



The energy transition, a challenge for European sovereignty and competitiveness



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R-co 4Change Net Zero Equity Euro is a transition fund, classified under Article 9 and certified with the ISR V3 label (which notably involves the exclusion of fossil fuels). It aims for ambitious decarbonisation targets by investing across all sectors, including the most carbon-intensive ones, with the primary goal of reducing its carbon intensity by an average of 7% per year. To achieve this, we select only companies with credible decarbonisation pathways that are aligned with this objective.

Thanks to its positioning, the portfolio addresses key issues of sovereignty and competitiveness that have come to the fore since the outbreak of the Russia-Ukraine conflict. Reducing our energy dependence and developing a competitive industrial base are two essential pillars for Europe in the years ahead. This will lead to significant investment in related sectors, which the fund is well placed to benefit from, given its transition-focused approach and broad sector exposure without a marked style bias. The ambition of R-co 4Change Net Zero Equity Euro is to combine sustainable and financial performance, with the objective of outperforming its benchmark index (Eurostoxx with dividends reinvested). Its transitional positioning helps it avoid being locked into sector rotations, enabling the fund to deliver performance that places it in the top quartile of European equity funds, while also outperforming within the universe of “carbon funds”.¹

Why has reducing our energy dependence become a crucial issue for European sovereignty?

Beyond the need to rearm, the outbreak of the Russian invasion of Ukraine highlighted Europe's energy dependence on Russian gas. This dependence is mainly due to the limited fossil fuel reserves available on the Old Continent and an energy strategy that relied on strategic partners for supply. Beyond the risk associated with the suspension of these supplies, one of the consequences of this conflict, the surge in energy prices served as a precursor to a broader rise in inflation, which is the second factor undermining this strategy.

To address this issue, Europe's initial response was to turn to the United States and Middle Eastern countries to replace Russian energy supplies. Beyond concerns about the reliability of these partners, this decision has impacted the competitiveness of European companies, which now pay two to three times more for energy than their American counterparts. Moreover, high energy prices strain household budgets, especially for lower-income families, for whom energy represents a larger share of their expenses.

Current discussions around commitments to purchase American LNG (liquefied natural gas) in exchange for a "relaxation" of customs tariffs still involve colossal amounts and do not resolve the issue of dependence. Although Europe has accelerated its domestic energy production, it still imports nearly 50% of its energy, compared to 15% for the United States and 20% for China².

Energy sovereignty is a major challenge for Europe, especially in a context where the need for electricity is increasing, driven by the growth of the electric vehicle fleet (under regulatory pressure), the creation of data centers linked to AI development, and all the related data security and sovereignty concerns that require local infrastructure, which by nature is highly energy-intensive. As an illustration, Germany published a report last September assessing the progress of its energy transition. The government expects electricity demand to reach 600-700 TWh by 2030 compared to 500 TWh today, which represents a growth rate of 5% per year, well above the current consensus of 0%³.

How can European industry improve its competitiveness?

Primarily through two approaches: the deployment of energy efficiency solutions and the development of decarbonized products.

By integrating energy efficiency technologies developed by European leaders, companies can significantly enhance their competitiveness. First, reducing operational costs through optimized energy consumption improves profitability and frees up additional margins for innovation and investment, creating a virtuous cycle. Second, managing risks related to energy price volatility, particularly through electrification of uses, gives companies better visibility over their costs. Finally, these solutions allow companies to showcase their ESG

performance, which is increasingly crucial for accessing sustainable financing and meeting institutional investor requirements.

Better access to green energy will also provide European companies with a source of differentiation, a factor of competitiveness with decarbonised products in sectors as diverse as steel, chemicals, automotive and construction. The same applies to technology, with the potential to produce green energy for data centers. For example, Microsoft was one of the first to sign a major agreement in May 2024 with Brookfield to develop new wind and solar farms with a capacity of 10.5 GW to power its data centers in Europe and the United States.

What solutions can address the challenge of reducing energy dependence?

A combination of two key solutions is essential: accelerating the development of renewable energy, coupled with expanding the electricity grid and flexible generation capacity.

Europe's energy transition is experiencing remarkable momentum, by an unprecedented investment dynamic in renewable energies. The year 2024 marks a historic turning point: for the first time, global investments in clean energy have surpassed those in fossil fuels, reaching \$2,000 billion, a level higher than the fossil peak of 2016⁴.

Germany illustrates this transformation with ambition. With its technological and economic advantages, it aims for an 80% share of renewable electricity in its energy mix, compared to 60% today. This confidence is based in particular on the competitiveness of the levelized cost of electricity (LCOE), which in 2024 was 41% lower for solar and 53% lower for wind compared to fossil fuels. Additionally, renewable projects typically come online within one to two years, much faster than traditional infrastructure.

The aging fleet of gas and coal power plants in Europe reinforces the need for renewables but also presents two major challenges: grid flexibility and supply security. The incident in Spain in April 2025 highlighted the risks associated with the intermittency of renewables. To address this, strengthening interconnections between countries is crucial, as is developing flexible generation capacity. Germany, for example, plans to build 20 GW of gas-fired power plants starting in 2026 to ensure surplus generation and stabilise the grid.

Geographically, the transition is already well underway in several countries. Solar and wind account for 37% of the electricity mix in Portugal, 38% in Spain, 40% in Germany, and 33% in the United Kingdom. In France, nuclear power remains the main carbon-free source, covering more than two-thirds of electricity production.

Finally, the decentralized nature of renewables calls for a redesign of the electricity grid. Unlike conventional energy sources, renewables require infrastructure capable of

managing a multitude of production points. Investments in transmission and distribution are expected to triple or quadruple over the next fifteen years. The energy transition is clearly underway, but it demands a systemic approach, combining accelerated renewable deployment, grid flexibility, source diversification, and strengthened European cooperation. This implies massive investments that will drive growth across many sectors, at a scale not yet reflected in the valuations of the companies set to benefit.

How does a fund like R-co 4 Change Net Zero Equity Euro contribute to this transition?

Our Net Zero investment strategy is not limited to investing in renewables and utilities, but extends more broadly to all players who benefit from or accelerate the adoption of this decarbonized energy. This positioning should allow it to benefit from the growth linked to the acceleration of investments. The positioning of our R-co 4Change Net Zero Equity Euro fund is consistent with this ambition mentioned above and is illustrated through two main pillars.

Firstly, energy sovereignty requires an increase in the production of green energy and, as such, renewable energy players participate in our strategy through investments in leaders in their sector such as Orsted, Acciona Energia, EDPR. These companies have complementary portfolios of activities, both from a product or technology point of view (solar, wind, etc.), and from a geographical point of view (Northern and Southern Europe). Electrification is also addressed through investments in companies such as Eon or Enel, which play a key role in accelerating grid deployment via their transmission and distribution activities.

Secondly, strengthening the competitiveness of European companies is based on energy efficiency issues, an issue addressed by players such as Schneider Electric, Siemens and ASML, but also the production of carbon-free value-added products with Saint Gobain or Alstom, as well as carbon capture solutions, such as those proposed by Technip Energies and Vallourec. Moreover, these changes in business models are only possible thanks to a financial industry that includes players committed to financing the investments needed to support these companies. Banks such as KBC, Société Générale, Intesa San Paolo and Unicredit, for example, also play a key role.

Our role is to identify these players, assess the credibility of their strategy in favour of the transition and then select them, integrate them into our portfolio and complement the investment with a targeted engagement strategy.

For what results?

Since the fund's launch in 2019, this positioning has enabled it to achieve results that exceed the objectives we had set ourselves.

In terms of sustainability: R-co 4Change Net Zero Equity Euro has reduced its carbon intensity by an average of 15% per year since its inception—a result significantly above the Paris Agreement alignment target of -7% per year. In absolute terms, carbon emissions have been halved over five years, and the portfolio's temperature has dropped from 3.1°C to 1.9°C in just three years⁶.

In financial terms: Our transition-focused positioning helps avoid style biases—a valuable asset for protecting against sector rotations. This contrasts with many carbon-focused funds, which have been penalized in recent years due to numerous exclusions that limit management flexibility. This positioning has enabled the fund to rank in the top quartile of European equity funds, while also outperforming within the universe of “carbon funds.”

These results reinforce our conviction in the coherence of this transition positioning to meet the challenges of decarbonization on a global scale, but also of sovereignty and competitiveness at the European level.

Learn more about the fund(s)

R-co 4Change Net Zero Equity Euro



Check this document on our website



[1] Europerformance, Rothschild & Co Asset Management, 17/10/2025. Past performance is not a reliable indicator of future performance, and is not constant over time.

[2] : International Energy Agency (IEA); Rothschild & Co, 31/12/2023

[3] Energiewende. Effizient. Machen. Federal Ministry for Economic Affairs and Energy (BMWE), September 2025.

[4] Sources: United Nations, Seizing the moment of opportunity – Supercharging the new energy era of renewables, efficiency, and electrification, 22/07/2025.

[5] Levelized Cost of Energy: An economic measure that represents the levelized average cost of electricity production over the entire life of an installation. The LCOE is the total cost of electricity production divided by the total amount of electricity produced, expressed in €/MWh. It allows the profitability of different energy sources to be compared in a standardised way.

[6] source: International Energy Agency (IEA), Rothschild & Co Asset Management, 31/12/2023.

[7] Source: Rothschild & Co Asset Management, 31/09/2025.

SRI risk indicator : 5/7

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(1) Source: Rothschild & Co Asset Management, 31/07/2026.

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