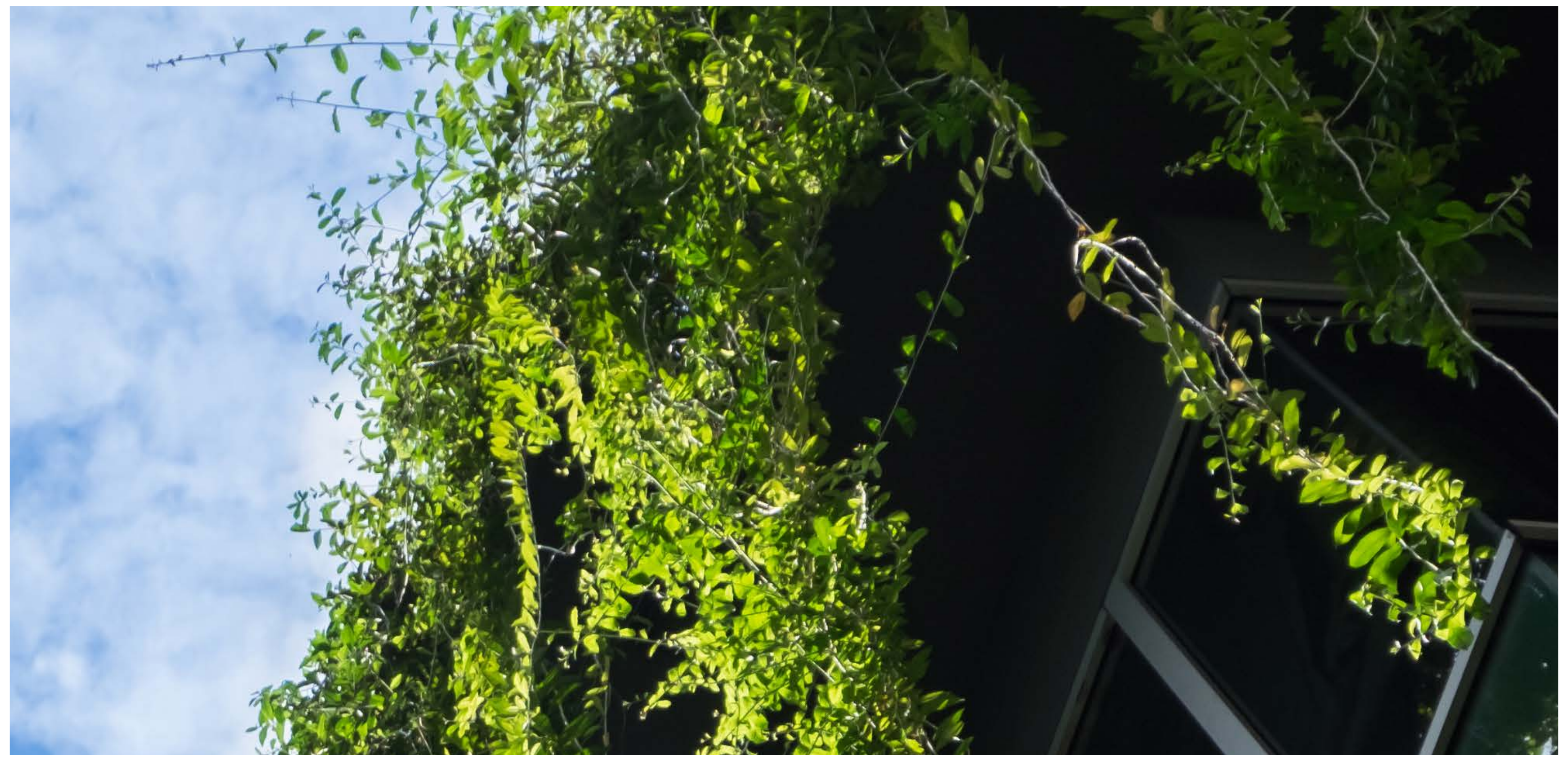
- *EU financial regulators propose simplifications to sustainability reporting by banks:* The European Banking Authority proposed simplifying its sustainability reporting requirements for banks in April, removing around half of required data points and tailoring requirements by bank size to ease burdens on smaller firms.
- *U.S. SEC moves to rescind climate disclosure rule:* In a widely anticipated move in late May, the SEC proposed rescinding its dormant 2024 climate disclosure rule, which would have required companies to report climate-related risks and emissions. The agency framed the move as a cost-saving measure and a return to materiality-focused regulation.
- *Voluntary disclosure standards continue to undergo targeted evolution:* In April, GRI and CDP aligned their respective climate disclosure standards and questionnaires to reduce duplication and improve decision-usefulness. The GHG Protocol similarly proposed changes to its Scope 3 standard in April to improve consistency and usability and will do the same with its Scope 2 standard later this year.

WHAT COMPANIES NEED TO KNOW

→ **Sharpening financial materiality expectations require clear alignment:** As investors place more weight on climate transition and nature-related risk, companies will need to more clearly align sustainability risk assessments with financial planning and enterprise risk management.

→ **Falling shareholder proposals do not mean the pressure is off:** Despite a continued fall in U.S. shareholder proposals, companies should not count on reduced investor engagement. Instead, focusing on accurate, financially grounded sustainability strategies and disclosures can help anchor themselves in materially defensible positions that fit future engagement realities.

→ **Regulatory fragmentation increases the need for adaptability:** With disclosure frameworks undergoing simplification and divergence, companies will need flexible reporting systems that can respond to varying requirements while still providing decision-useful information.



SIGNAL 2:

Operational sustainability gains are strengthening the business case for action

With evidence mounting that sustainability can be a boon for business, companies are embedding sustainable actions into their core strategies by translating ambitions into operational initiatives that deliver financial returns, cost savings, and other benefits.

Corporate sustainability strategies continue to emphasize value creation

- *Corporate sustainability is central to long-term strategy:* Sustainability remains a core element of long-term corporate strategy according to a May report from Morgan Stanley, which found that 84% of global companies view it as a value creation opportunity that shapes long-term strategy.
- *Growing evidence that sustainability delivers business value:* Findings from a 2025 study released in March highlight how sustainability can materially improve financial performance when fully integrated into a business. When companies embed environmental and social considerations into strategy, operations, and decision making, they see up to a 36% increase in financial valuation, a 21% increase in profitability, and a 6% increase in share price.

Sustainability operationalization strategies take shape

- ***SBTi Corporate Net-Zero Standard V2.0 emphasizes operationalization:*** In June, the Science Based Targets Initiative (SBTi) released a revised net zero standard that stresses that targets are only a starting point and that companies should pair them with implementation plans that become more ambitious over time. The standard also allows decarbonization actions outside supply chains (e.g., carbon credits) for the first time.
- ***Companies translate energy efficiency into returns:*** Johnson Controls' 2026 Sustainability Report released in March highlights how its energy-efficiency solutions helped customers save over $9.5 billion in energy and operating costs, while reducing emissions and freeing up capital for other business priorities. Similarly, U.S. utility ComEd announced in May that its Energy Efficiency Program helped Ferrero, a global confectionery company, save nearly 8.5 million kWh of electricity and $777,000 in annual energy costs since 2020 at just one facility, while securing $366,000 in incentives to support efficiency upgrades.
- ***ERM, AstraZeneca, and Secaro team up to unlock decarbonization cost savings:*** ERM, AstraZeneca, and Secaro launched the Clean Heat Program in May to decarbonize industrial heat production for pharmaceutical operations. The program aggregates supplier heat demand, identifies low-carbon, cost-effective solutions, and pools capital to finance supply chain upgrades that would otherwise be unfeasible for individual sites.

WHAT COMPANIES NEED TO KNOW

→ **Prioritize sustainability initiatives that deliver business value:** Whether its energy efficiency, industrial heat optimization, or circularity, companies should prioritize sustainability initiatives that offer near-term returns and boost long-term competitiveness over those that raise costs and fail to boost operational performance.

→ **Early movers can unlock compounding advantages:** Companies that invest early in scalable, cost-effective sustainability solutions—from energy efficiency to shared decarbonization platforms—are better positioned to capture cumulative savings, limit future transition costs, and reinvest capital into growth priorities.

→ **Ambition plus implementation required:** Ambition must be paired with implementation in today's sustainability landscape. Companies that operationalize targets will be better prepared to build a business case for sustainability and extract value from goal-setting—even in cases where the goal is off track or missed completely.

Energy conundrums:

Security pressures coincide with renewable energy's continued, but constrained rise

SIGNAL 1:

Energy security pressures are driving more interventionist energy approaches

Heightened geopolitical tensions are accelerating a shift towards interventionist energy approaches, as governments and companies seek to reduce exposure to volatile markets and supply chains, moves that reshape the pace and direction of the energy transition.

Countries rush to diversify energy sources

- *Germany adopts new energy transition approaches to reduce emissions and geopolitical exposure:* Germany adopted a new Climate Protection Program in March aimed at cutting CO_2 emissions by 25 million tons annually by 2030 via onshore wind power expansion, industrial electrification, and other measures. The government highlighted the plan's energy security benefits following the loss of Russian gas after the invasion of Ukraine and the conflict in Iran.
- *EU advances resilience-focused energy security approach:* In April, the European Commission launched its AccelerateEU strategy to reduce dependency on volatile fossil fuel markets by increasing coordination on energy supply, accelerating domestic clean energy buildout and electrification, and strengthening the power system to cope with greater renewables and electricity use.
- *APAC accelerates energy diversification:* Concerns over LNG import exposure and supply disruption had led Japan to advance plans to restart nuclear reactors in search of more stable domestic generation. In April, the Kashiwazaki-Kariwa Unit 6 reactor began operations for the first time in 14 years, bringing total restarts to 16 since the 2011 Fukushima accident. China has also been roiled by geopolitical shocks, but it is benefiting from the surging clean energy demand the war has triggered. In March, China's solar exports reached a record 68 GW, double the previous month, before growing again in April, albeit at a slower pace.

A private sector roiled by conflict emphasizes energy security and resilience

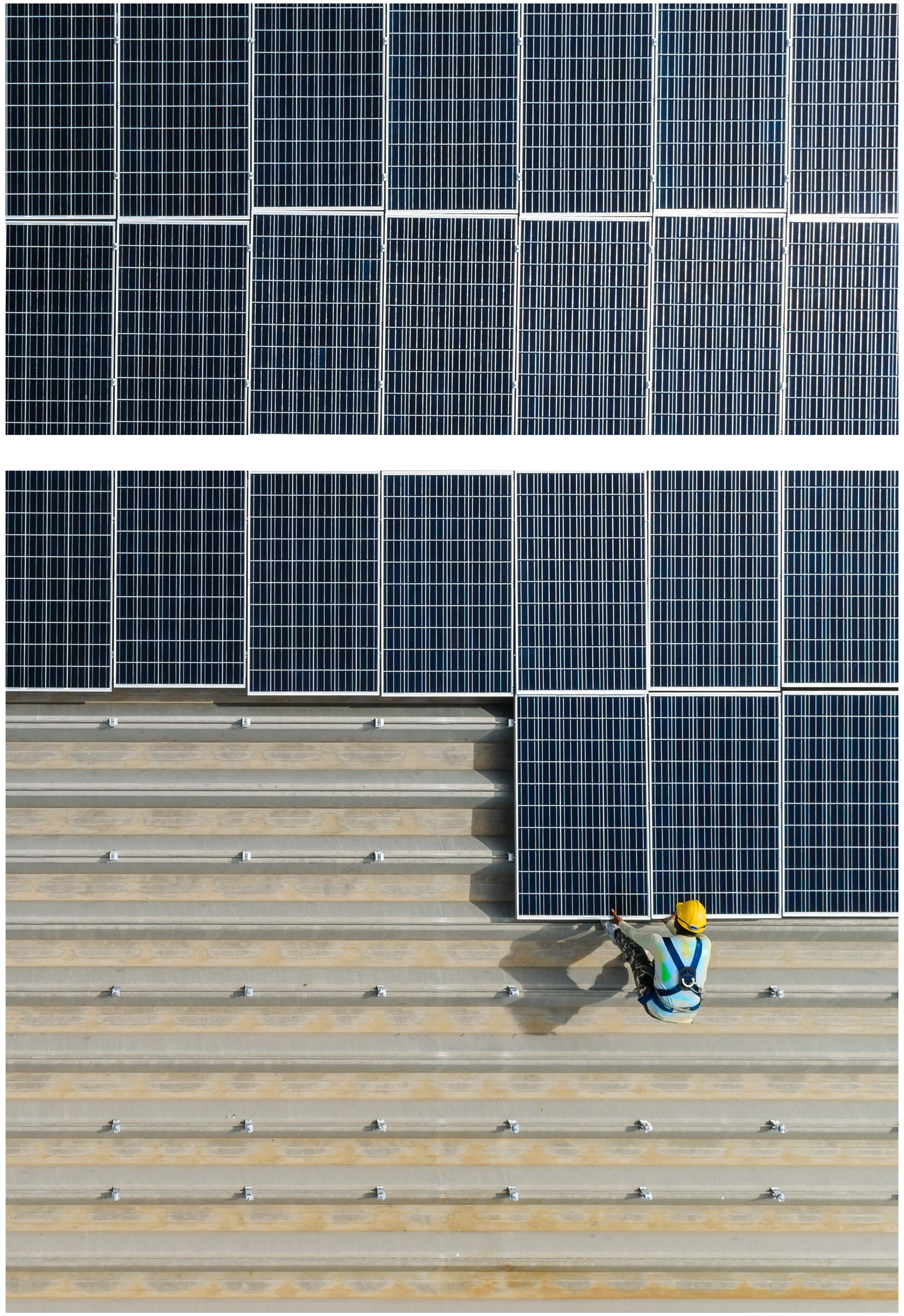
- *Companies feel the effects of the Iran conflict:* Conflict-driven energy security pressures are weighing on companies. As of mid-May, the Iran conflict had cost global firms more than $25 billion through a combination of higher oil prices and shipping costs, raw material shortages, rising insurance premiums, and commodity price volatility.
- *Investors turn back to clean energy as geopolitical hedge:* Investors added more than $3 billion into renewable energy ETFs in April, the biggest net inflows since January 2021, in what the global head of equity at Société Générale deemed an energy security move rather than a climate change response as seen five years ago.
- *U.S. LNG exporters push for EU methane regulation pause:* In late May, U.S. LNG exporters echoed a March call by European and U.S. oil and gas majors to pause enforcement of the EU's methane regulation from 2027 to 2028. As in March, U.S. exporters framed the ask in energy security terms, noting it could further disrupt European fuel imports at a time when global LNG supplies remain tight due to Strait of Hormuz shipping disruptions.

WHAT COMPANIES NEED TO KNOW

→ **Energy strategy is now about resilience and decarbonization:** Upheaval in the energy landscape underscores the need to integrate energy security factors into energy strategy alongside decarbonization. Actions including energy supply diversification and renewables adoption will be critical to insulating companies from disruption.

→ **Scenario planning and stress testing as a counter to volatility:** Energy resilience planning and risk mitigation are immediate priorities for companies with geopolitics driving volatility. Organizations that use scenario planning and stress testing to evaluate exposures will be better positioned to maintain operational continuity.

→ **Energy approaches must be flexible amid shifting signals:** Diverging regional energy approaches and regulations highlight the need for corporate energy strategies that provide market-specific flexibility to adjust to differences in regional priorities.



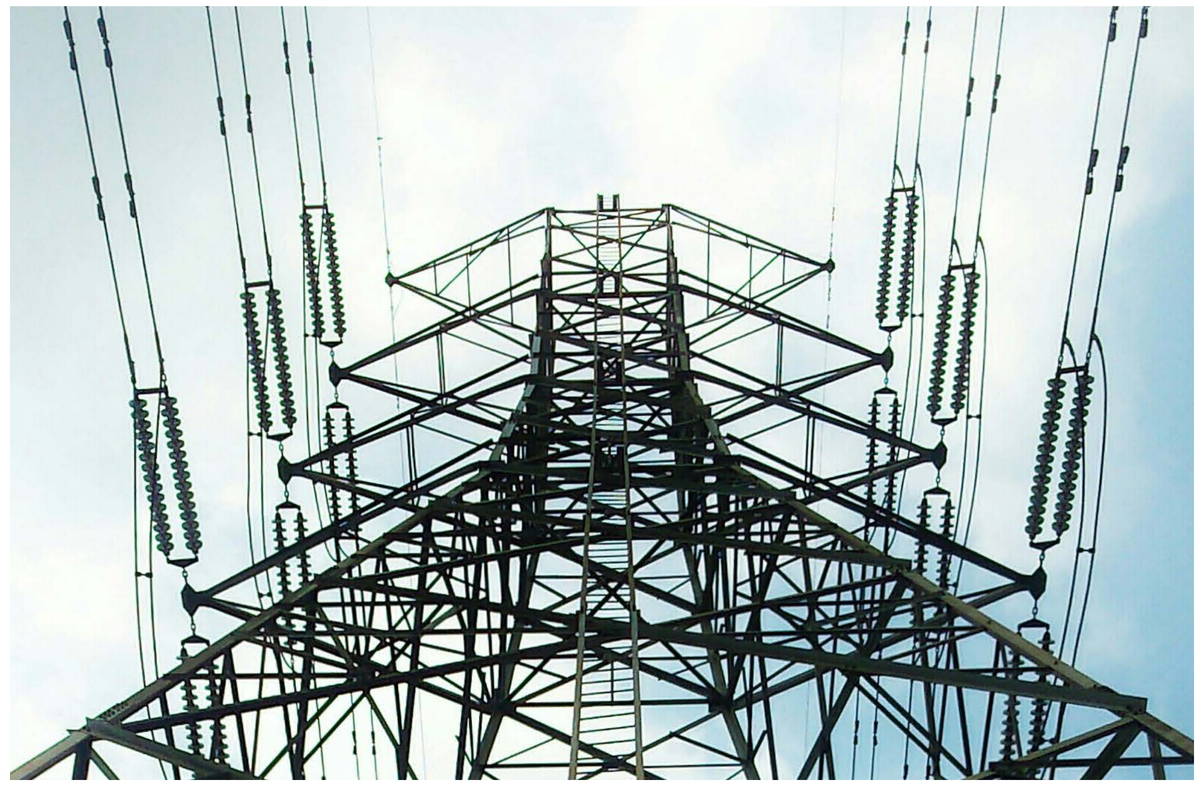
SIGNAL 2:

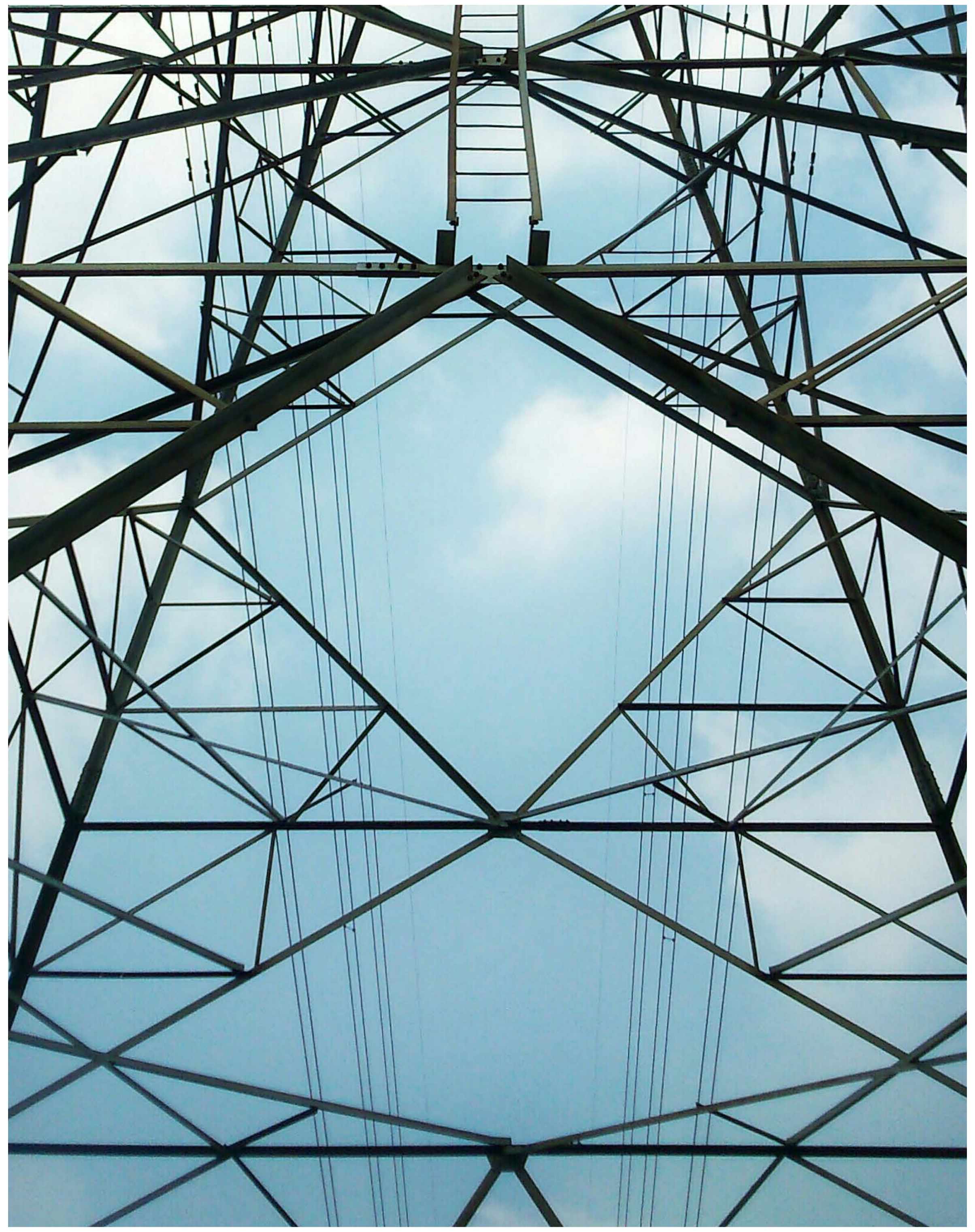
Renewables growth is accelerating, but grid constraints are becoming a harder limit

The energy transition continues to gain momentum, with renewable energy deployment accelerating globally and increasingly displacing fossil fuels in electricity generation. Nevertheless, grid constraints threaten further progress, as considerable renewable capacity waits for interconnection even as demand accelerates.

Renewable energy continues accelerated growth curve

- *Renewables become the world's largest energy generation source:* Renewable energy outpaced coal for the first time in 2025 to become the world's largest energy generation source, with 33.8% of the world's power from renewables compared to 33% from coal.
- *Record renewable energy capacity growth yet again:* Total installed renewable energy capacity set another record in 2025 after 692 GW were added to bring total global capacity to 5,149 GW (15.5% YOY increase). Renewables represented 85.6% of all generation capacity added globally last year.
- *Major projects and capital flows accelerate renewables expansion*: Pattern Energy is set to bring online the Western Hemisphere's largest renewable energy installation in June, when its 3.5 GW SunZia wind farm in New Mexico enters service. Among investors, Blackstone committed up to $2 billion in April to expand renewable energy infrastructure across Europe amid growing electricity demand and energy security concerns, while Octopus Energy invested €584 million to expand its European wind portfolio in May.





Grid constraints threaten to slow continued renewables growth

- *Grid constraints limit renewable expansion:* The grid is emerging as a critical bottleneck to the renewable energy transition, with over 2,500 GW in grid interconnection queues globally. Across Europe, approximately 120 GW of planned renewable capacity is at risk of not being connected to the grid due to insufficient transmission infrastructure. India lost 300 GWh of renewable energy generation in Q1 2026 due to transmission bottlenecks, while over 35 GW of planned renewable capacity there is vulnerable to grid curtailment because of transmission infrastructure shortfalls.

- *U.S. power players form group to increase grid utilization:* In March, a group of companies, utilities, and policy organizations in the U.S. launched Utilize to increase grid utilization by aligning planning, incentives, and regulatory frameworks with affordability, reliability, and speed objectives. The initiative aims to help U.S. states meet growing power demand without unnecessary costs or delays.

- *Companies turn to batteries to bolster grid flexibility:* Large-scale battery deployment is emerging as a key response to grid issues, with renewable energy developer Neoen announcing it would build France's largest battery to help constrained networks in the Paris region. Construction for the 248 MW battery will begin this Northern Hemisphere summer and operations will commence in 2028. The move comes after long-duration energy storage installations grew 49% in 2025 to a record 15 GWh.

WHAT COMPANIES NEED TO KNOW

→ **Renewables' business case continues to strengthen:** Whether it is electrification supported by renewables or long-term renewable energy procurement deals, companies have increased opportunities to advance decarbonization objectives while delivering commercial value.

→ **Grid limitations must be considered when scaling clean energy:** Companies looking to scale their clean energy ambitions will need to account for connection delays, capacity limits, and cost uncertainty from the start of projects by aligning siting, timelines, and sourcing with grid realities.

→ **Energy flexibility equals energy resilience:** Energy flexibility solutions such as on-site generation, battery storage, and hybrid energy systems are now driving energy resilience, helping companies mitigate exposure to power disruptions and energy price volatility while advancing decarbonization goals.

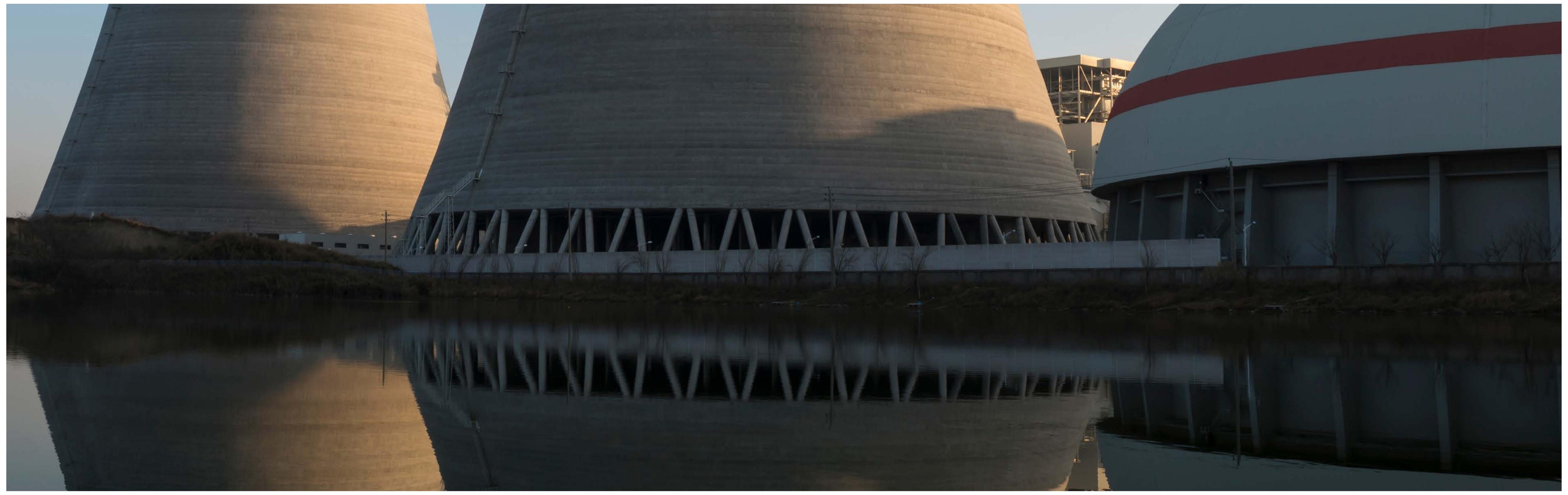
TREND FOUR

EHS Transformation

SIGNAL 1:

U.S. and EU take different approaches to pollution standards

Approaches to pollution standards on both sides of the Atlantic continue to diverge, with the U.S. experiencing heightened regulatory uncertainty, while the EU expands the scope and stringency of pollution controls.



U.S. pollution standards increasingly unsettled

- *U.S. PFAS reporting requirements delayed; drinking-water standards revised:* The U.S. EPA delayed PFAS reporting under the Toxic Substances Control Act (TSCA) from April 13, 2026, giving manufacturers and importers that produced the chemicals between 2011 and 2022 60 days to report on topics including uses, volumes made and processed, and environmental and health effects, once the rule is finalized later this year. In May, the EPA also proposed retaining drinking-water limits for PFOA and PFOS—two of the most studied and used PFAS—as set in a 2024 regulation but extending compliance timelines for public water systems to 2031. It simultaneously proposed eliminating limits for the four other PFAS included in the 2024 rule.
- *U.S. power plant emissions standards repeal challenged:* In February, the EPA repealed the 2024 Mercury and Air Toxics Standards (MATS) amendments, removing stricter heavy metal emissions limits for coal- and oil-fired power plants. A coalition of NGOs challenged the repeal in late March, citing human health risks and noting 93% percent of coal capacity has met or would meet the standards.
- *EPA proposes delay to vehicle emissions standards:* In May, the EPA proposed delaying its next (Tier 4) air pollutant standards for light- and medium-duty vehicles from model year 2027 to 2029. The agency argued the change would provide additional time for manufacturers to comply while it reassesses the feasibility and design of future Tier 4 standards.

European pollution regulations expand in scope and stringency

- *EU water protection rules are strengthened and simplified:* The EU strengthened its Water Framework Directive in May, expanding monitoring and control for pollutants including PFAS, pesticides, pharmaceuticals, and microplastics. The move also streamlines reporting to reduce the administrative burden for Member States.
- *Deadline for tighter EU air pollution standards approaches:* In 2024, the EU finalized stricter ambient air quality standards targeting particulate matter, sulphur dioxide, nitrogen dioxide, and other pollutants by 2030. To ease compliance, the standards include interim targets for pollutants, with compliance from December 2026 and stricter limits by 2030.
- *UK proposes amendments to the Persistent Organic Pollutants Regulation:* The UK launched a consultation to amend its Persistent Organic Pollutants (POPs) Regulation in March, proposing the prohibition of five new POPs to align UK law with the Stockholm Convention, a legally binding treaty to eliminate or restrict the production and use of POPs. Consultation closed in May, with regulations expected to take effect in December.

WHAT COMPANIES NEED TO KNOW

→ **Plan for a dual-speed regulatory environment:** An uncertain U.S. regulatory environment coupled with strengthening EU requirements, requires companies operating in both jurisdictions to build flexible compliance strategies that can accommodate diverging requirements and maintain long-term risk visibility.

→ **Double down on European monitoring and reporting for priority pollutants:** With tightening air and water standards across Europe, companies will need to accurately track and report on pollutants such as PFAS and microplastics to meet stricter thresholds and new disclosure processes.

→ **Keep long-term liability top-of-mind:** The long-term persistence of pollutants like PFAS means companies need remediation strategies that account for future cleanup costs, litigation risks, and asset valuation impacts.

SIGNAL 2:

Nature and water restoration gain traction as investable remediation strategy

The public sector is elevating nature and water restoration as remediation and resilience priorities due to growing evidence of impact. Companies are doing the same with water restoration, expanding their efforts to drive resource security and sustainability benefits.

Public sector action puts nature and water restoration in focus

- ***Freshwater restoration delivers economic benefits:*** A March report by the WWF found that river and wetland restoration delivers economic benefits via flood risk reduction and ecosystem services. Floodplain restoration, for example, can return up to $5 per $1 invested in avoided flood damages.
- ***UK commits to largest ever investment in species recovery:*** The UK announced in April its largest-ever threatened species recovery investment, committing £90 million in funding (£60 million for programs in general and £30 million for the national forest estate), with projects running from 2026 to 2029.
- ***World Bank prices longest-dated outcome bond for nature restoration:*** The World Bank priced its longest-dated outcome bond ever (14 years) in April. The $120 million bond will fund 50,000 hectares of Spekboom restoration, a succulent plant native to South Africa, and support 11,000 jobs, linking investor returns to measurable outcomes such as carbon sequestration.

Companies scale water restoration efforts

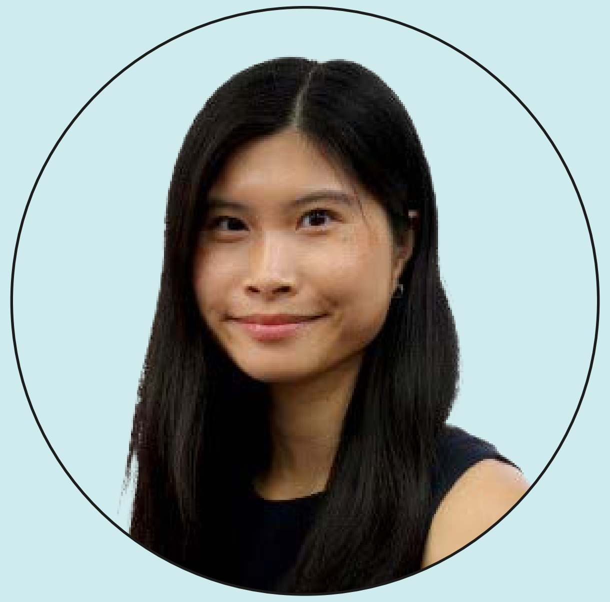
- ***Meta expands water restoration portfolio:*** In April, Meta announced it was expanding its global water restoration portfolio to offset 6 billion gallons annually across 60 projects in 12 watersheds. The move supports its larger goal to be water positive (i.e., restoring more water than it consumes) by 2030.
- ***Coca-Cola invests in watershed restoration in Tanzania:*** Coca-Cola's Tanzania system announced a $1.94 million watershed restoration initiative in late March. The investment is aimed at securing long-term water supply resilience in the Ruvu Basin through catchment rehabilitation and improved resource management.
- ***Google highlights water stewardship efforts and future ambitions:*** Google reported in May that its 2025 water stewardship portfolio replenished more than 7 billion gallons and supported 16 projects across 97 watersheds. The report set a target to replenish more than 19 billion gallons by 2030 when its water stewardship projects are operational.

WHAT COMPANIES NEED TO KNOW

→ **Nature and water restoration as capital investments:** With clearer pathways to quantifiable returns for the public sector and companies alike, nature and water restoration are now investment opportunities that requires an investment lens to evaluate risk reduction, cost avoidance, and potential revenue streams.

→ **Prioritize water stewardship in high-risk areas:** Companies can reinforce impact and save time and money by focusing on water stewardship investments in water-stressed regions where the risk of operational disruption and community pushback is highest.

Authors



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