earth finance

Earth Finance 2025 outlook

Key trends and insights across corporate climate strategy, renewable fuels, transition finance, water and nature, and technology

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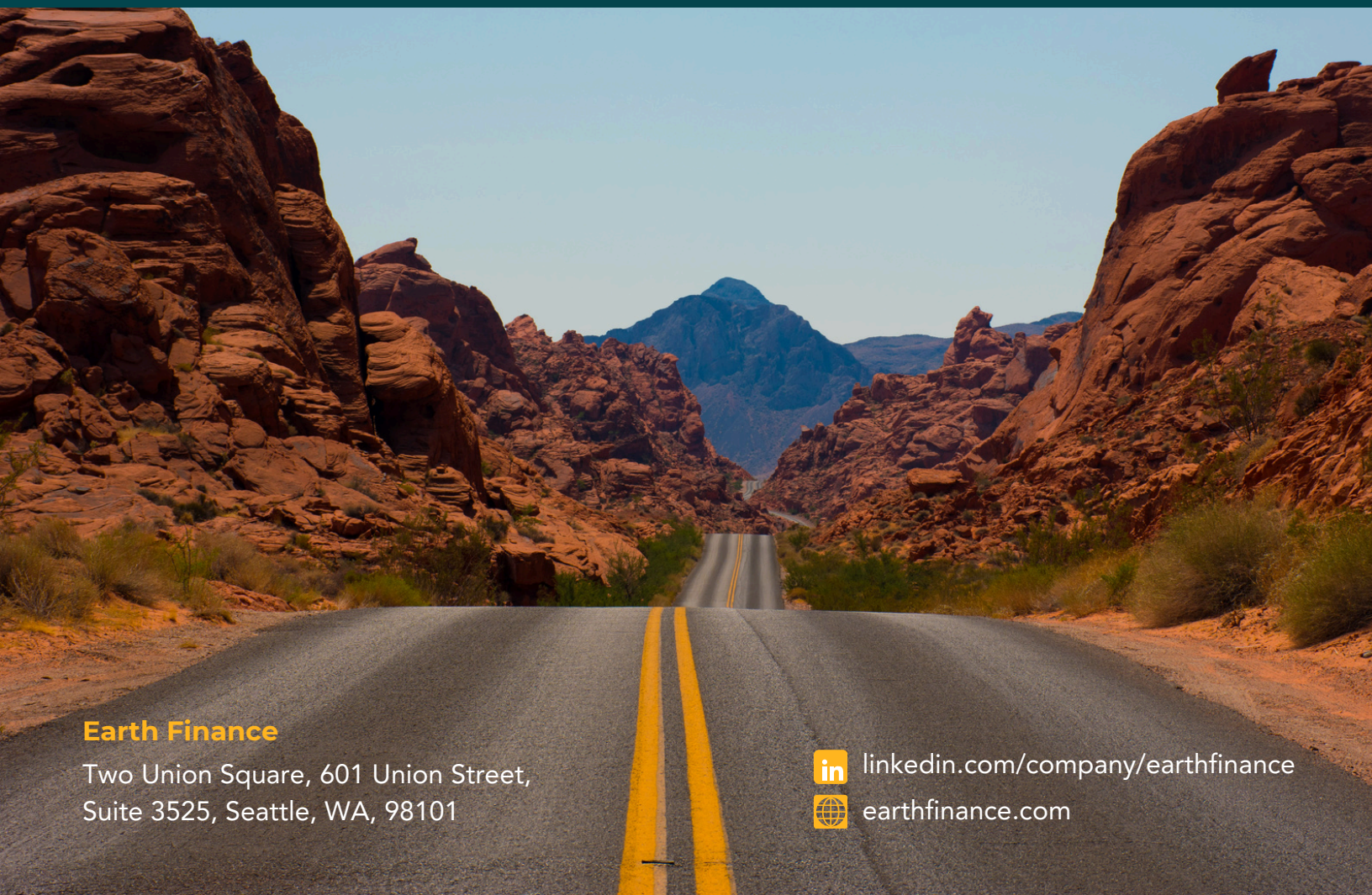

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Foreword

As we approach the halfway mark of this pivotal decade for climate and nature, the urgency of decisive action has never been clearer. Entering 2025, we face a sobering reality: 2024 is poised to become the hottest year ever recorded, marking the first time global temperatures have exceeded the critical threshold of 1.5°C above pre-industrial levels. The consequences of this unprecedented warming—escalating natural disasters, economic disruption, widening inequality, and heightened public health risks—are increasingly becoming the norm, particularly for the world's most vulnerable populations.

Our work has never been more important.

Climate action is no longer a distant priority; it is a central issue shaping policy, commerce, and society. Governments, civil society, and businesses worldwide recognize the high stakes of addressing a warming planet and are moving—albeit at different speeds and scales—to mitigate the cascading risks.

The opportunity amid uncertainty

Despite significant geopolitical volatility, including uncertainty surrounding federal climate policy in the US, the global shift toward a low-carbon economy continues to accelerate. Recent market dynamics demonstrate an unrelenting trend toward decarbonization, propelled by advances in clean technologies, sub-national leadership, and private sector commitments. Even as political headwinds persist, progress is evident, and many legislative initiatives are being implemented:

- At the state level, **Washington's Climate Commitment Act**, among the most ambitious climate frameworks in the US, received overwhelming voter approval.
- **Colorado, Massachusetts, Oregon**, and other states have adopted *binding* statutory goals to decarbonize the electricity sector and broader GHG emissions.
- Led by California and the European Union, a total of **11 countries and US states** have climate transparency requirements that will mandate disclosure of carbon emission data in 2026 using data from 2025.
- California's **SB 253** and **SB 261**, mandating corporate climate disclosure, withstood a formidable legal challenge from the US Chamber of Commerce, reinforcing the state's leadership on climate accountability.
- Globally, the **European Union's** regulatory push continues to reshape corporate strategies, compelling businesses worldwide to adapt to stricter sustainability standards.

This momentum underscores an essential truth: **no one is retreating from the climate transition**. While focus areas may evolve—from electrification to bipartisan solutions like nuclear power, carbon capture, hydrogen, and bio-based renewable fuels—the pathway to a sustainable future is clear and increasingly non-negotiable.

The corporate challenge

For corporations, this transformation is as complex as it is vital. Many companies, having set ambitious sustainability targets aligned with the Paris Agreement, now find themselves in a post-COVID world grappling with the realities of economic volatility, supply chain challenges, and shifting regulatory landscapes. Attaining these goals requires not only innovation but also strategic pragmatism, recalibrating ambition to navigate evolving macroeconomic conditions.

Businesses are beginning to recognize the transition to a low-carbon economy as a multi-decade journey—spanning 25 to 50 years—requiring resilience, adaptation, and steadfast commitment. Savvy leaders understand that climate action is no longer moral imperative; it is an existential business challenge that demands integrated approaches to climate mitigation, biodiversity protection, and water stewardship.

A shared vision for the future

The energy transition is not merely a challenge; it is an opportunity to reimagine global systems and build a thriving, equitable economy. Markets, corporate innovation, and forward-thinking policies will drive this shift, creating pathways to a sustainable future that balances prosperity with planetary stewardship.

Climate action is the most accelerated market opportunity in global history. Together, we can embrace the chance to build a resilient, low-carbon future for generations to come.

Hon. Reuven Carlyle
Co-Founder & EVP, Earth Finance
Washington State Legislator (2009-2023)

Corporate climate strategy

Garrett Kephart
CEO, Earth Finance

We believe, as Galvanize Climate Solutions' Co-Chairs stated in response to the 2024 US Presidential Election, that *"the energy transition is the bedrock of our new economy – and is intrinsically linked to themes like industrial policy and the rise of AI. Clean energy is big business – and it is winning in the markets based on costs and product market fit."*

This is the economic opportunity of our time. Companies and investors are taking note and adapting their corporate strategies based on several accelerating macro-trends, including:

- Policy signals from the European Union (EU) and states like California, Oregon, and Washington will continue to unlock climate capital globally regardless of the uncertainty created by a second Trump Administration.
- Significant sums of capital have already been deployed toward the climate transition. Thanks to US government subsidies instituted during the past 4 years, **over $1T** in corporate and private sector investments have been made in domestic manufacturing, infrastructure, and clean energy since 2021.
- The adoption of energy-intensive digital technologies, more frequent and intense heatwaves and cold spells, and the explosion of hyperscale data centers and artificial intelligence (AI) are contributing to a rise in global energy demand. This trend is exacerbated as the largest global corporations require exponentially more clean electrons to satisfy their climate goals.
- Companies with healthy balance sheets are seeking innovative financing models for scalable clean power sources like nuclear and hydropower, and coalitions of investors and industry groups are teaming up with companies to create industrial parks co-located with net new clean energy generation.

Climate and energy aside, corporations are feeling increasing pressure to tackle critical issues like biodiversity, water scarcity, and regenerative agriculture; comply with existing and emerging regulatory signals; satisfy investor pressure; and more. One thing is clear – forward-thinking corporations recognize that climate, energy, and nature risk is business risk and will adapt their corporate strategies in 2025 accordingly.

Trends to watch for in 2025

Elevated importance of water and nature. Our economy is fundamentally reliant on natural resources. While action on water and nature has historically been limited to companies with water-intensive and agriculture-based value chains, expect to see water and biodiversity issues elevated in response to a growing understanding of their business value and increasing regulatory pressures and investor demands.

Emergence of Extended Producer Responsibility (EPR) policies. A myriad of EPR laws, which hold manufacturers responsible for the entire lifecycle of their products, are emerging at national and subnational levels. While the US is far behind the EU, especially when it comes to textiles and e-waste, 10 US states introduced legislation on EPR for packaging in 2024 alone, 5 of which passed. Complying with these laws will require fundamental business model innovation and reimagined product design.

Rise of distributed energy systems. As 2030 approaches, many corporations may struggle to achieve their commitment to 100% clean electricity. This is due in part to lengthy siting and permitting processes for new projects and hyperscale data center expansion. A single hyperscale data center can consume electricity loads equivalent to a large city, and by 2030, data centers could consume 5-10% of US electricity.

In most cases, 100% clean electricity cannot be achieved by onsite solar and storage alone. Companies will need a mix of grid-procured and self-generated electrons and distributed energy storage systems, particularly if they seek access to 24/7 carbon-free power.

Microgrids, which serve a small network of users and can function independently from the national grid, will become essential for power-hungry corporations seeking clean energy and resiliency. These hyper-localized systems can integrate sources like wind, solar, nuclear, hydrogen, and battery storage, allowing big energy users like data centers and multinationals to satisfy increasing electricity demands and meet business resilience objectives without waiting for the grid to catch up.

Trends to watch for in 2025 (continued)

High-integrity offsets and value chain insets. Global voluntary carbon markets suffered in recent years due to concerns about the integrity and quality of carbon credits (the value of voluntary carbon markets dropped by over 60% this year). In addition to the development of global standards to benchmark high-integrity credits, countries reached an agreement on Article 6.2 at COP29 in Baku authorizing the international transfer of carbon mitigation units across borders. This will likely lead to a centralized global marketplace to promote and monitor deals between countries and linkages established between domestic systems recognized by the United Nations.

At the same time, many companies are shifting their focus to invest first in carbon insets within their value chain before they attempt to compensate for emissions by investing outside their value chain (i.e., carbon offsets). Insets directly reduce operational or supply chain emissions with arguably more tangible, direct, and verifiable impacts. The integrity of insetting marketplaces will depend on the quality and standardization of emerging book-and-claim systems.

Pre-competitive partnerships and blended finance. Cross-sector partnerships and creative "stacking" of public and private capital are critical to paying for corporate ambition, mitigating climate risks, and creating new business value from the global transition. Blended finance requires public-private partnerships and can couple various instruments, such as equity investments, tax credits, carbon and biodiversity credits, and debt financing. Corporations can create opportunities to redirect returns generated from these innovative models to finance supply chain decarbonization with multiple layers of environmental and social co-benefits.

New nuclear renaissance. The exponential growth in electricity demand is leading to a new nuclear renaissance in America. We need every clean electron we can get, and we need grid-scale solutions. Amazon, Meta, Google, Microsoft, and others are proactively partnering and co-investing with energy developers to lock in new nuclear resources over the next 10-15 years.

This new phase of nuclear deployment in the US includes the emergence of safer, Small Modular Reactors (SMR) with 10 to 300 MW capacity (versus a traditional reactor with 700MW-1.5GW+) that can address hyperscale demand for 24/7 carbon-free energy and democratize energy resilience at a smaller distributed scale.

Renewable fuels

Tim Zenk
Managing Director, Renewable Fuels

Renewable fuels are a crucial driver of decarbonization in the transportation sector, the largest source of emissions in the US. Thanks to state-wide Clean Fuel Standard (CFS) policies, 2024 has been marked by some incredible signs of progress. In California, which implemented its Low Carbon Fuel Standard (LCFS) in 2007, renewable diesel now makes up **75% of all diesel sold**. In the state of Washington, electricity, specifically for charging electric vehicles, is the fastest growing form of energy used.

Market-driven initiatives like CFS policies are the only known policies that are tangibly reducing the carbon intensity of transportation. This cannot be overstated. Mandate-driven policies like those in the EU are showing limited success, and Cap-and-Invest programs don't address carbon intensity in the same way.

The renewable fuels sector still has a long way to go to reach global net zero goals – the space continues to be plagued by challenges in investment, cost competitiveness, and scale. However, with renewed dedication to science-based rhetoric, technical neutrality, and the advancement of market-driven programs, renewable fuels have the potential to quickly and dramatically reduce transportation emissions in 2025 and beyond.

Renewable fuels in 2025: Start, stop, or continue

Start: Taking concrete actions using tools available today. 2030, the first major checkpoint on climate action, is just over 5 years away. The time to act is now, irrespective of who's president in the US. Start leveraging mechanisms, like clean fuel programs, that are proven to reduce carbon intensity and improve air quality in the communities where you operate. If clean fuels markets are limited in your territory, build coalitions to pass state-wide CFS policies.

Stop: Letting perfect be the enemy of the good. Renewable fuels (molecules) often come under scrutiny for being an imperfect solution to decarbonization because, unlike electrification (electrons), they still create tailpipe emissions. The reality is that renewable fuels are what's needed now, particularly in sectors like long-haul trucking and aviation.

If you mapped the average carbon intensity of an electric truck traveling across the country on Interstate 90, that truck would emit 83 grams of CO2 per megajoule. A truck powered by renewable fuels would emit 23 grams of CO2 per megajoule, **almost 4X less**. This isn't to say that electrification is an inferior alternative to renewable fuels. However, electrification technology is still working through sizable barriers that curb adoption at scale, including limited supply of clean energy, charging infrastructure constraints, and more.

Continue: Embracing the science of decarbonization. Renewable fuels and CFS policies have become subject to politicization and non-science-based language from both sides. Be wary of false arguments claiming there are no air pollution benefits to renewable fuels or promoting electrification as the single solution. Instead, let the *science* dictate the fastest path to decarbonization. Clean fuel programs work because of their science-based, technological neutrality, not because they prioritize one solution over another. And the science is clear – renewable fuels and CFS policies substantially lower the carbon intensity of the transportation sector *and* deliver tangible benefits to human health through the reduction of harmful pollutants like SOx, NOx, carcinogens, and particulate matter.

> *"Clean fuel programs work because of their science-based, technological neutrality, not because they prioritize one solution over another."*

Renewable fuels trends to watch for in 2025

Prioritization of molecules over electrons. Renewable energy will come under close examination during the next administration. However, Trump's prioritization of energy security bodes well for molecule-based clean fuels. While the Republican party shows particular interest in emerging fuels like hydrogen and carbon capture, energy security is a bipartisan issue, and all clean fuels are on the table.

Doubling down on action in clean fuel markets. Next year, expect to see the West Coast and other emerging clean fuel markets double down on action and growth. Organizations involved in these markets should strategically leverage credits offered by CFS policies and other incentives to catalyze their decarbonization journeys.

Several promising examples are already coming to light. For instance, capitalizing on Minnesota's Sustainable Aviation Fuel Credit and a $16.8M Inflation Reduction Act grant from the Federal Aviation Administration (FAA), Delta, Bank of America, Xcel Energy, and Ecolab recently launched the Minnesota SAF Hub to create the first SAF blending facility in the state.

Acknowledgement of the need for a systems-level approach to SAF. Airlines are increasingly recognizing that offtake agreements alone won't move the needle on SAF, and as the sheer scale of the challenge sets in, markets are beginning to cool. SAF volumes from offtake agreements made during 2024 are on track to be **over 7X** lower than in 2023.

Securing mutually beneficial, long-term offtakes is just one aspect of the SAF transition – it also requires supportive policy, reliable feedstock supply chains, infrastructure upgrades, and rapid research and development. In the face of cooling markets, airlines and other SAF users should embrace a systemic approach, focusing on pillars change that could tackle the root causes of offtake challenges.

Inflection point of project development from federal funding. The Federal Aviation Administration's FAST Grants, made possible by the Inflation Reduction Act, allocated **nearly $300M** to 36 SAF projects across the country this year. This significant injection of capital will start to bear fruit in 2025, marking an inflection point in the development of SAF infrastructure, supply chains, and technologies.

The renewable fuels sector is undergoing a reality check. The window to act is closing, and investment in renewable fuels remains skeptical in an uncertain geopolitical landscape. As ExxonMobil CEO Darren Woods mentioned in an interview urging President Trump not to withdraw the US from the Paris Agreement (again), the cyclical swinging back and forth of the pendulum as administrations change *"is extremely inefficient."* This is especially true for the renewable fuels sector, which relies on government policies to incentivize investment in the transition.

Yet in a space riddled with uncertainty and risk, there are growing pockets of opportunity. Driven by the unification of CFS policies, the West Coast is positioned to reduce the carbon intensity of the transportation sector in that territory by **well over 20%** over the next decade. Regardless of what happens at the federal level, momentum at the state level is pushing on, and next year provides organizations with a real opportunity to amplify their impact with proven, market-based programs and technologies that already exist today.

Transition finance

Kat Hunt
Managing Director, Transition Finance & Innovation

Determining how to pay for the climate and nature transition is one of the most challenging questions of our time, and 2024 has seen some encouraging signs of progress. Corporations are investing time and energy in uncovering state, local, and federal credits and incentives to help finance their transition, and the tax credit transfer market has matured sizably, allowing new entrants to stimulate investment in clean technologies.

Over $24B in federal tax credits were issued in the first half of 2024 alone, with **nearly half** ($11B) being transferred. By the end of this year, IRA tax credit transfer transactions could reach $25B, **almost 3X** what they were last year. More importantly, companies are starting to ask the right questions. They're increasing their financial acumen, collaborating across departments to create a shared definition of value, and recognizing the importance of initiative-level financing strategies.

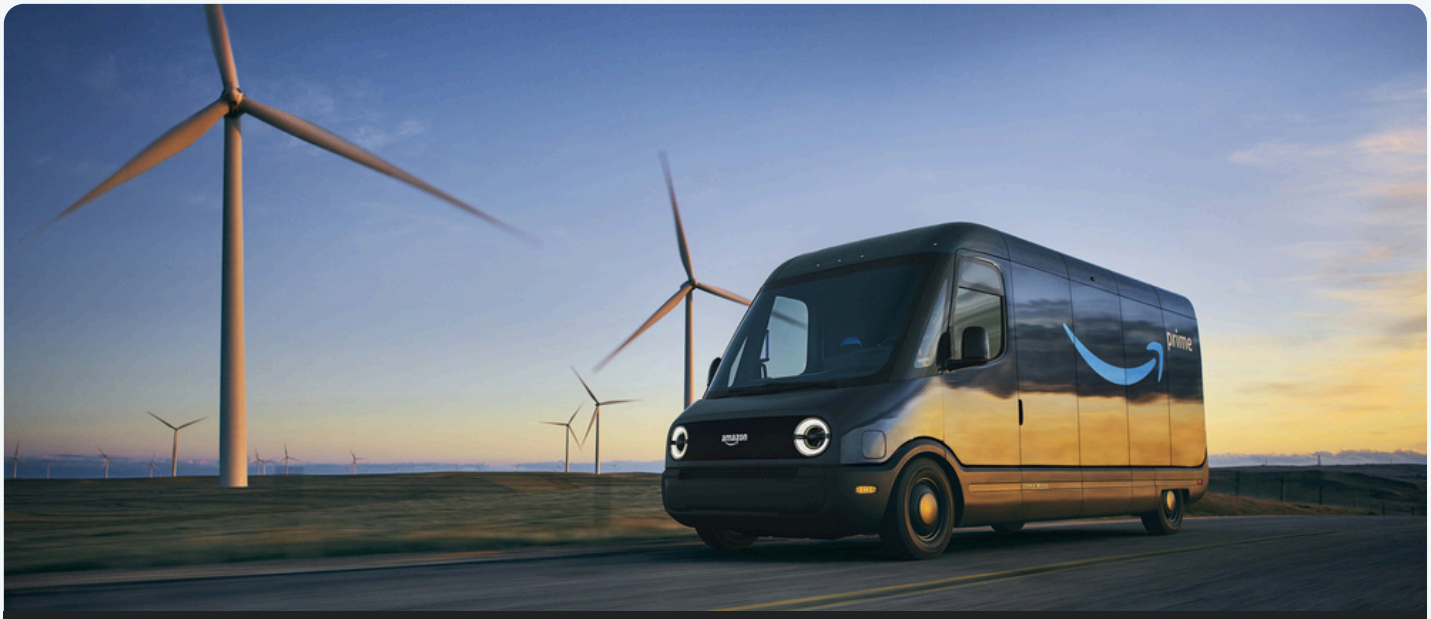
Still, transition finance must be deployed much faster to align with near- and long-term goals. Companies are expressing interest in developing bespoke financing strategies, but nothing has been implemented at scale. 2025 needs to be the year of action.

Transition finance in 2025: Start, stop, or continue

Start: Embracing mechanisms to properly value water and nature. Water and nature need to be integrated as strategic assets on the balance sheet. In addition to adopting internal mechanisms like shadow pricing and internal water or nature fees, brainstorm other creative mechanisms to pay for initiatives, such as providing at-cost financing to technology partners or supporting nature tech solutions through carbon insetting.

Stop: Trying to fit finance solutions into a traditional mold. Simple debt and equity models often don't apply to climate, water, and nature solutions, nor do traditional risk profiles. Financing solutions need to be tailored to the initiative, such as investment tax credits for battery energy storage systems or nature-based financing for regenerative agriculture pilots.

Continue: Investing in climate, water, and nature technologies. Corporations have a central role to play in scaling technologies critical to solving climate, water, and nature issues. In an uncertain geopolitical landscape, private investment is more important than ever. Amazon and Ørsted are just a few examples of companies embracing this role – more businesses should follow suit in 2025.



Amazon's electric delivery vans from Rivian. Photo credit: Amazon

Transition finance trends to watch for in 2025

Specialization of financing across sectors. As mentioned above, corporations and investors are beginning to acknowledge the need for sector-specific financing solutions. Financing for renewable fuels will look very different than for charging infrastructure. With greater specialization and clarity comes faster commercialization – watch how these solutions develop in 2025, particularly in sectors like nature and renewable energy.

Modifications to the IRA. Although it's unlikely the IRA will be fully repealed (80% of IRA investment thus far has gone to Republican and historical swing states), provisions related to electric vehicles and grant and loan authorities face higher risk. This may hinder progress in select clean energy and technology markets, but cornerstone IRA features like tax credit transferability support a wide range of energy and manufacturing objectives, making them a relatively safe long-term transition finance mechanism.

Calls for standardization and integrity of REC and carbon markets. Companies are calling for guidance and standardization on renewable energy certificates (REC) and carbon markets. In the face of scrutiny and scandal, government agencies like the US Treasury and global standard-setters like the Integrity Council for the Voluntary Carbon Market (ICVCM) have responded with principles to help build high-integrity voluntary carbon markets. While these efforts are foundational to restoring confidence, it remains to be seen what role carbon markets will play in long-term corporate decarbonization.

Increased mid-market and state level collaborations. 2024 saw some landmark partnerships and deal structures take shape. Google's deal with direct air capture (DAC) startup Holocene, which uses the federal 45Q tax credit for carbon capture and includes a sizable upfront payment, is a notable example. Next year, we expect to see these types of creative deal structures and public-private partnerships materialize among mid-market companies, not just Fortune 100s, and at the state level. This could entail corporations coming together to invest in microgrids or solar farms, fleet operators partnering with local and state governments (particularly on the West Coast) to share infrastructure, and everything in between.

"Companies are starting to ask the right questions. They're increasing their financial acumen, collaborating across departments to create a shared definition of value, and recognizing the importance of initiative-level financing strategies."

Governments play a central role in subsidizing and spurring investment in modern technological innovations, and climate and nature solutions are no exception. Without policy-level intervention, global climate and biodiversity finance will continue to be stymied. The upcoming administration's minimization of ecosystem and climate issues makes this a formidable challenge.

That said, the commercialization and market normalization happening across climate- and nature-related value chains is opening the door for new opportunities. Corporations are stepping up to finance critical technologies, using local, state, and federal incentives to craft innovative deal structures. As states like California and Washington continue to lead the way in climate-focused funding and policy, companies have an even greater opportunity in 2025 to forge meaningful public-private partnerships and accelerate the deployment of capital.

Water and nature

Will Sarni
Practice Lead, Water & Nature

Momentum for action on water and nature reached new heights this year, but progress isn't nearly fast or large enough. Current rates of biodiversity decline threaten to reduce global GDP by **nearly $3T per year** by 2030, and the water crisis could put over 50% of food production in jeopardy by 2050. The good news is that companies are increasing their investment in solutions to address these over-exploited resources, and many are taking the critical first step of developing an internal shadow price on water. On the international scale, standard-setting organizations such as the Science Based Targets Network (SBTN) and Taskforce on Nature-related Financial Disclosures (TNFD) are developing frameworks to help companies integrate water and nature as strategic assets and formalize action plans.

The corresponding uptick in corporate replenish water strategies and net positive nature strategies has led to tangible investments and positive impacts. However, it has also created a narrow, quantitative focus on gallons and liters saved at the expense of "non-volumetric" issues, including the social and spiritual dimensions of water and nature. In some cases, this has led to water and nature strategies becoming overtaken by reporting. To reach global sustainability goals and ensure a livable world for generations, companies must start positioning water and nature strategy as a catalyst of business growth and brand value.

Water & nature strategy in 2025: Start, stop, or continue

Start: Speaking the language of your CEO, CFO, and Board. As we have seen over the past few decades, moral arguments don't resonate with C-suite executives. Start developing hard-nosed value creation narratives that clearly demonstrate the positive financial and brand impact of water and nature initiatives (business continuity, brand value, resource productivity, etc.).

Start: Getting more engaged in public policy. The private sector is a much-needed voice in advocating for water and nature policy. While federal policy may be limited under the new administration, your voice can help advance leadership at the regional, state, and city levels.

Stop: Joining coalitions for the sake of joining a coalition. Cross-sector coalitions in water and nature, especially those without commercial relationships, can be limited by disparity in alignment, lack of funding, and a tendency for individual stakeholders to go at it alone. Critically ask yourself whether the coalition you're considering is structured to deliver impact.

Continue: Finding ways to quantify the business value of water and nature. In addition to internal mechanisms like shadow pricing, explore AI-driven solutions that can help you forecast and monitor initiatives in real-time.

Continue: Challenging the status quo. Climate, water, and nature are wicked problems that will only be solved by "unreasonable people" who think beyond the confines of what's possible. Our runway to address these issues is short, and the time is now to move past outdated thinking and frameworks.

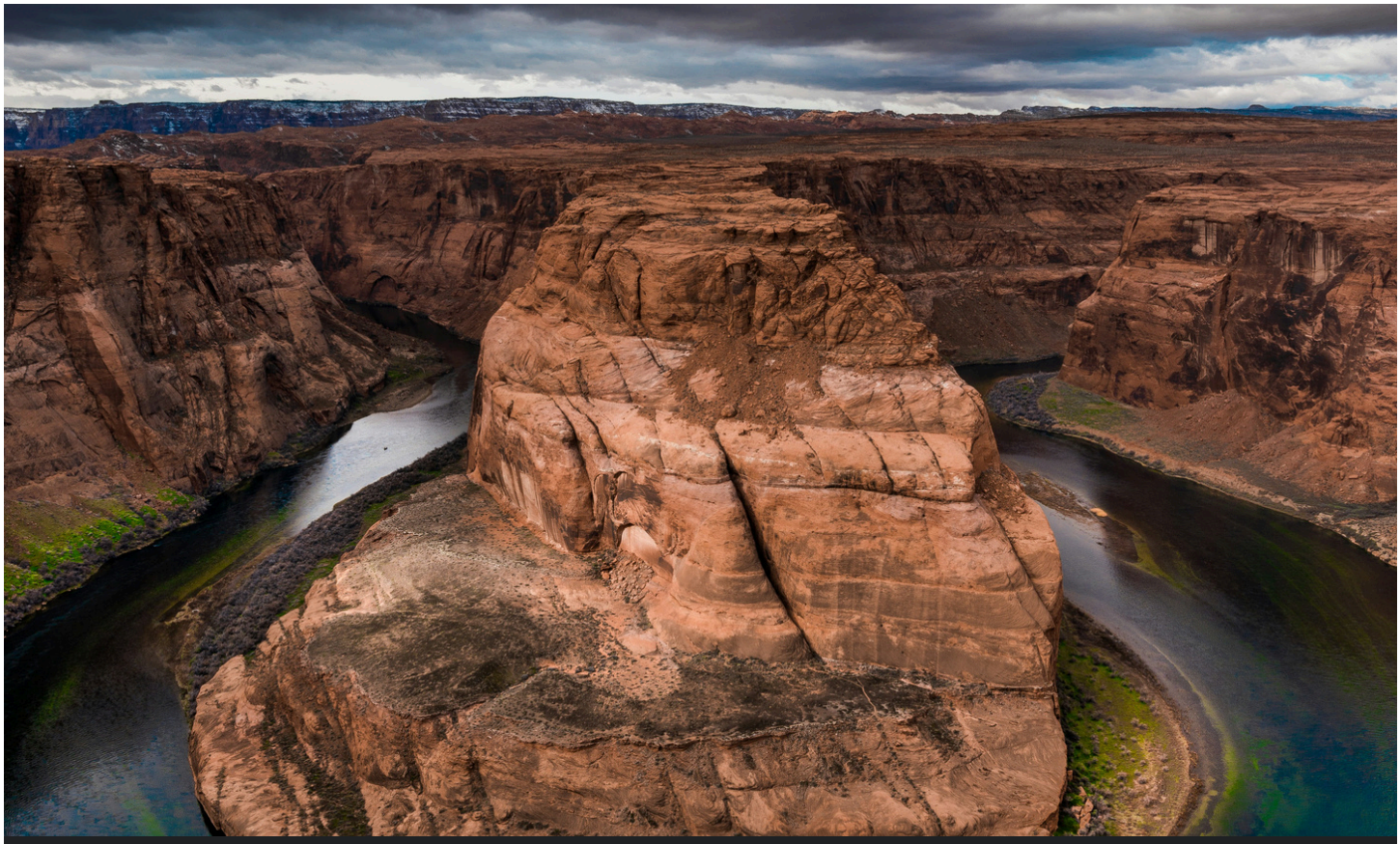
Helpful resource: Nature-positive business strategy: Why and how

Water & nature trends to watch for in 2025

Convergence of climate, water, and nature issues. Corporations increasingly understand that climate change, nature loss, and water scarcity are deeply interconnected. As investor and regulatory pressures to think beyond climate amplify (such as from the EU's deforestation and sustainability reporting mandates), corporations should proactively de-silo their climate, water, and nature programs in favor of a more systemic approach.

Rise of catalytic communities. New frameworks for stakeholder collaborations are emerging that push the boundaries of collective action. One such example is Water United, a first-of-its-kind initiative linking multinationals, tech companies, and water utilities to accelerate action across the Colorado River Basin. Leveraging the power of commercial relationships, these catalytic communities are vital in bridging financing gaps, enabling innovative business models, attracting mainstream investors, and fostering collaboration among diverse stakeholders.

*"Climate, water, and nature are **wicked problems** that will only be solved by unreasonable people who think beyond the confines of what's possible."*



Horseshoe bend along the Colorado river. Photo credit: iStock

Increasing corporate interest in water and nature technologies. Recognizing the criticality of water and nature technologies to reaching their goals, corporations are stepping in to help jump-start the market. Programs such as the 100+ Accelerator, which recently welcomed Danone, are seeing an uptick in participation, a trend that's expected to continue in 2025.

We are at a pivotal moment in the world of water and nature. In the face of impending 2030 targets, determining who pays for these initiatives is an ongoing challenge. How do we price undervalued natural resources into what we wear and consume while ensuring equitable access to those who can't afford it? What stakeholders need to come together to advance this work? Tackling these questions through rising political and macroeconomic uncertainty is a formidable task. But amidst this uncertainty, there's also untapped opportunity. Now more than ever, companies are in a unique position to elevate sustainability, including water and nature, as more than just an overhead function and instead a driver of business model innovation, growth, resilience, and long-term financial value.

Technology solutions

Kat Hunt
Managing Director,
Transition Finance & Innovation

Will Sarni
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Innovative climate, water, and nature technologies are critical components of the global transition to a sustainable future. This year saw a marked shift in the maturity of conversations among both corporations and technology companies. Startups are forging collaborative partnerships with corporate customers, and corporations are recognizing the need to embrace reimagined processes to adopt new technologies. In some cases, corporations are skipping pilot projects altogether, making investments through their corporate venture capital (CVC) arms or bringing solutions directly into their supply chains.

However, there's still plenty of work to be done. The tech landscape is a noisy space for investors to navigate, and overall growth remains limited. Unfortunately, rising investor interest in AI and heightened perceptions of risk due to geopolitical uncertainty are only adding to the funding woes of capital- and hardware-intensive climate, water, and nature technologies. Globally, funding in climate technologies is on track to fall **by around 50%** this year. For startups, this makes the "valley of death" between pilot projects and commercialization an even greater priority for 2025.

Technology solutions in 2025: Start, stop, or continue

Start: Aligning technology solutions to the needs of the marketplace. Faced with contracted investment and a growing gap between proof of concept and commercialization, technology companies need to sharpen their go-to-market strategies and value propositions. Rather than shaping the marketplace to your solution, spend more time talking with customers and assessing the market opportunity.

Start: Creating teams dedicated to new technology adoption. Corporations often must rethink their processes to effectively integrate technology solutions into their operations. It's not enough to just see a startup through a pilot project – consider creating teams dedicated to helping technology companies onboard with your systems, navigate your internal processes, and build capacity.

Stop: Overly focusing on the payback analysis of water and nature tech companies. The extreme underpricing of water and nature makes it especially challenging for water and nature tech companies to scale. Corporations must go beyond traditional balance sheet thinking when considering investments in this space and price these assets accordingly.

Continue: Making direct investments in technology solutions. The more corporations can make direct investments in technology solutions through their corporate venture capital arm or other mechanisms, the more clarity they'll gain on what's needed to scale and the more progress they'll make toward their goals. PepsiCo's partnership with N-Drip is a compelling example of how these partnerships can take shape.

"Rather than shaping the marketplace to their solution, technology startups should spend more time talking with customers and assessing the market opportunity."

Technology trends to watch for in 2025

Expansion of investor portfolios to include water and nature. With the digitization and transformation of water systems, there are promising signs that water tech is becoming an investable category. As the nature tech market reaches a similar level of maturity, investors will likely consider their portfolios more holistically and strategically bundle climate, nature, and water tech investments.

Double-edged sword of deregulation. Climate technologies in particular require large investments in infrastructure and buildings, which have historically been hindered by lengthy permitting processes and regulatory barriers. Should the upcoming administration stay true to its promise of deregulation, some climate tech projects may accelerate (alongside the development of new oil and gas assets), but at the cost of widespread ecological damage.

Rise of biodiversity and nature tech solutions. The nature tech market, while still evolving, is showing significant growth in early-stage involvement. Nature tech startups are projected to attract nearly $2B in venture capital investments by the end of 2024. This momentum will likely increase in 2025 with the rise of biodiversity credits.

In a volatile political landscape with potential cutbacks in government interventions and subsidies, climate, water, and nature tech startups will become more reliant on private funding sources or innovative corporate partnerships in the years ahead. That said, corporations and technology startups still have tremendous opportunity to leverage IRA benefits in 2025 while broadening their reach to tap into non-US markets like Latin America, Asia, and Europe. As with the climate and nature transition overall, corporations and markets, supported by constructive policy, will continue to drive the commercialization of technology solutions forward.