Investing in the green economy 2026

Resilience and reacceleration

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Executive Summary

Against a backdrop of volatile markets and energy supply disruptions, green equities[1] have delivered strong returns to date – propelling the market capitalisation of the green economy past US$10 trillion for the first time.

As of end of April 2026, 12-month relative performance of the FTSE Environmental Opportunities All Share (EOAS) Index stood at 12.4% above the market.[2] Renewables – historically a weaker-performing green segment—was the strongest performer, outpacing Energy Management and Efficiency.[3] If considered as a standalone industry (based on the metrics included in this analysis), the green economy would now be the world's third largest, surpassing Health Care, only behind Technology and Industrials.[4]

This has been supported by robust green growth, with green revenues up 5.3% in 2025 across our global coverage of over 21,000 listed companies[5] – the fastest pace since 2022. Revenues have been expanding in 75% of the 133 green segments[6] we track, with broad-based growth driven by a combination of accelerating electrification and AI-driven electricity demand, rising energy efficiency pressures, and clean transport growth. Electric Vehicles (EVs) and advanced batteries were a particular bright spot - adding US$62 billion in revenue in 2025.

In this year's thematic deep dive, we analyse Green M&A trends by combining LSEG's Green Revenue data with Deals Intelligence M&A data, covering over 1.5 million transactions. We identify US$4.1 trillion in green deal[7] value over the past decade or 13.4% of global deals for this period. LSEG analysis shows that this is driven primarily by green businesses using M&A to scale faster, while participation from non-green incumbents has been limited.

Other key findings from the 7th edition of this report include:

Our analysis suggests no linear trade-off between margins and green exposure

The analysis of the relationship between EBITDA margins and green revenues finds that, compared to non-green sector peers, corporates with more than 50% of green revenue show, on average, 2 to 4 percentage points higher margins over the period analysed – while those with less than 50% green revenues tend to underperform non-green peers.[8]

Strong long-term performance despite volatility

Since 2008, the green economy has outperformed global equities by 133%, with valuations growing faster than the broader market (18% compound annual growth rate vs 12%).

Green bonds issuance reached a new record

Green bond issuance increased by 5.7% to US$605 billion in 2025, with corporates accounting for two-thirds of issuance. Europe remained the largest corporate green bond issuer, while APAC recorded the fastest growth (+42% year-on-year).

Regional pathways reflect diverging decarbonisation and energy security priorities

While remaining heavily reliant on coal and Middle East energy imports, Asian economies continue to expand their lead in green revenues (47% of the global total). Meanwhile, the US still dominates by market capitalisation (57% of the global total) despite policy priorities pivoting away from the green economy.

1 Green equities refer to constituents of the FTSE Environmental Opportunities All Share Index, which selects companies with at least 20% green revenues.
2 Compared to the benchmark FTSE Global All Cap Index.
3 Green segment refers to FTSE Environmental Opportunities All Share Index sub-indices including FTSE EO Renewable and Alternative Energy, FTSE EO Water Technology, FTSE EO Waste and Pollution Control Technology and FTSE EO Energy Efficiency.
4 FTSE Russell Industry Classification Benchmark (ICB) Super sector.
5 https://www.lseg.com/en/data-analytics/sustainable-finance/green-revenues-data-model
6 LSEG's Green Revenues Classification System (GRCS) categorises green products and services into ten sectors, 64 subsectors and 133 micro sectors. https://www.lseg.com/en/data-analytics/sustainable-finance/green-revenues-data-model
7 See section 2 for details on the definitions of 'green deal'.
8 This analysis is based on historical data and does not control for all sector, geographic, or business model differences.

About the report

The green economy consists of companies providing products and services with environmental benefits, from renewable energy and clean water to energy efficiency and recycling services. These solutions – diverse across value chains and industries - address climate change as well as broader environmental challenges.[9]

Today's green transition is increasingly shaped not only by decarbonisation, but also by energy security and supply chain resilience, amid recent energy supply disruptions, shifting policy priorities and rising electricity demand from electrification and AI infrastructure.

Against this backdrop, the 7th edition of the *Investing in the Green Economy* report continues to analyse green investment opportunities and how the green transition is evolving by examining the size, growth, performance and financing of the global green economy across asset classes. The report also explores green mergers and acquisitions (M&A), an increasingly important market for scaling green businesses and technologies.

The report is based on LSEG's proprietary Green Revenues data,[10] which provides a bottom-up assessment of more than 21,000 listed companies globally. The dataset classifies and quantifies revenues across 133 green products and services categories under the Green Revenues Classification System (GRCS). The report also draws on FTSE Russell index solutions, fixed income datasets and LSEG Deals Intelligence data.[11]

This report is divided into four sections:

1. **State of the green economy - Page 4**

   Overview of the size, growth and performance of the green economy over the short and long-term, and key trends in the green bond market.

2. **Spotlight: Green M&A – a key mechanism for scaling the transition - Page 11**

   A deep dive into the green M&A market, including analysis of deal trends and the profitability of green companies.

3. **Green transition: a regional perspective - Page 18**

   Analysis of regional green economy amid energy security concerns and different policy priorities.

4. **Composition of the green economy - Page 24**

   Analysis of green economy by industry across value chains.

9 For the purposes of this report, 'green' refers to classifications under LSEG's Green Revenues Classification System (GRCS) and does not imply alignment with any regulatory or statutory taxonomy.
10 https://www.lseg.com/content/dam/data-analytics/en_us/documents/methodology/lseg-green-revenues-data-methodology.pdf
11 https://www.lseg.com/en/data-analytics/financial-data/deals-data/mergers-and-acquisitions-deals-database#overview

1

State of the green economy

The green economy surpasses US$10 trillion amid energy supply disruptions

The global green economy in 2026 appears to be shaped as much by energy security and supply disruption as by decarbonisation. Since our 2023 report highlighted the *new geopolitics of green*, the US policy emphasis has shifted to focus on domestic oil and gas production, but remains the largest green economy by market capitalisation. Asia has accelerated clean technologies while remaining heavily dependent on fossil fuels including coal and Middle Eastern oil and gas imports, with disruptions linked to the Strait of Hormuz reinforcing concerns over energy stability and supply chain resilience.

However, despite volatile markets and energy security concerns, global green growth has reaccelerated. In 2025, revenues from green products and services across the coverage of over 21,000 listed companies grew by 5.3% – its fastest pace since 2022 – while associated market capitalisation surpassed the US$10 trillion mark for the first time in Q4 2025.

Growth has been broad-based, with revenues expanding across 99 of 133 types of green products and services, led by energy efficiency, transport equipment and renewables.[12] Electric vehicle (EV) manufacturing saw the largest expansion in absolute terms among all green sectors, with revenues increasing by US$62 billion in 2025.

If considered a standalone industry, the green economy would have overtaken Health Care[13] for the first time in 2025 to become the third-largest industry by market capitalisation, following Technology and Industrial Goods & Services.[14] It now accounts for 9.9% of the global listed equities, supported by the same sectors driving green revenue growth.

Figure 1. Green Economy 2009 – 2026

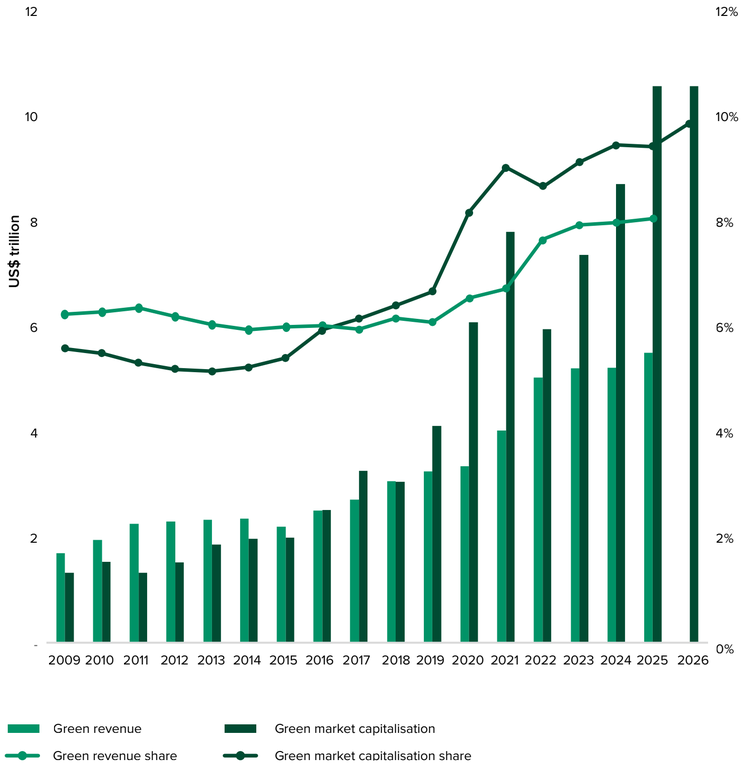
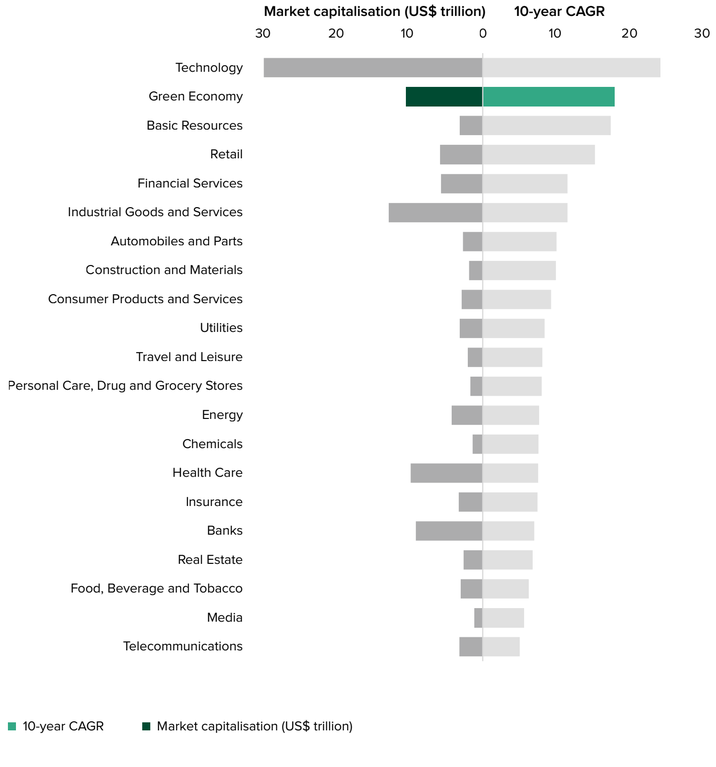


Figure 2. Green Economy compared with ICB sectors: market capitalisation and 10-year growth rate



Source: LSEG Green Revenues data as of April 2026. LSEG free float market capitalisation data as of April 2026. LSEG Revenue data as of December 2025.
Note: Green revenue-weighted market capitalisation, calculated by aggregating market capitalisation multiplied by company green revenues. Based on the latest Green Revenues data (financial year 2024 or 2025) and the free float market capitalisation as of April 2026.

12 LSEG's Green Revenues Classification System (GRCS) categorises green products and services into ten sectors, 64 subsectors and 133 micro sectors. https://www.lseg.com/en/data-analytics/sustainable-finance/green-revenues-data-model

13 Based on the market capitalisation measures used in this Report.
14 Industry refers to FTSE Russell Industry Classification Benchmark (ICB) Super sector.

Green equities have delivered strong returns over the past 12 months

The FTSE Environmental Opportunities All Share (EOAS) index[15] – a basket of equities with more than 20% green revenues – provides a benchmark for the performance of the green economy. The index experienced significant volatility since the beginning of 2025, particularly during the Q1 2025 tariffs shock and the initial market response to the Iran war in March 2026.

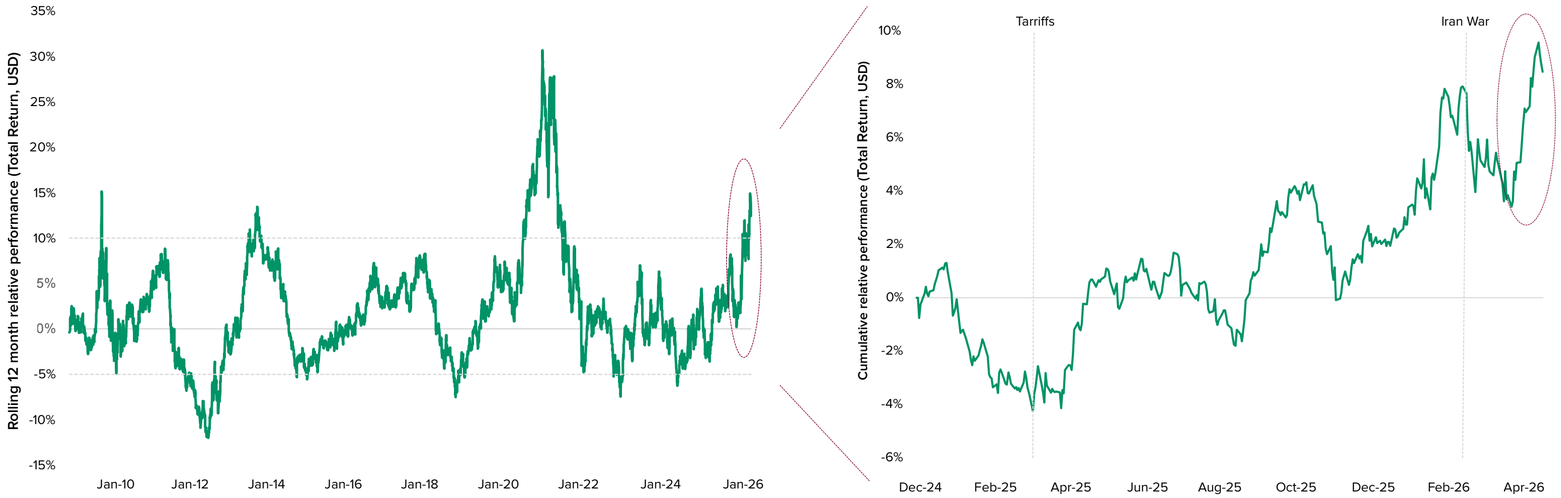
However, both episodes were followed by sharp rallies, pushing 12-month relative performance to 12.4% above the market[16] by the end of April – strong by historical standards (see Figure 3) outside of 2020-2021. This resilience has been driven by strong performance in renewable energy (Section 4), despite headwinds including the rollback of much of the US's Inflation Reduction Act's clean energy support.

The energy shock stemming from the Iran war may increase the likelihood of similar market conditions to those observed in 2022, when global markets – and the majority of sustainable investment indices – underperformed, with EOAS ending the year 6.2% behind the market.

However, the index is positioned differently in 2026 than in 2022 to weather a similar period of turbulence. It is broader, with 1,208 constituents in February 2026 (compared to 612 in February 2022), and less concentrated, with a 5.1% overweight in Technology versus 11.2% in 2022. Green valuation premiums have also moderated, with the P/E (FY1) premium declining to 13% from 26% in 2022.

Investors are increasingly looking beyond the environmental drivers of the green economy and focusing on the economic drivers – particularly the electrification of the energy system and growing demand from AI, data centres, transportation and industry. The current energy shock could further accelerate this shift, as it highlights the scalability and energy security benefits of many green technologies.[17]

Figure 3. 12-month relative performance of FTSE EOAS vs FTSE Global All Cap



Source: LSEG, FTSE Russell index data as 30 April 2026.

15 FTSE Environmental Markets Index Series | LSEG
16 Total return, USD vs FTSE Global All Cap. https://www.lseg.com/en/ftse-russell/indices/global-equity-index-series
17 LSEG (2026). After the energy shock

Long-term growth also continues to outperform global benchmarks

The performance of the green economy over the last 12 to 18 months broadly aligns with its long-term trends. Since 2008, the FTSE EOAS index has outperformed the benchmark FTSE Global All Cap by 133%.[18] If considered a standalone industry, EOAS would rank as the second-best-performing industry over the long term, behind only Technology (see Figure 5).

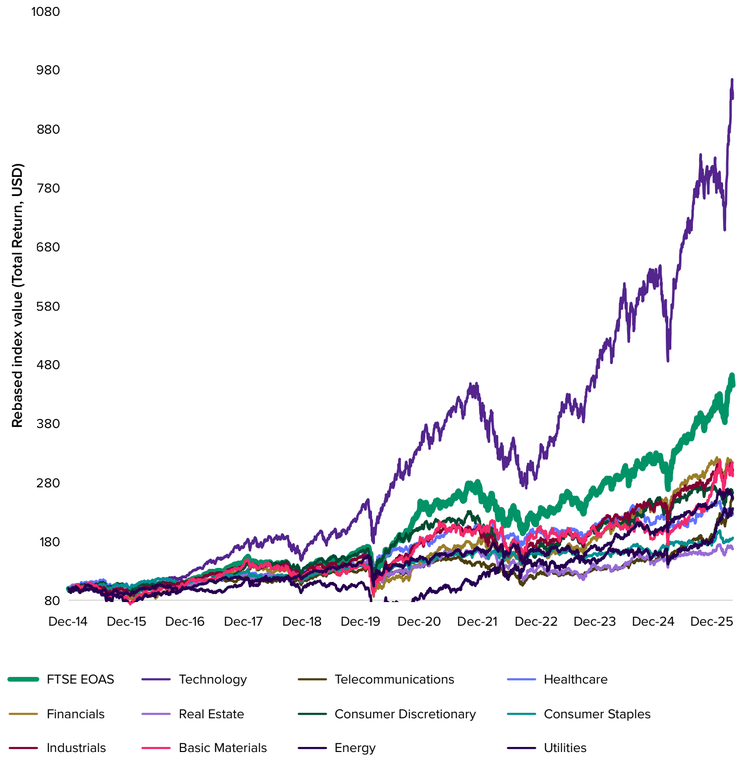
Green equities typically have greater growth exposure and higher beta than the broader market, making them more susceptible to volatility.[19] *The Investing in the Green Economy 2023 edition* showed that EOAS tends to underperform during market downturns, but rebounds relatively quickly following periods of weak performance, reflecting its cyclical nature.[20]

The market capitalisation of the green economy has grown at a CAGR of 18%[21] over the past decade, outpacing the broader market (12%) and second only to the Technology sector (24%). Despite flattening investment flows and geopolitical tensions affecting green technology supply chains, the green economy has continued to expand strongly over the last three years (2023-2026), with a CAGR of 13% – nearly double the growth rate during 2020-2023.

Figure 4. Long-term performance of the green economy versus market

Source: LSEG, FTSE Russell index data as 30 April 2026.

Figure 5. Performance of FTSE EOAS versus FTSE All World ICB Industries



Source: LSEG, FTSE Russell index data as 30 April 2026.

18 https://www.lseg.com/en/ftse-russell/indices/environmental-markets
19 1.1x beta (FTSE EOAS vs FTSE Global All Cap) over 5 years Sustainable Investment Insights - October 2025 | LSEG

20 LSEG (2023). Investing in the Green Economy 2023
21 The CAGR is calculated from 2015-2025

Box 1

Infrastructure provides ‘asset-heavy’ opportunities in green investing

Previous editions of the *Investing in the Green Economy* report expanded the analysis beyond green equities into green bonds. This highlights the complex, multi-asset nature of financing the energy transition, and the multi-asset approach investors are increasingly taking to green thematic investing. Green infrastructure has been a key part of this trend.

Green thematic indices, including FTSE EOAS, often contain considerable exposure to the Technology industry. Green infrastructure strategies provide greater exposure to physical assets and industrial activities, which may appeal to investors seeking to navigate concerns around potential AI disruption.

The FTSE Green Revenues Select Infrastructure and Industrials index, for example, uses the same Green Revenues data as EOAS but focuses on Infrastructure and Industrial companies with at least 40% green revenues exposure. This means that the index is concentrated in Industrials and Utilities with some exposure to Basic Materials, but not Technology or Consumer Discretionary.

Figure 6. The green infrastructure index has outperformed the broader infrastructure market since 2020

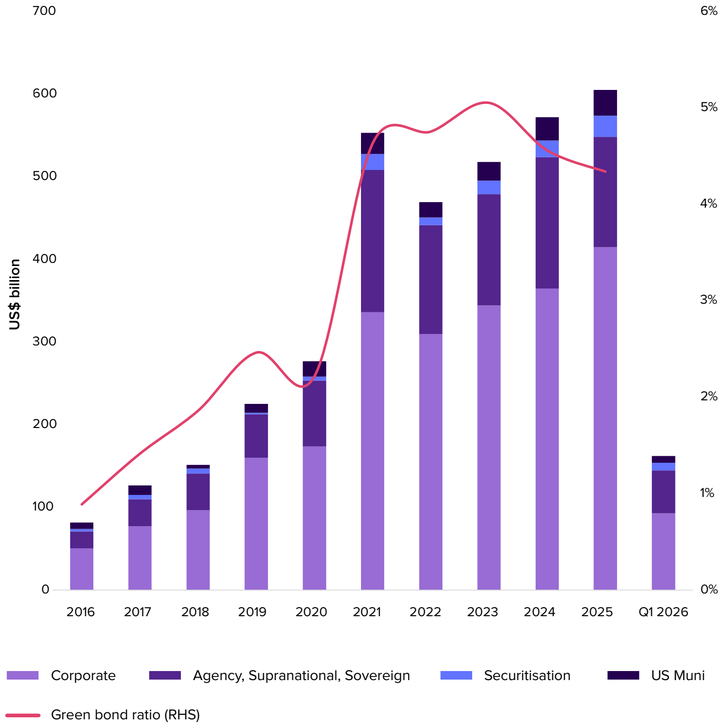
Source: LSEG, FTSE Russell index data as 30 April 2026.

Green bond issuance has reached a new record, led by corporate issuers

Global green bond issuance reached a record US$605 billion in 2025, representing a year on year increase of 5.7%. As a result, total outstanding volume rose to US$3.3 trillion by the end of Q1 2026, while green bonds' share of the overall global bond issuance remained stable at around 4.3%.

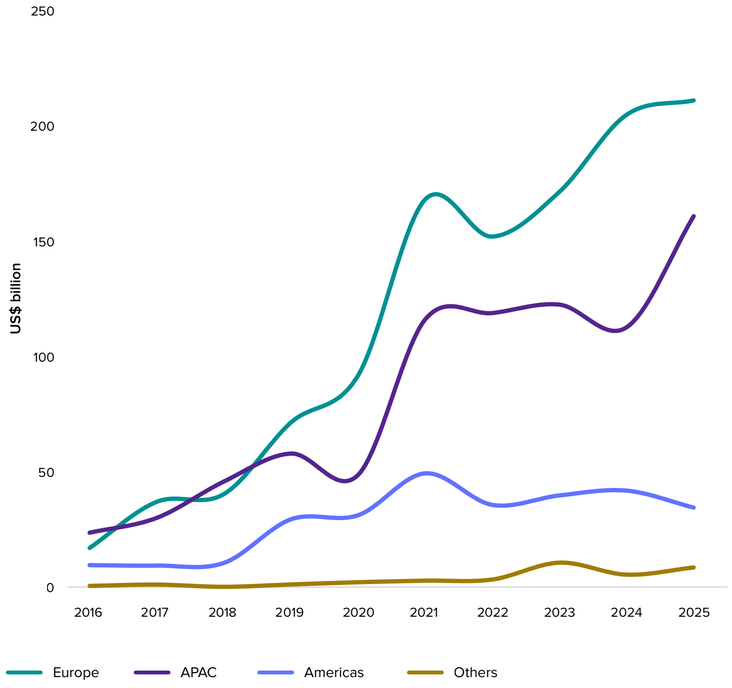
Corporate issuers remained dominant, accounting for 68% of the total green bond issuance in 2025, up from 64% in 2024. While Europe continued to lead, the APAC region saw the strongest growth, with corporate green bond issuance rising 42% year on year from 2024 to 2025. This growth was driven not only by more favourable financing conditions—such as central bank rate cuts, lower risk free rates and tightening credit spreads[22]– but also by strengthening regulatory support, including Japan's Green Transformation (GX) transition policy[23] and China's updated green taxonomy.[24]

Figure 7. Global green bond issuance



Source: LSEG fixed income data as of April 2026.

Figure 8. Corporate green bond issuance by region



Source: LSEG fixed income data as of April 2026.

22 Eastspring Investments (2026). Asian bonds A pathway to attractive total returns
23 Ministry of Economy, Trade and Industry of Japan (2025). GX Policy -Achieving Decarbonization and Economic Growth Together
24 LSEG (2026). Indexing impact bonds: insights into a growing and maturing market

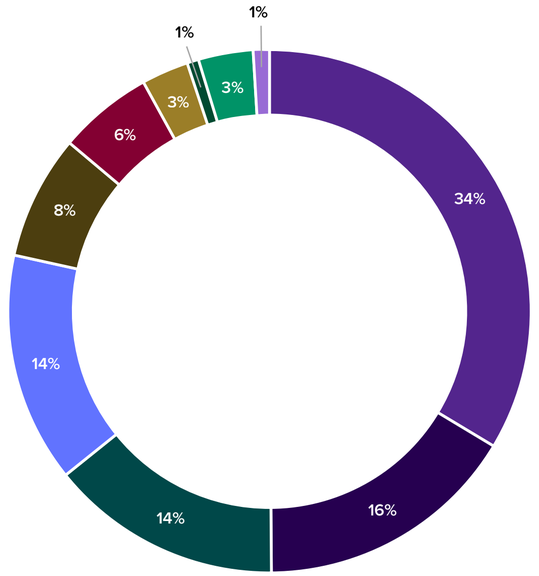
Green corporate bonds have broadly tracked their benchmark over the long-term since 2015,[25] outperforming in 2023 and 2024, supported by their shorter (negative active) duration in a rising rate and persistent inflation environment. In 2025, however, this duration advantage diminished as interest rate volatility eased and credit spread and valuation effects became more influential, resulting in a modest underperformance of around one percentage point versus conventional corporate bonds.

By use of proceeds, Energy Management and Efficiency accounts for 34% of the total green bond outstanding amount as of Q1 2026. This is consistent with its leading role as the largest green economy sector in the listed equities markets. Energy Generation and Energy Equipment together form the second largest category (16%), followed by Food & Agriculture (14%), and Transport Solutions and Transport Equipment (14%).[26]

Figure 9. Annual performance of green corporate

Source: LSEG, FTSE Russell index data as of April 2026.

Figure 10. Use of proceeds of current outstanding green bond universe



Source: LSEG fixed income data as of April 2026.
Note: Use of proceeds are classified against the Green Revenues Classification System.

25 Performance of the green corporate bonds is measured by the FTSE World Broad Investment-Grade Green Impact Corporate Bond Index (WBIG Green Corp), and the overall corporate bonds market is measured by FTSE World Broad Investment Grade Corporate Bond Index (WBIG Corp).
26 Use of proceeds are classified against the Green Revenues Classification System.

2

Spotlight on Green M&A

Green M&A – a key mechanism for scaling the transition

Mergers and acquisitions (M&A) are becoming an increasingly critical mechanism for accelerating the low-carbon transition, enabling companies to rapidly scale capabilities, overcome structural barriers, and transform business models toward green technologies faster than through incremental investment alone.[27]

This report analyses Green M&A trends by combining LSEG Green Revenue metrics and classification with LSEG's proprietary Deals Intelligence M&A database providing comprehensive deal details covering over 1.5 million transactions since the 1970s.[28]

The analysis defines two types of green M&A transactions. Firstly, deals involving acquisition targets with at least 20% of revenues from green products or services or, if green revenue data is unavailable, where the TRBC industry classification is designated as green, according to the GRCS.[29] Secondly, a broader definition including all transactions where either the parent or ultimate parent of the acquisition target or the acquiror meets the criteria above.

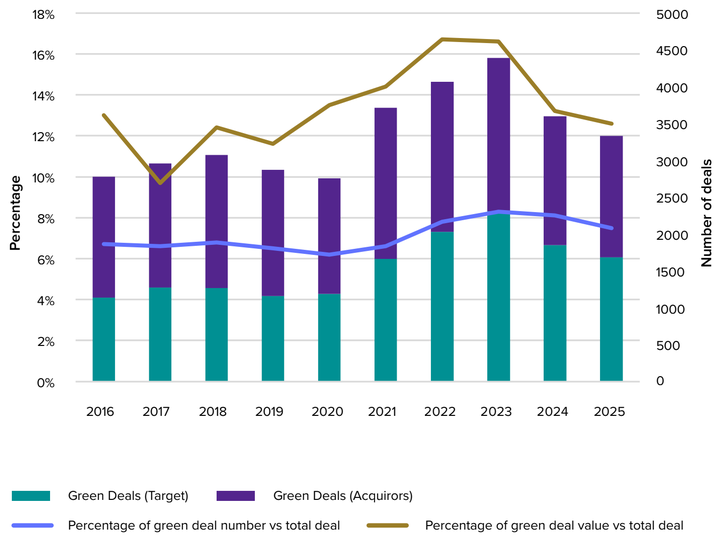
Green M&A deals: a material subset with large deal sizes

Similar to listed equities market – where green companies account for 9.9% of market capitalisation in 2026 – green M&A represents a material segment of the M&A market. In 2025, green M&A reached US$308 billion, accounting for 12.6% of total global M&A deal value. Over the past decade, cumulative green deal value totalled c.US$4.1 trillion, representing 13.4% of global M&A activity.

Green M&A trends broadly mirror the wider dealmaking cycle. Green deal value peaked at US$676 billion in 2021, supported by low interest rates and easy access to capital.[30] This was followed by a sharp decrease from 2022, as rising interest rates, inflationary and geopolitical uncertainty weakened financing conditions and overall M&A activity. Despite the slowdown, green M&A has proven persistent – its share of global deal value has remained consistently above 12% since 2020.

While green deals account for a smaller share of total deal volume, they tend to be larger than non-green transactions. During 2023-2025, average green deal size is approximately US$257 million, compared to US$150 million for non-green deals, reflecting capital-intensive nature of green assets such as renewable energy, power grids, and batteries with concentrated supply chains, which require substantial upfront investment.[31]

Figure 11. Green M&A by deal value and number 2016—2025



Source: LSEG Green Revenues data as of April 2026. LSEG Deals data as of December 2025.

27 Freshfields (2024). Transformational M&A: energy transition investments.
28 https://www.lseg.com/en/data-analytics/financial-data/deals-data/mergers-and-acquisitions-deals-database#overview
29 https://www.lseg.com/content/dam/data-analytics/en_us/documents/methodology/lseg-green-revenues-data-methodology.pdf

30 2021 saw a release of pent-up capital from the COVID-19 slowdown. Dealogic (2021). Highlights M&A 2021. PwC (2022). Global M&A Industry Trends: 2022 Outlook.
31 PEAK Wind (2024). Global Renewable Energy M&A Report 2024.

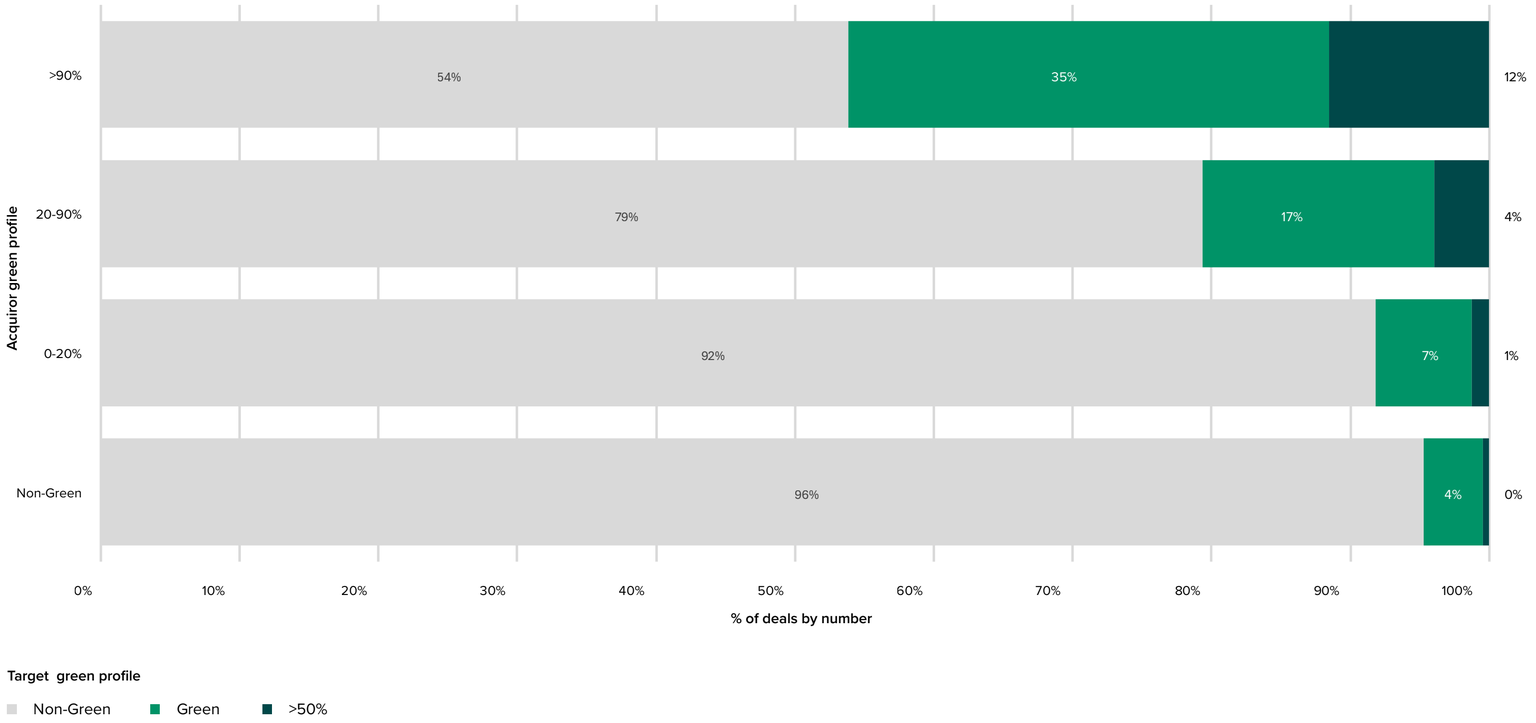
Green attracts green, with limited transition from non-green through M&A

Green M&A activity is predominantly driven by companies that already generate green revenues. Figure 12 illustrates that companies with greater green revenues tend to undertake more green acquisitions and typically acquire targets with similarly high green revenues.

By contrast, only around 4% of non-green acquirors acquire green assets, which has remained broadly stable over the past decade. Recent examples include the oil and gas company Western Midstream Partners buying Aris Water Solutions for water infrastructure and environmental services (US$1.6 billion) in 2025 and Volkswagen International America acquiring Rivian Automotive in 2024 to scale the electric vehicle platforms and architectures.

This suggests that green M&A is currently driven by the consolidation and scaling of green businesses – companies who already provide green products and services are actively expanding green assets and capabilities. Shifting from non-green to green businesses through M&A has been marginal.

Figure 12. Green profile of acquirors versus targets [32]



Source: LSEG Green Revenues data as of April 2026. LSEG Deals data as of December 2025.

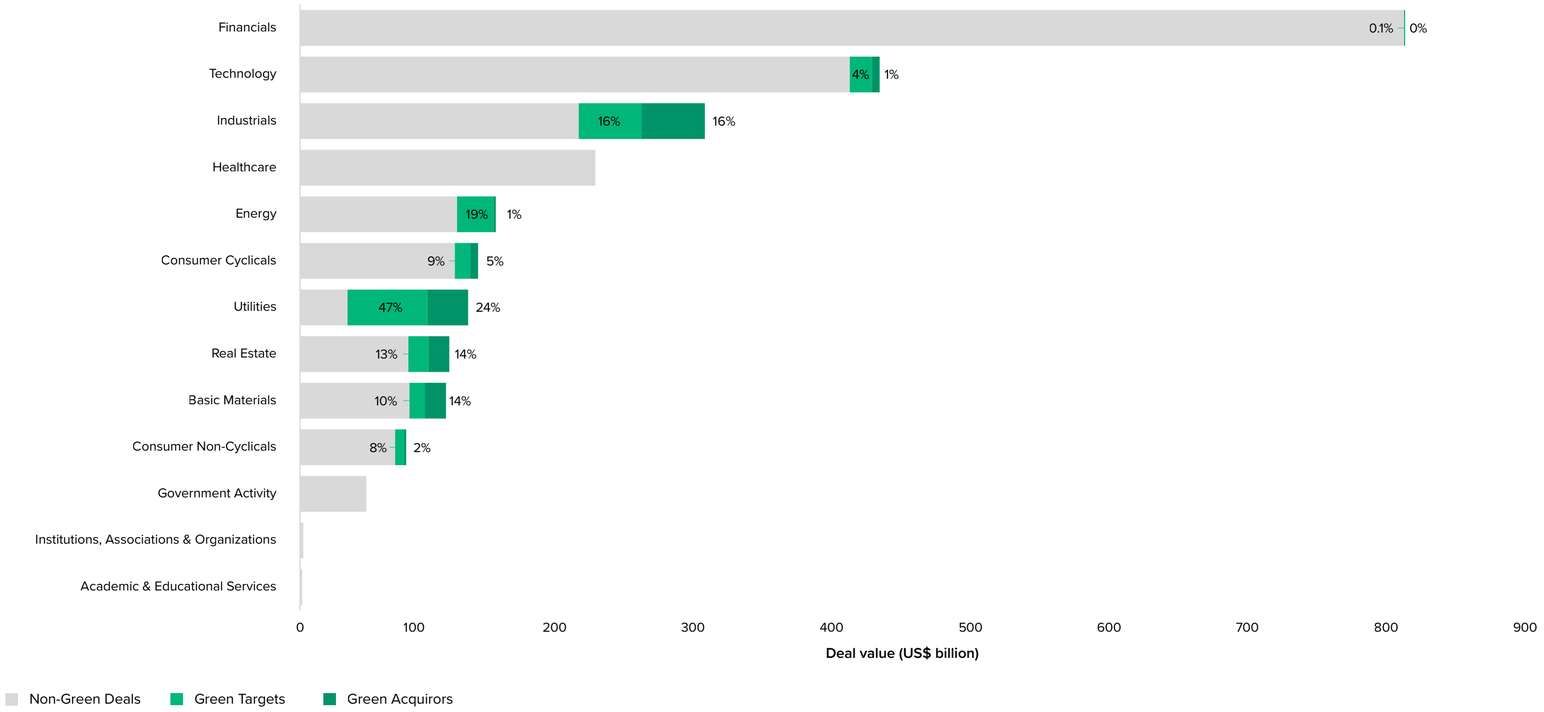
32 Green profile refers to whether the company meets the definition of 'green deal' and their green revenues percentages if available.

Utilities is the most active sector, driven by renewable energy generation deals

Green M&A activity is largely driven by Industrials and Utilities sectors - together (US$176 billion) representing more than half of total green deal value (US$308 billion), followed by Basic Materials (US$29 billion) and the Energy industry which includes renewable power generation (US$28 billion). Utilities stands out with its deals mostly green – 71% by deal value (Figure 13), despite its relatively smaller overall deal value among the four sectors. Deals with the sector is heavily concentrated in renewable energy generation, in particular solar and wind assets.

Consistent with trends in listed equities markets (Section 1), four green sectors dominate green M&A – Energy Management & Efficiency, Energy Generation, Energy Equipment and Transport Equipment. Together they account for c.70% of total green deal activity.

Figure 13. Green deal value by industry in 2025



Source: LSEG Green Revenues data as of April 2026. LSEG Deals data as of December 2025.
Note: Industry refers to TRBC Economic Sector.

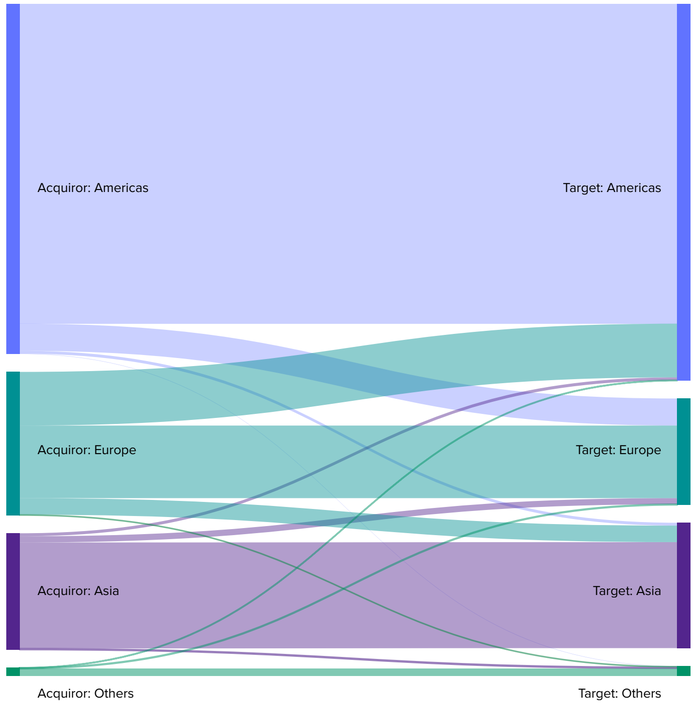
Predominantly intra-region, with rising Europe-Asia green deal flows

Green M&A activity remains predominantly intra-regional, with most transactions occurring within the same geography. North America leads with total green deal value of US$156.5 billion, consistent with broader global M&A patterns.

Europe stands out as the most active cross-border acquirer, directing US$26.3 billion (37%) of outbound green deal value towards North America and US$8.1 billion (12%) towards Asia. A notable recent trend is the increase in European acquisitions in Asia – the largest green economy by revenue (Section 3). Europe's share of cross-border green acquisitions in the region rose sharply from 2.8% during 2020-2022 to 27.5% during 2023-2025,[33] reflecting a growing focus on accessing fast-growing green markets and supply chains.

These cross-border transactions are concentrated in sectors strategic to EU's energy transition policies, including HVAC, batteries and grids, such as Bosch's US$8 billion acquisition of Johnson Controls–Hitachi Air Conditioning in 2024.[34]

Figure 14. Regional flow of green M&A by deal value in 2025



Source: LSEG Green Revenues data as of April 2026. LSEG Deals data as of December 2025.

Box 2

NextEra's acquisition Dominion would be the largest green M&A deal ever

In May 2026, NextEra Energy announced the planned acquisition of Dominion Energy in an approximately US$67 billion all-stock transaction, underscoring the strategic role of M&A in scaling Energy infrastructure.[35] The deal would be the largest 'green M&A' transaction on record and the 4th largest globally[36] – dwarfing Constellation Energy's US$26.6 billion acquisition of Calpine completed in January 2026.[37]

While the focus of the deal has been on servicing booming AI-related energy demand, the combination would create a North American green energy behemoth. The group would be one of the world's largest regulated electric utility businesses,[38] with over 10 million customers and US$15.9 billion green revenues generated from wind, solar, nuclear and battery storage—or c.36% of the combined group's revenues.[39]

33 Based on 3-year average.
34 Bosch acquires residential and light commercial HVAC business from Johnson Controls and Hitachi - Bosch Media Service US
35 Financial Times (2026). NextEra strikes mega deal with Dominion to create $420bn US utility.

36 Ibid.
37 Constellation Energy (2026). Constellation completes Calpine Transaction, powering America's Clean energy future
38 NextEra Energy (2026). NextEra Energy and Dominion Energy to Combine, Creating the World's Largest Regulated Electric Utility Business and North America's Premier Energy Infrastructure Platform Benefiting Customers

39 LSEG analysis. Based on combined FY2025 green revenues for Dominion Energy and NextEra Energy as a proportion of combined FY2025 total revenues.

Do greener companies sacrifice margins?

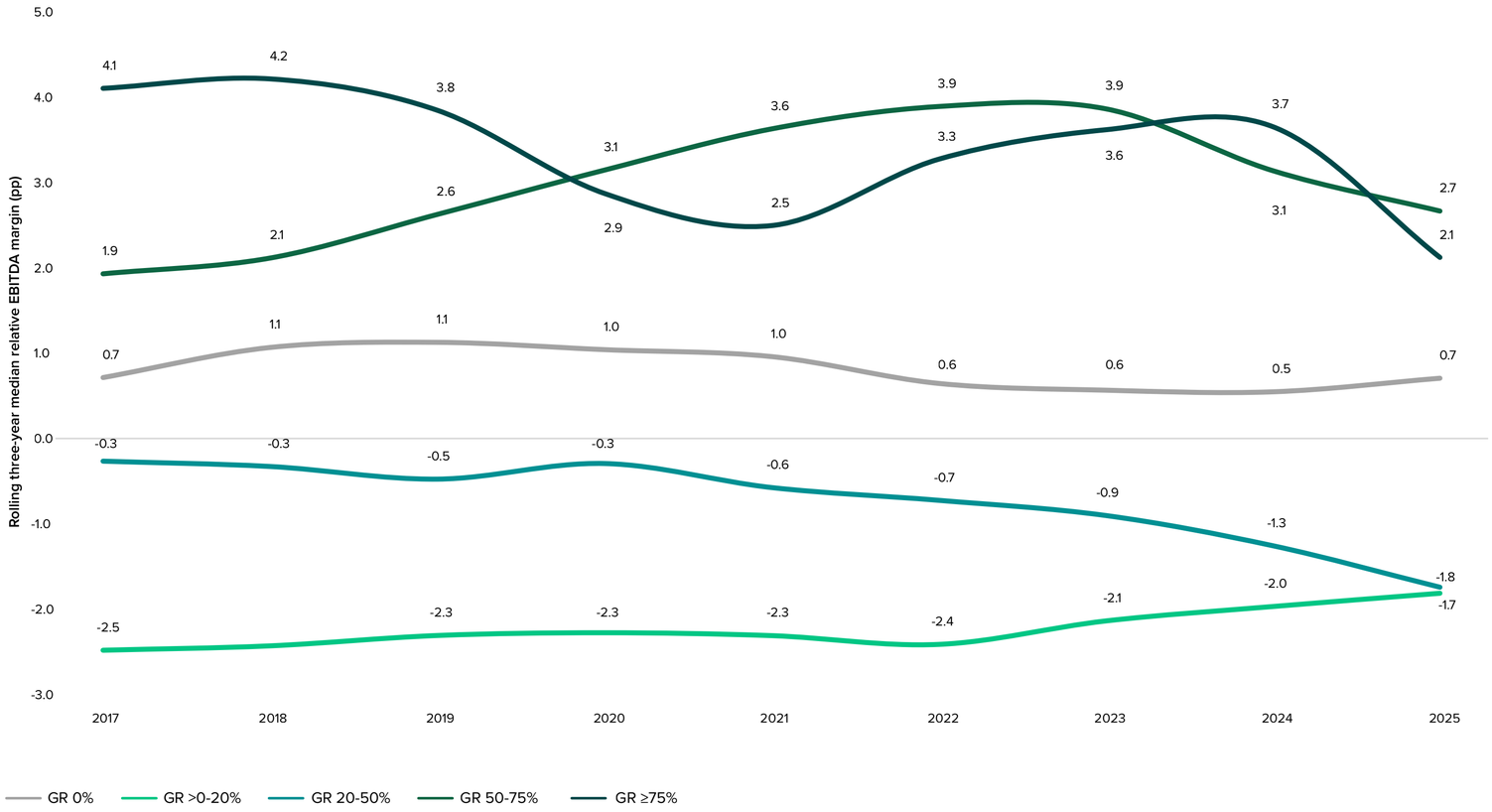
As M&A activity continues to scale green businesses, investors are paying closer attention to whether greener companies can sustain profitability. Meanwhile, as the energy transition develops and sustainable investing matures, the green economy is increasingly viewed through an economic lens as well as an environmental one. A common concern among investors is whether companies generating green revenues face a trade-off between profitability and green objectives.[40,41]

To test this relationship, this report analysed all constituents (over 4,000 companies) in the FTSE All-World[42] Index and compared each company's EBITDA margin with the median EBITDA margin of peer companies in the same ICB super sector. We then examined how this sector-relative profitability varies across green revenue bands over time.

The analysis suggests that there is no linear trade-off between margins and green revenue exposure. Figure 15 shows that companies with green revenue shares above 50% – typically pure plays or incumbents that significantly progressed in their transition – generate EBITDA margins that are, on average, 2 to 4 percent above the sector median. Despite market volatility, the relative ordering of green revenue bands has remained broadly consistent over time (2017-2025), challenging the idea that green revenues are inherently margin dilutive.

In contrast, margins of companies where green products and services account for a smaller share of revenues tend to underperform sector peers by 2-3 percentage points. This may reflect the costs of early-stage diversification and green transition, where investment in new products or business lines has been made, but sufficient scale has yet to be achieved to support margins.

Figure 15. Higher EBITDA in companies with higher green revenue shares between 2017 and 2025 [43]



Source: LSEG Green Revenues data as of April 2026. LSEG EBITDA data as of December 2025.

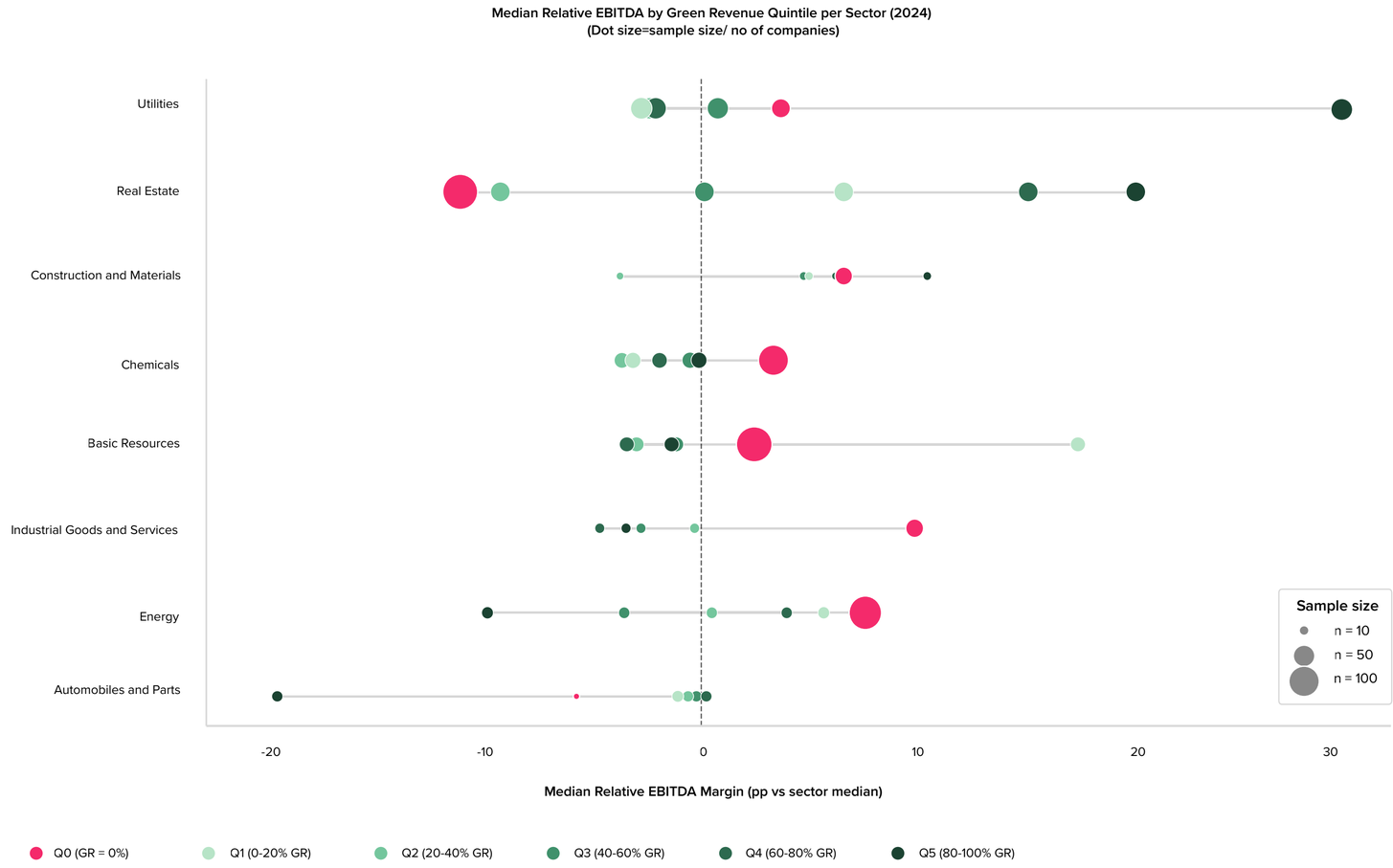
40 World economic Forum (2025) How to turn a $5 trillion green economy into long-term growth
41 EY (2024) EY Global Institutional Investor Survey 2024

42 https://www.lseg.com/en/ftse-russell/indices/ftseall-world
43 Using a rolling three-year median smooths out short-term fluctuations and captures the underlying relationship between green exposure and profitability.

However, the aggregate pattern masks important sector differences (see Figure 16). In Real Estate and Utilities, companies with higher green revenue exposure generate margins above the sector median, suggesting that green revenues in these sectors are already linked to stronger EBITDA margin profiles.

In comparison, several sectors show weaker margin profile among companies with higher green revenues. In Energy sector, this is consistent with overcapacity and volatile policy support for renewable energy equipment manufacturers.[44] In Automobiles and Parts sector, it may reflect the uneven economics of electrification including intense competition, pricing pressures and limited economies of scale.[45]

Figure 16. The profitability profile of green revenues varies materially by sector



Source: LSEG Green Revenues data as of April 2026. LSEG EBITDA data as of December 2025.

44 More details in Investing in the Green Economy 2025, Section 2.
45 IEA (2026) Global EV Outlook: Trends in electric cars

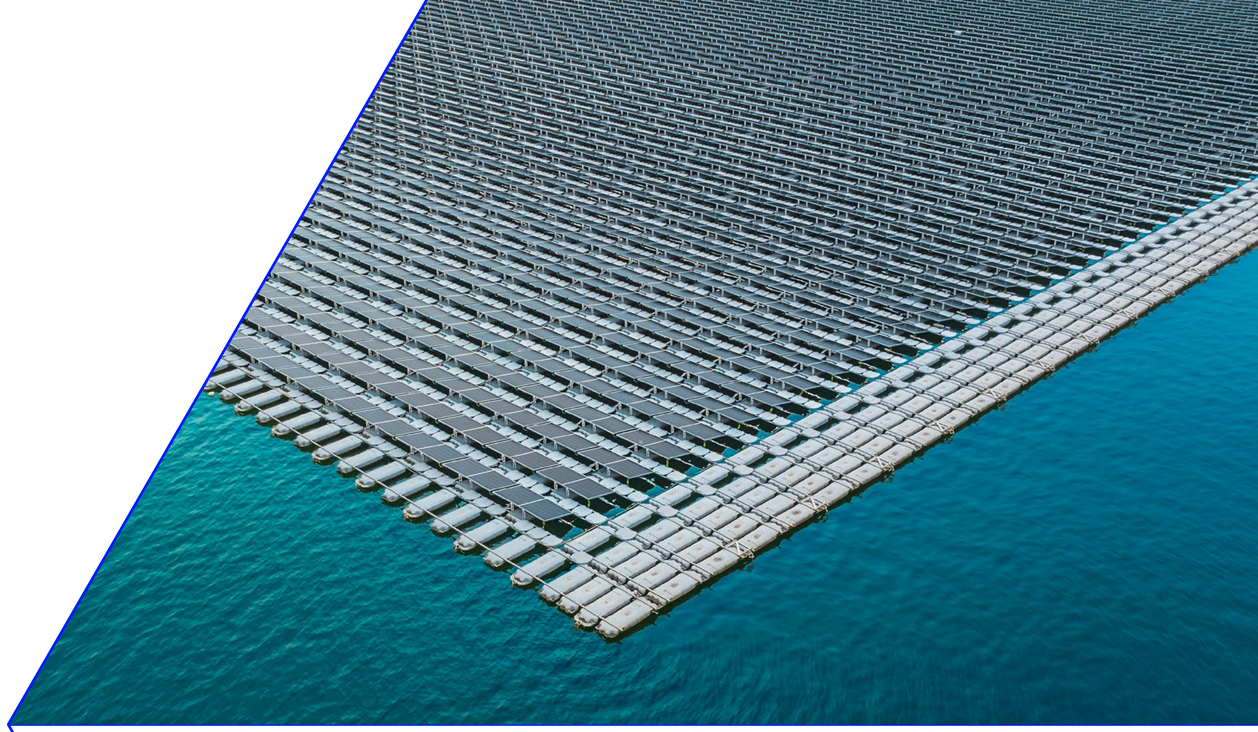
3

Green transition: a regional perspective

A more complex green transition shaped by regional energy priorities

The global green transition is entering a more complex phase, with regions pursuing different pathways shaped not only by decarbonisation goals, but also by energy security and industrial competitiveness. Recent energy crises have highlighted energy supply vulnerabilities, particularly in Asia – home to nearly 60% of the world's population and comprising largely emerging markets.

Meanwhile, the global energy system is becoming more diversified, with renewables, nuclear, LNG, and emerging technologies such as hydrogen playing larger roles. Supply chains for clean energy and critical materials are becoming more concentrated and globally interconnected. Policies aimed at strengthening supply chain resilience and domestic industrial capacities – including tariffs, export restrictions and onshoring of green technologies – may also risk increasing fragmentation across the global green economy.

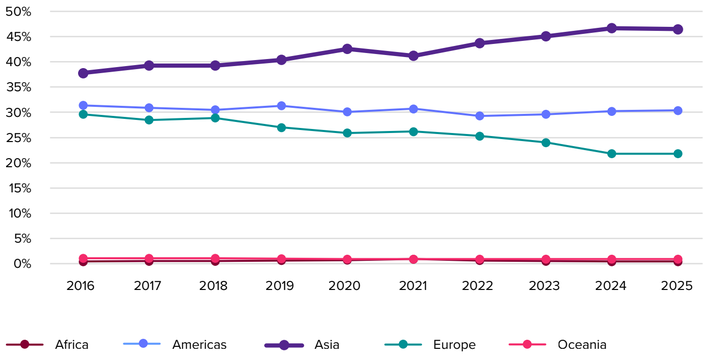


Asia leads in both clean energy and fossil fuels

Asia has been at the forefront of the energy transition, supported by strong government policy and planning, clean energy adoption and investment. Major economies – including China, Japan and India – have set ambitious clean energy targets and transition plans, such as Japan's GX targeting US$1 trillion of investment to decarbonise power supply through renewables and nuclear and reduce reliance on fossil fuel imports.[46]

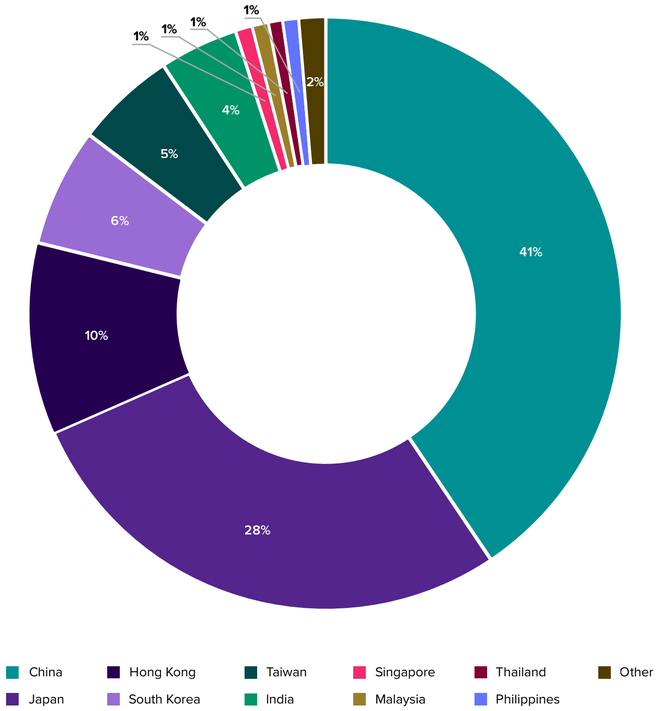
Asian companies have generated the world's most green revenues since 2016, accounting for 47% of the global green economy in 2025, led by China, Japan, Hong Kong and South Korea. It plays a critical role in green sectors such as Energy Equipment, Transport Equipment and Waste and Pollution Control, with China generating more than half of global green revenues in EV batteries and railway infrastructure. Overall, Asia's green revenues have grown at 12% CAGR over the last five years, outpacing the global market (10%).

Figure 17. Green revenues by region 2016-2025



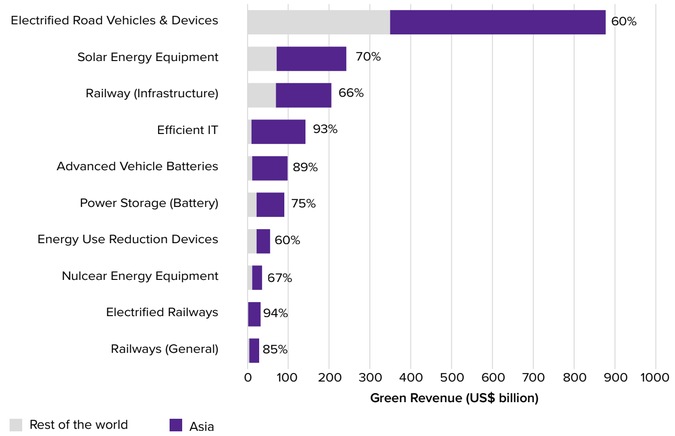
Source: LSEG Green Revenues data as of April 2026. LSEG Revenue data as of December 2025.

Figure 18. Asia's green revenue by market



Source: LSEG Green Revenues data as of April 2026. LSEG Revenue data as of December 2025.

Figure 19. Asia's green revenue share in selected micro sectors



Source: LSEG Green Revenues data as of April 2026. LSEG Revenue data as of December 2025.

Asia is also the largest destination for clean energy investment. China alone deployed US$625 billion across renewables, energy storage, nuclear and energy efficiency, representing over 30% of global investment.[47] India follows with c.US$100 billion of clean energy investment, accounting for 83% of its power sector capital allocation.[48]

However, energy security continues to shape the region's energy mix, given Asia's heavy dependence on imported fossil fuels, particularly from the Middle East. It remains the largest driver of coal investment and demand, led by China, which consumes 58% of the world's coal, followed by India and Southeast Asia.[49] In response to recent oil price spikes, several Asia countries – including Thailand, Philippines, India and Bangladesh – have increased coal-fired power generation[50] despite calls for an accelerated shift towards renewables.[51] The region faces a dual challenge: accelerating clean energy deployment while maintaining reliable and affordable energy systems.

46 LSEG (2025). Japan's $1trn bet on the climate transition.
47 IEA (2025). World Energy Investment 2025.
48 ibid.
49 IEA (2025). Global Energy Review 2025.
50 Guardian (2026). Asia ramps up use of dirty fuels to cover energy shortfall triggered by Iran war.
51 Ember (2026). Overcoming fossil lock-in is pivotal for Asia to buffer against energy shocks.

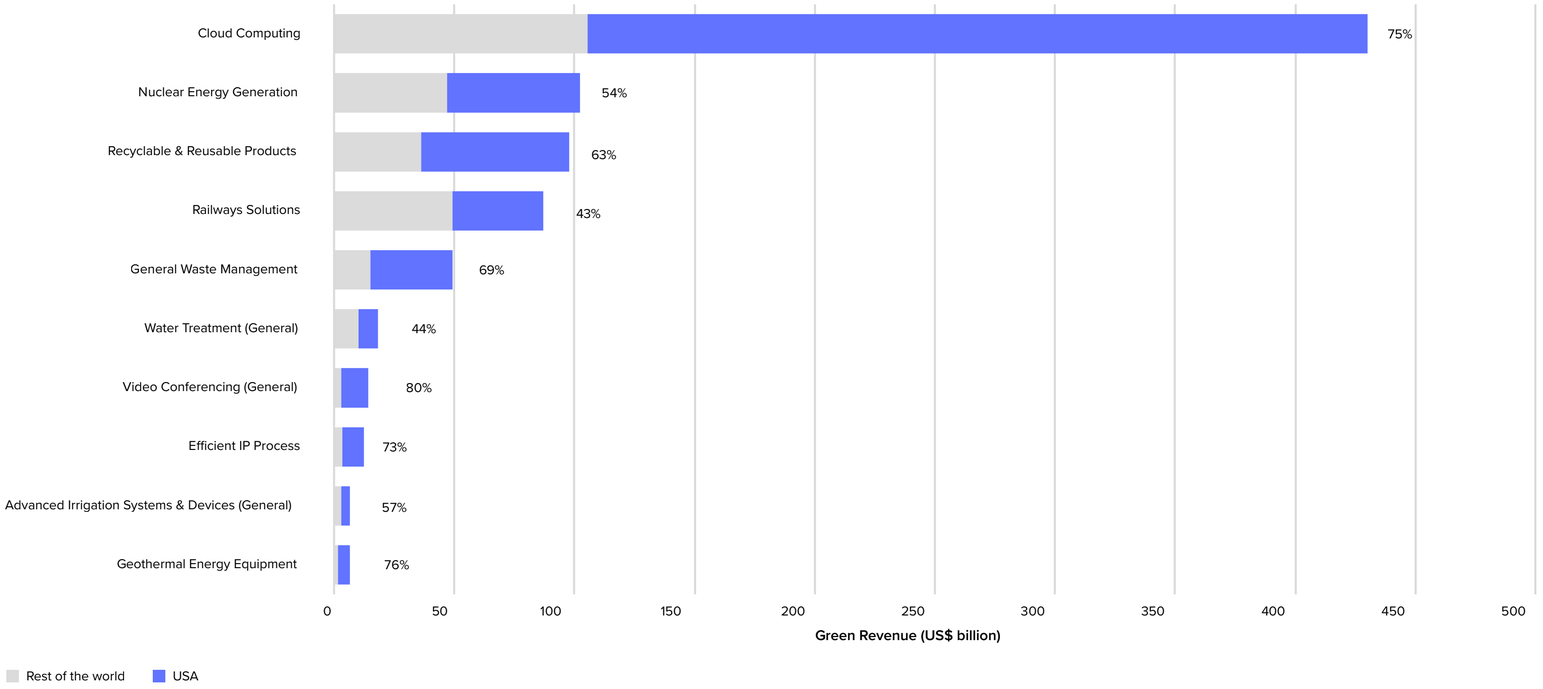
US corporates continue to be key actors in the global green economy, even as US policy evolves

There have been swings of US clean energy policies over the past decade, including withdrawals from and re-entry into the Paris Agreement, as well as the introduction and subsequent scaling back of the Inflation Reduction Act. Recent policy developments have increased focus on domestic oil and gas production, prioritising energy affordability and inflation control.

Despite this, the US remains the largest green economy by market capitalisation at US$6 trillion, accounting for 57% of the global total. By revenue, the US generated 27% of world's green revenue, led by sectors such as Energy Management & Efficiency, Transport Equipment and Energy Generation. Apart from driving c.75% of the green revenues from cloud computing globally, US companies are leading in green product and services such as waste management (69%) and advanced irrigation systems (57%). The US remains the second-largest clean energy investor globally, with annual investment of c.US$400 billion.[52]

Corporate demand is a key driver of clean energy deployment in the US. Driven by rising electricity demand from AI infrastructure and data centres, the US has become the largest market for corporate clean power purchasing agreement (PPA).[53] Meta, Amazon, Google and Microsoft together accounted for nearly half (49%) of the clean power PPA deals in 2025.[54] Since 2024, corporate procurement strategies have expanded beyond solar and wind towards firm and dispatchable energy sources, including growing interest in nuclear—particularly advanced small modular reactors (SMRs)[55] – and enhanced geothermal systems (EGS) supported by AI-driven exploration.[56]

Figure 20. US's green revenue share in selected micro sectors



Source: LSEG Green Revenues data as of April 2026. LSEG Revenue data as of December 2025.

52 IEA (2025). Global Energy Review 2025. Estimated 2025 figure.
53 LSEG (2024). Investing in the green economy 2024.
54 BloombergNEF (2026). Corporate Clean Energy Buying Fell in 2025 After Nearly a Decade of Growth.

55 Havard Business Review (2025). Tech Companies, Nuclear Power, and the Problem of Strategic Timing.
56 Wood Mackenzie (2025). Geothermal investment soars 85% as breakthrough tech unlocks 500 GW US potential.

Europe continues to diversify energy sources with accelerated shift towards renewables

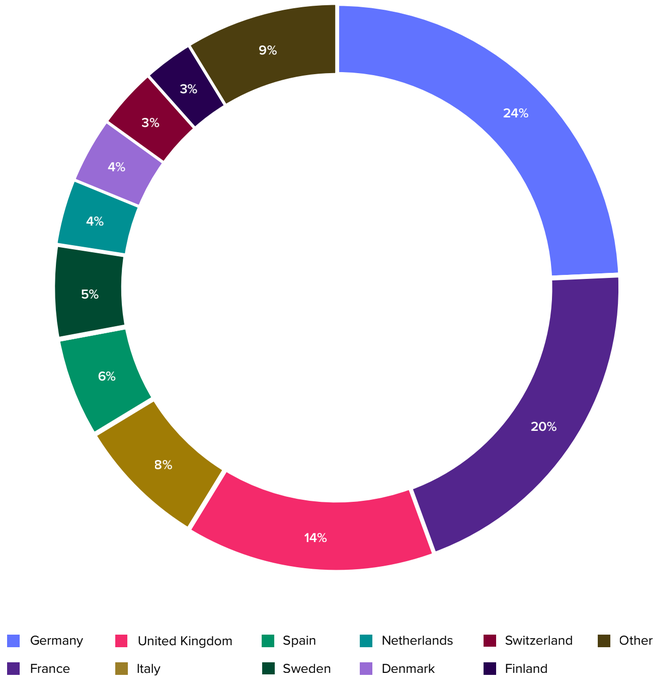
Following the Russia-Ukraine conflict in 2022 and subsequent energy market disruptions, Europe has undergone a structural shift towards energy sources diversification and clean energy transition. The REPowerEU Plan – first introduced in 2022 and later formalised into law in early 2026 – sets out a clear roadmap to reduce EU's dependence on Russian fossil fuels, accelerate renewable deployment and improve energy efficiency, including a target of 42.5% renewables by 2030.[57]

Europe's green economy remains significant, with market capitalisation and revenue reaching US$1.2 trillion. It is more geographically diverse than Asia, with 91% of the green revenue spread across 10 countries, led by Germany, France and the UK. European companies play a key role globally in green sectors such as bioenergy, cogeneration and food and agriculture. For example, over half of the green revenues from bioenergy power generation comes from Europe, and 89% of the green revenues from advanced seeds are generated by Germany.

Progress in clean energy deployment has been substantial since 2022. Solar installations reached a record high of 406 GW, while wind additions totalled 234 GW.[58] Renewables now account for 47% of EU's electricity generation,[59] while 85% of Europe's energy investment goes towards clean energy, reaching US$462 billion in 2024, which is similar to the US.[60]

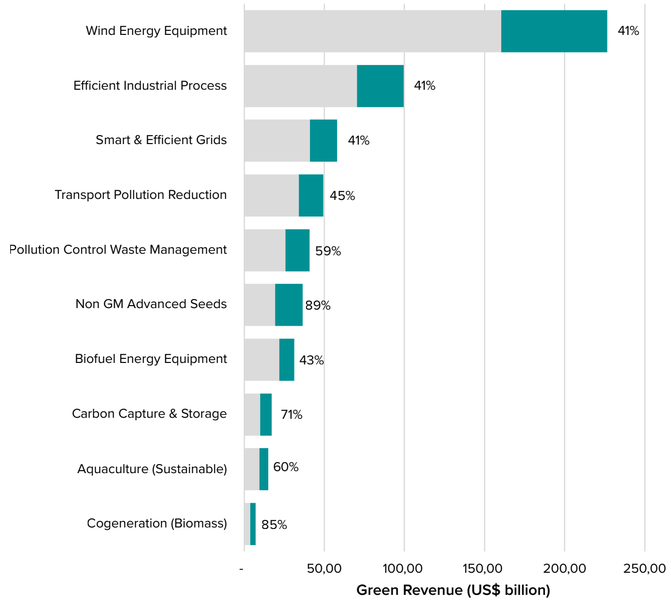
However, grid infrastructure remains a main constraint for Europe's clean energy transition. Grid expansion and system upgrades required to integrate intermittent renewables have lagged behind rapid renewable deployment, leading to issues such as curtailment of renewables and price inefficiency.[61] Spain's 2025 power outage, for example, highlighted the limitations of existing grid infrastructure in integrating high levels of variable solar energy.[62]

Figure 21. Europe's green revenue by market



Source: LSEG Green Revenues data as of April 2026. LSEG Revenue data as of December 2025.

Figure 22. Europe's green revenue share in selected micro sectors



57 https://commission.europa.eu/topics/energy/repowereu_en
58 Ibid.
59 Ibid.

60 IEA (2025). World Energy Investment 2025.
61 Ibid.
62 https://www.ren21.net/the-iberian-blackout-not-a-failure-of-renewables-a-wake-up-call-for-grid-resilience/

Box 3

The global green economy covers more than 50 markets

While the US dominates the global green economy due to the large size of its listed equities market, its green exposure remains below the world's average of 10%. Taiwan ranks the second, driven by the scale and high green revenues of TSMC, which alone accounts for around 67% of Taiwan's overall market, and 93% of its green economy by market capitalisation. China ranks the third by market capitalisation. In revenue terms, the green economy is less concentrated in the US, which accounts for 27% of the global total, followed by China (19%) and Japan (13%).

On the other hand, several countries in Europe and Asia have green exposures exceeding 10% despite their much smaller market size. Notably Germany and France have high exposure, supported by green products and services in industrial energy efficiency, EVs and renewable energy equipment.

Figure 23. Green economy by market – market capitalisation and revenue

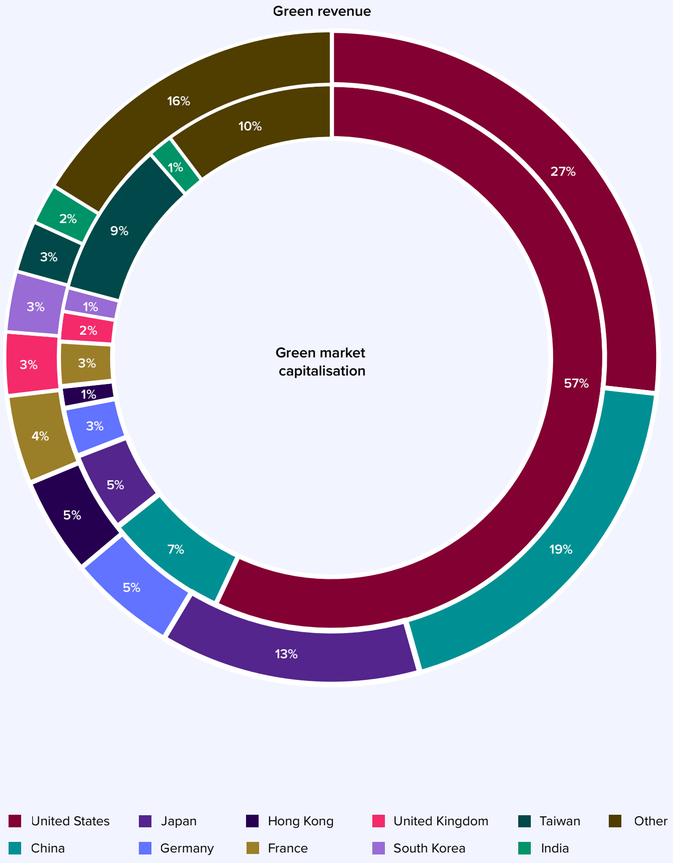
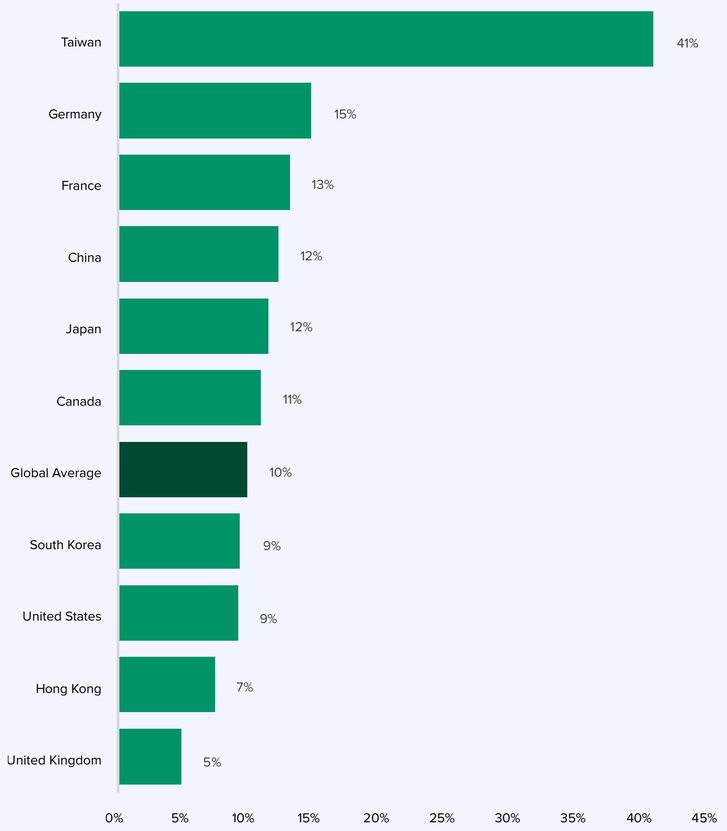


Figure 24. Green economy exposure by market



Source: LSEG Green Revenues data as of April 2026. LSEG free float market capitalisation data as of April 2026. LSEG Revenue data as of December 2025.

4

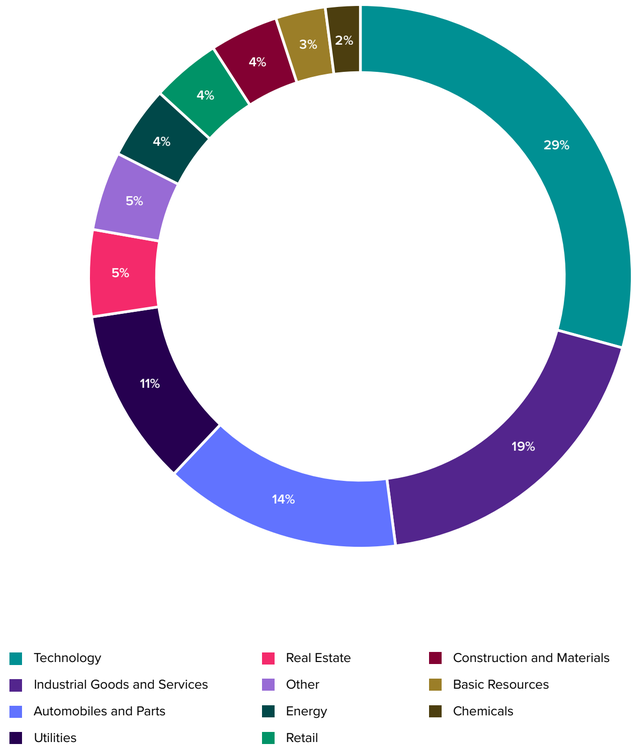
Composition of the Green Economy

Green economy across industries

The global green economy spans almost all industries, albeit with a concentration in **Technology, Industrial Goods and Services, Automobiles and Parts, and Utilities.** Together, these industries represent 73% of the green economy's market capitalisation, driven by green products and services such as cloud computing, efficient power electronics, renewable energy generation and equipment, and electric vehicles. However, the relatively large shares of Technology and Industrials primarily reflect their overall market size, rather than their exposure to the green economy.

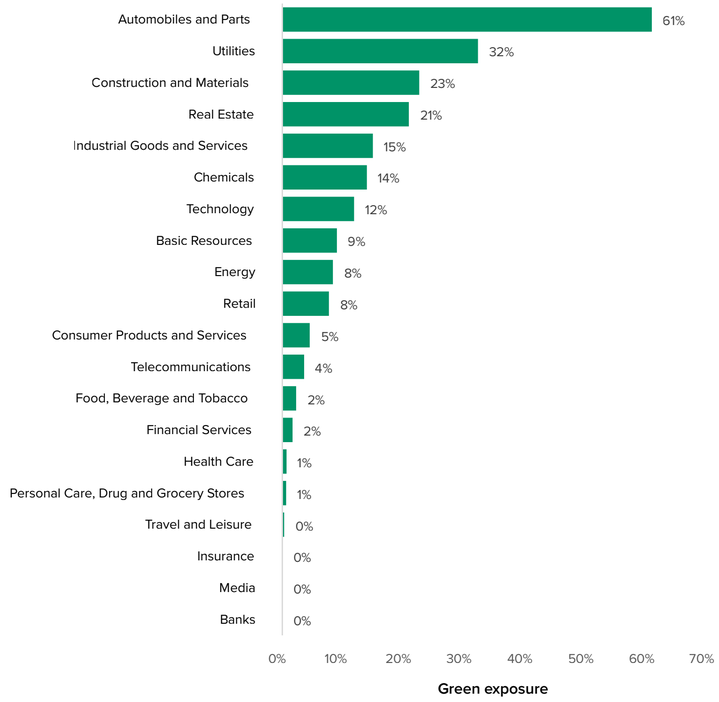
Green exposure remains widespread. Seven out of 20 industries now have meaningful green economy exposure – exceeding the market average of 10%. Autos sector stands out with the highest green exposure among all industries, growing from 53% last year to 61%. Green business activities such as EVs and batteries manufacturing are rapidly reshaping the industry by overtaking conventional non-green business lines.

Figure 25. Composition of the green economy by ICB sectors



LSEG Green Revenues data as of April 2026. LSEG free float market capitalisation data as of April 2026.

Figure 26. Green economy across ICB sectors by exposure



Source: LSEG Green Revenues data as of April 2026. LSEG free float market capitalisation data as of April 2026.

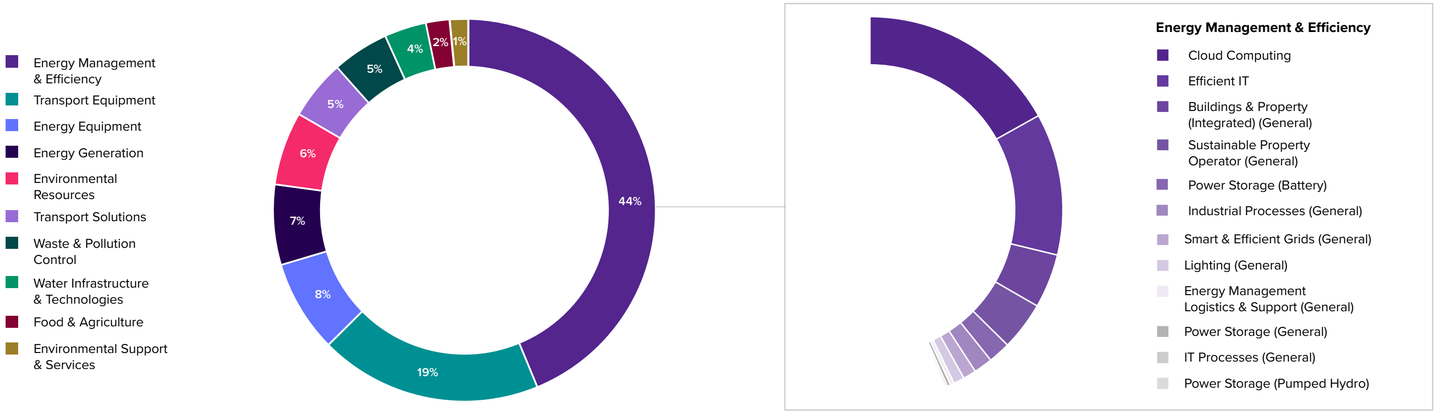
Green economy across value chains

The green economy spans a wide range of climate and environmental solutions across value chains, **encompassing 133 types of green products and services across 10 sectors,** based on LSEG's GRCS.

Energy Management and Efficiency – covering green buildings, efficient information technologies and power storage – remains the largest green sector, accounting for 44% of the green economy by market capitalisation (US$4.7 trillion). It is followed by Transport Equipment (19%) with a market capitalisation of US$2.0 trillion, led by EVs and batteries. These sectors dominate in scale, reflecting their central role in energy efficiency improvement and electrification.

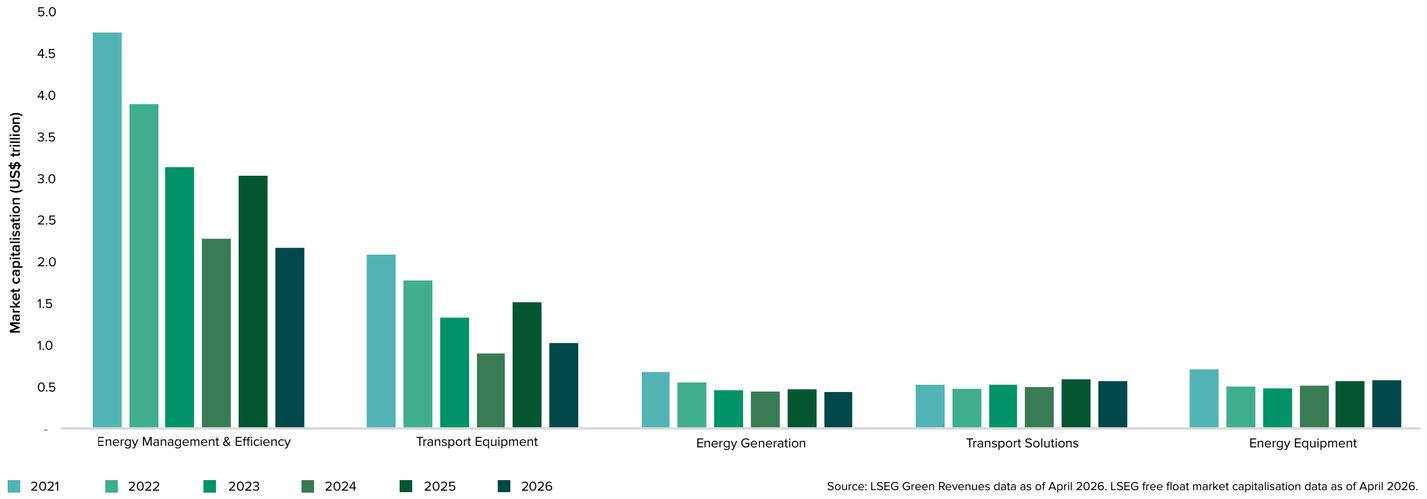
Albeit with a smaller market capitalisation, **Energy Equipment and Energy Generation, where renewable energy sits, has emerged as the fastest-growing green sector over the past three years,** with CAGRs of 20% and 16% respectively. This highlights the critical role of renewables for the accelerated energy transition.

Figure 27. Composition of the green economy by green sector



Source: LSEG Green Revenues data as of April 2026. LSEG free float market capitalisation data as of April 2026.

Figure 28: Growth of selected green sectors 2021–2026



Source: LSEG Green Revenues data as of April 2026. LSEG free float market capitalisation data as of April 2026.

Box 4

Renewables have driven the latest phase of performance

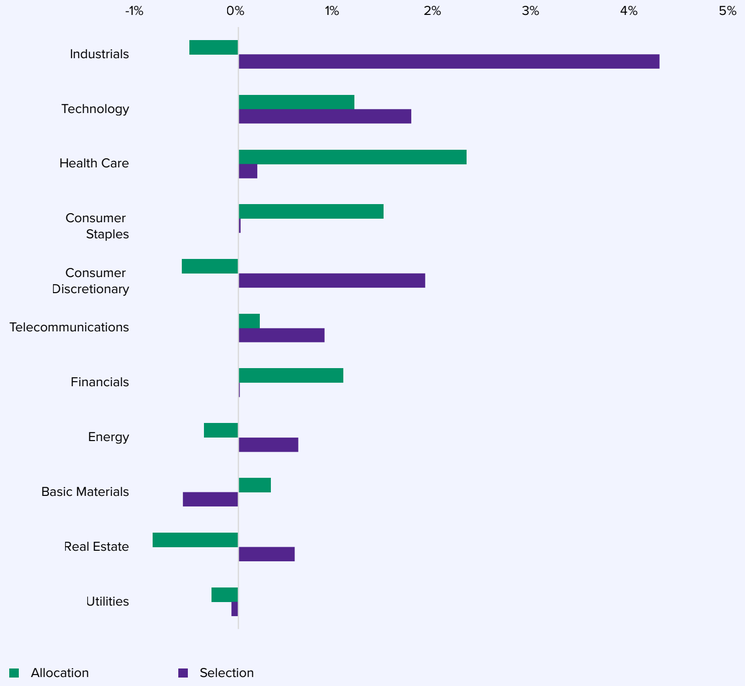
Unusually, the strongest performance over the period came from a recovery in the Renewables sub-index, rather than the perennially strongly performing Energy Efficiency sub-index.[63] This came from both renewable energy generating power utilities and industrial manufacturers of renewable energy equipment. This underlines the impact which the electrification theme is having on the green economy, driven not only by the well discussed demand from AI/data centres, but also growing demand from transportation, industrial process and heating/cooling of buildings.[64,65] This has reignited electricity demand growth for utilities in developed markets such as the US and also plays to the strengths of renewables, particularly solar, in terms on both cost competitiveness and speed of deployment.

Over the 12 months to April 2026 the majority of the relative performance has come from the specific, high green revenues stocks in the EOAS (selection effect), as opposed to the skews in Industry weighting vs the FTSE All Cap (allocation effect). The Brinson attribution shows that selection, particularly in Industrials, Consumer Discretionary and Technology, has been the biggest driver. In terms of allocation effects, the underweights in Healthcare and Consumer Staples actually had a much greater (and positive) effect than the overweight in Industrials and Technology.

Figure 29. Cumulative relative performance of green economy sector indices vs FTSE Global All Cap

Source: LSEG, FTSE Russell index data as 30 April 2026.

Figure 30. Attribution of the performance of FTSE EOAS vs FTSE Global All Cap



Source: LSEG, FTSE Russell index data as 30 April 2026.

63 Energy Efficiency has been the strongest performing green sub-index over the history of EOAS index
64 2026 Sustainable Investment Trends | LSEG
65 The Electrotech Revolution | Ember

Data used in the analysis

This report is based on LSEG's proprietary Green Revenues data and draws on FTSE Russell index solutions, LSEG fixed income datasets and LSEG Deals Intelligence data.

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Discover the data set ▶

LSEG's Green Revenues data model brings the world a closer look at the green economy; defining what it is and determining the companies and activities that compose it. The data set was designed to ensure broad global coverage, comprehensive classification of green activities, and granularity in the data provided.

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