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International Forum of Sovereign Wealth Funds

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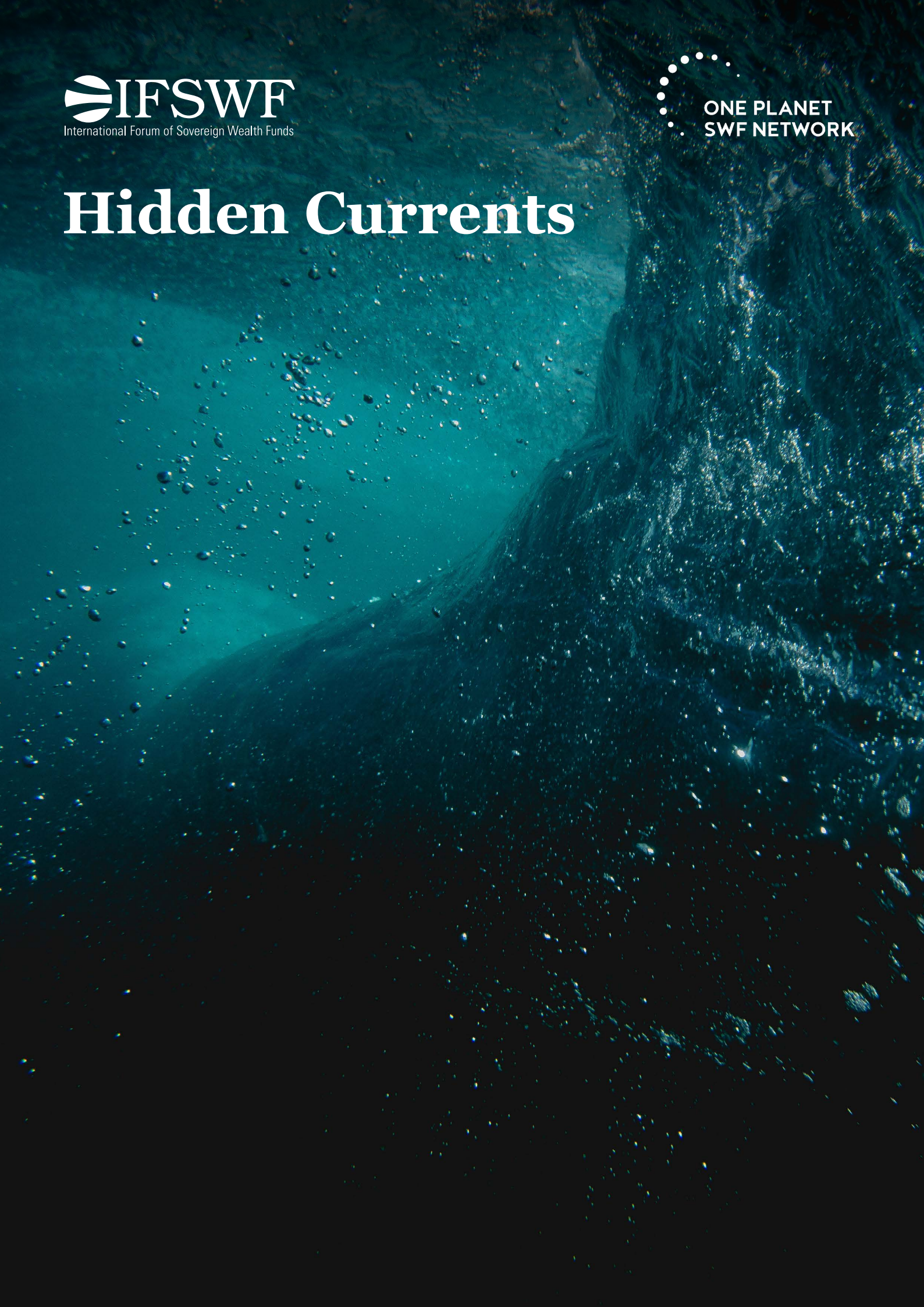
Hidden Currents



Executive Summary

What the survey finds. Sovereign wealth funds increasingly treat climate change as an investment issue, embedding climate considerations into manager selection, contractual arrangements, and deal-stage due diligence. The 2025 survey finds that these practices have deepened and formalised. At the same time, the evidence for portfolio-level reallocation remains limited.

The motivational crossover. The clearest sign in the 2026 IFSWF/OPSWF Climate report is motivation. Seventy-four per cent of respondents cite improving long-term investment returns as their main reason for considering climate change, surpassing risk management (68%) for the first time across five survey waves. Only 3% of respondents report not considering climate change at all, down from 23% in 2022. Formal climate mandates have reached their highest level (29%). Climate change has shifted from a compliance and reputational issue to an investment issue.

The governance shift and the engagement paradox. Sovereign wealth funds have moved climate consideration further upstream. Deal-stage assessment remains the most popular execution tool (65% of respondents, consistent since 2022). The most notable change is manager selection: 42% of funds now include climate provisions in manager agreements, up from 12% in 2022. Meanwhile, engagement with portfolio companies dropped from 59% to 36% in a single year, marking the sharpest decline at any stage in the investment process. Divestment remains conditional, with only 11–16% of respondents reporting divestments based on climate considerations across all survey waves. Sovereign wealth funds focus governance where they have control and are withdrawing from mechanisms that require influence over third parties.

Rigour and restraint. A notable pattern in the 2025 data is the divergence between global standards and public visibility. ISSB-aligned reporting increased from 14% in 2022 to 32% in 2025. The share of funds describing their climate approach in annual reports decreased from 41% to 26%, breaking a five-year positive trend. Net-zero commitments have bifurcated: formal targets reached 19% (a record high), while the share with no plans to adopt targets also reached a record high (36%). Funds are reporting more systematically but less publicly. Two structural constraints continue to limit the translation of analysis into action: data quality (cited by 58% of respondents, unchanged across five waves) and a tightening opportunity set (36% report difficulty finding suitable climate-aligned investments, the highest proportion to date).

Introduction

This report signals a key shift in the motivation behind sovereign wealth funds' approach to climate change. Three-quarters of respondents now identify improving long-term investment returns as the main reason for considering climate change in their investment choices, surpassing risk management for the first time across five surveys. Formal climate mandates have reached their highest level. Only 3% of respondents report not considering climate at all, down from 23% in 2022.

When we published Facing Headwinds in 2025, the report highlighted a more cautious public stance among global investors, alongside continued interest from sovereign wealth funds in climate-related opportunities. Funds had not stepped back from climate integration; they had adopted a lower public profile, with delays in external reporting and a decline in formal net-zero commitments. The 2025 survey reexamines those signals.

The motivational shift prompts a clear question: has the increasing framing of climate change as an investment issue led to real changes in how capital is allocated, or has it mainly shaped decision-making within existing portfolio structures? The report examines that question across four areas: where climate considerations enter the investment process, how funds set requirements for external managers, which sectors and regions attract capital, and how funds report and set targets.

Sovereign Wealth Funds continue to see attractive investment opportunities in renewable energy generation, energy storage, and energy efficiency. Despite policy and regulatory uncertainties, funds see the most attractive climate-related opportunities in the Americas, closely followed by Europe. Africa is also steadily considered a more attractive region for climate investments.

A notable pattern in the 2025 data is the contrast between internal rigour and public visibility. Adoption of internationally recognised reporting standards has increased, even as fewer funds describe their climate strategies in annual reports. Net-zero commitments have split: both formal acceptance and outright rejection have reached record levels. Sovereign wealth funds are quietly and deliberately building institutional capacity.

The report is organised around five chapters. Chapter 1 examines motivation and the crossover from risk management to returns. Chapter 2 maps where climate considerations sit in the investment lifecycle and documents the shift toward contractual governance. Chapter 3 assesses the maturity and limits of climate risk analytics. Chapter 4 identifies where capital is flowing and where interest is cooling. Chapter 5 tracks reporting standards, target-setting, and the divergence between institutional rigour and public disclosure.

How to read this report

The survey

How to interpret the charts

Charts display percentage-of-respondents figures for each year in which a comparable question was asked. Several questions allow multiple responses; in these cases, totals exceed 100% by design. Rounding may cause values not to sum exactly to 100% in single-select distributions.

For questions on segment attractiveness, regional investment attractiveness, and financing approaches, the report uses a Net Score: the percentage of positive responses (4–5 on a five-point scale) minus the percentage of negative responses (1–2). Neutral responses (3) are excluded. The resulting score ranges from –100 to +100. This is not a Net Promoter Score. The metric compresses a distribution into a single number and is sensitive to small-sample movements; the report uses it to identify patterns and relative rankings, not to draw precise quantitative conclusions from individual scores.

Known biases and limitations

Respondents' answers are subject to systematic biases.

- **Central tendency bias** compresses Likert-scale distributions toward the midpoint.
- **Acquiescence bias** inclines respondents to agree with statements as framed.
- **Social desirability bias** may lead respondents to overstate their climate practices; this is particularly a concern for questions about implementation, engagement, and target-setting.
- **Non-response bias** means institutions with more developed climate practices may be more willing to participate. At a sample size of 31, individual percentage-point movements should be interpreted with caution: a shift of 5–10 percentage points is directionally meaningful but does not meet conventional thresholds for statistical significance. The report draws conclusions from trends sustained across multiple waves rather than from single year-on-year changes.

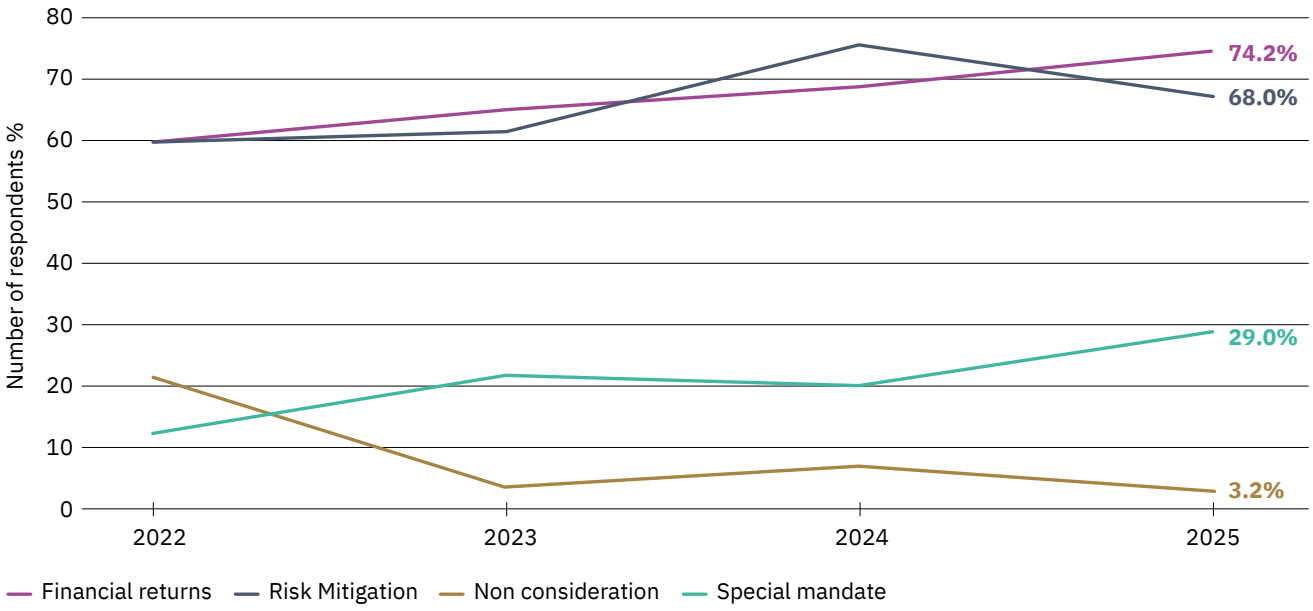
All findings reflect **stated practice**, not independently verified investment behaviour. The sample comprises IFSWF and OPSWF members only and should not be generalised beyond this peer group. The survey records whether a practice exists, not how effectively it is executed. Case examples contributed by OPSWF members illustrate specific institutional approaches but should not be read as representative of the full sample.

1. From risk to opportunity

The survey begins by examining why some sovereign wealth funds consider climate change in their investment decisions and why others do not. The motivation of funds matters because it determines how climate considerations translate into investment decisions: a fund motivated primarily by risk management will screen and monitor; a fund motivated by returns will allocate and seek opportunities. The 2026 report marks a turning point, with opportunity overtaking risk as the primary driver of climate integration.

Nearly three-quarters of institutions (74%) cite improving long-term investment returns as the primary reason for considering climate change in their investment decisions. This is an increase from last year's result of 68%, which was already the highest to date, and caps a rising trend.

Figure 1.1: Primary drivers for climate-integrated investment (2022-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

Risk management remains a **significant motivation**, cite by approximately 68% of respondents in

Risk management remains a significant motivation, cited by approximately 68% of respondents in 2025, down from 75% in 2024. This shift does not necessarily indicate reduced concern about climate-related risk. Rather, it reflects a more balanced motivation to capture climate-related opportunities while also managing the risks.

The importance of sovereign wealth fund mandates for investment decisions is evident: 29% of funds report having a formal mandate for either climate change mitigation or adaptation, the highest proportion to date. This finding also caps a rising trend from 2022, when only 17.1% of funds reported having such mandates.

This increase in mandates contrasts with the lowest ever share of sovereign wealth funds (3%) that do not consider climate change in their investment decisions. That 3% figure continues a downward trend from 2022, when 23% of funds did not consider climate change at all.

Taken together, these findings indicate that almost all sovereign wealth funds now consider climate change at some point in their investment life cycle and are increasingly motivated by finding attractive investment opportunities in the transition to a low-emission economy. In addition, a small but growing number of funds have specific climate-related mandate requirements.

CASE EXAMPLE 1 [climate considerations in mandate]:

In 2021, the Ireland Strategic Investment Fund (ISIF) announced its ambition to invest €1 billion in climate-related investments over a five-year period. By the end of 2024, ISIF exceeded this commitment, having invested over €1.3 billion in climate opportunities. ISIF committed €641 million to climate-related investments in 2024 alone, a record year for deployment. Building on this milestone, in April 2025, ISIF announced a target to commit an additional €1 billion to climate opportunities over the next four years.

Source: OPSWF 2025 Framework Companion Document

2. Implementing climate considerations: Evidence from execution

Sovereign wealth funds are focusing their climate considerations earlier in the investment life cycle: when selecting external managers and evaluating investment opportunities. This means that climate risks and opportunities are increasingly integrated into the investment decision process from an early stage. Partly as a consequence, funds are pulling back on later-stage climate-related engagement, voting, and divestments, which also reinforces earlier findings that funds are opting for a lower profile on climate-related issues.

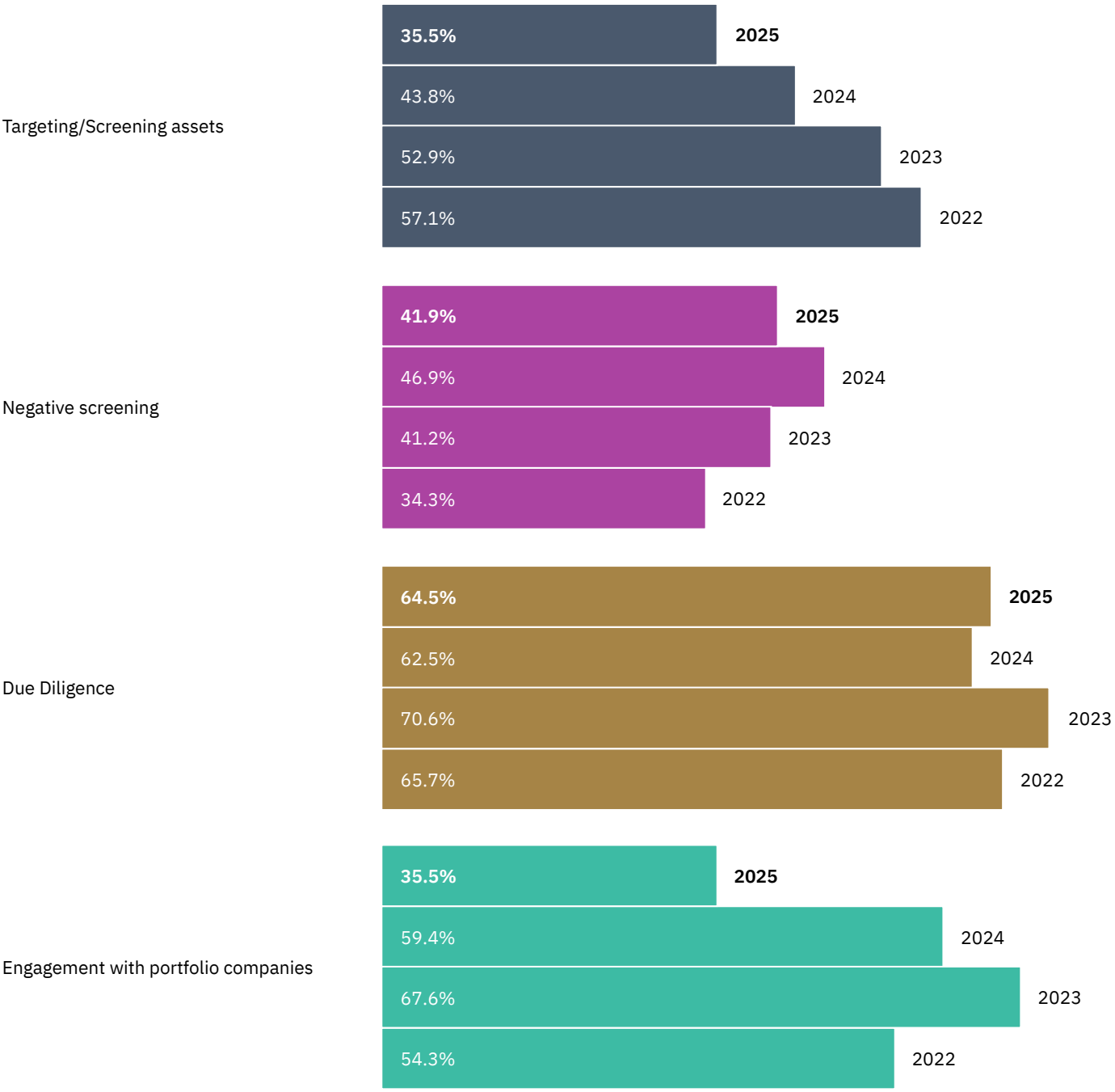
Sovereign wealth funds are increasingly asking their internal managers to provide **hard, quantifiable data** on companies' climate performance

2.1. Where climate considerations are applied

Sovereign wealth funds are increasingly asking their internal managers to provide hard, quantifiable data on companies' climate performance. Funds are most likely to consider climate-related issues as part of the due diligence before transactions. Funds are less likely to use positive or negative screening, company engagement or divestment to integrate climate considerations in the investment process.

The survey maps where in the investment lifecycle sovereign wealth funds integrate climate considerations. Response options were refined between survey waves following pre-screening with specialists. Although this limits strict one-to-one comparability for individual categories, the overall pattern is clear: sovereign wealth funds implement climate policy through ex ante investment assessment, while engagement-based execution has become less prevalent.

Figure 2.1: Methods of climate policy integration in investment processes (2022-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

Manager selection. For externally managed assets, sovereign wealth funds increasingly formalise climate expectations at the point of manager selection and appointment, embedding requirements contractually and monitoring compliance through specific metrics. This lifecycle sequencing —expectations set at selection, contractualised at appointment, and verified through monitoring—is examined in greater detail in Section 2.2.

Positive screening. Sovereign wealth funds are relying less on screening—positive or negative—to integrate climate considerations into the investment life cycle. Positive screening, in the form of intentionally targeting energy transition assets, is used by 36% of sovereign wealth funds. This marks a downward trend from 2022, when 57% of funds targeted such assets.

Negative screening, in the form of excluding certain sectors or companies, has declined to 42% in 2025, down from a peak of 47% in 2024. Screening is a blunt but often cost-efficient tool that relies on matching certain pre-determined criteria with company data and can be scaled across a vast number of companies or projects. Screening still serves as an early filter, but fewer funds rely on it as a primary mechanism in the investment life cycle.

Due diligence. The most widely used approach is assessing climate-related factors at the deal stage, cited by 65% of respondents, largely unchanged from 66% in 2022. This stability over the last four years suggests that deal-stage assessment has become the most established point of climate integration in the investment process. The stronger relative position of deal-stage assessments in 2025 supports the earlier finding on opportunities as a stronger motivation for climate considerations.

Monitoring. Forty-five per cent (45%) of sovereign wealth funds regularly track climate indicators to guide portfolio decisions. This makes monitoring the second most crucial step in integrating climate issues into the investment cycle. This question was added to the survey in 2025 to reflect feedback from earlier respondents. Monitoring is examined in greater detail in Chapter 3, which finds that some funds are questioning the ongoing relevance of top-down portfolio analyses.

Engagement and voting. Thirty-six per cent (36%) of sovereign wealth funds report engaging with portfolio companies on climate-related issues, including voting of shares where applicable, down from 59% in 2024. This marks the sharpest decline in any single step of the investment life cycle. A drop in climate-related engagement suggests investors may be overlooking value creation opportunities—particularly those with the discipline and resources to influence companies in managing energy use and reducing emissions.

Divestment. Sovereign wealth funds are less likely to divest from companies even after a negative environmental event or when engagement has not had the desired effect. Only 23% of funds reported using divestments in 2025. Divestment is examined in greater detail in Section 2.3.

The lifecycle mapping reveals a consistent pattern. Sovereign wealth funds concentrate climate governance where they exercise the most control and can have the greatest impact—at manager selection, deal assessment, and monitoring— and are retreating from mechanisms that operate later in the cycle, particularly engagement and voting. The data do not establish the cause of this shift, but two explanations are consistent with the evidence. First, engagement fatigue: as climate considerations concentrate at the deal stage, funds may reduce post-investment stewardship, which is more resource-intensive and where influence is structurally limited, especially for minority stakes. Second, institutional repositioning: the 2024 survey showed funds already opting for a lower public profile on climate action, and a reduction in reported engagement activity is consistent with that trend. Both explanations may be valid.

CASE EXAMPLE 2 [integration of climate risk considerations]:

Abu Dhabi Investment Authority (ADIA) incorporates climate risk considerations into its underwriting process. ADIA is further formalising this process by incorporating climate risk analysis from specialist third party firms into its deal evaluation documents and making that analysis part of the annual strategy and risk evaluation.

Source: OPSWF 2025 Framework Companion Document

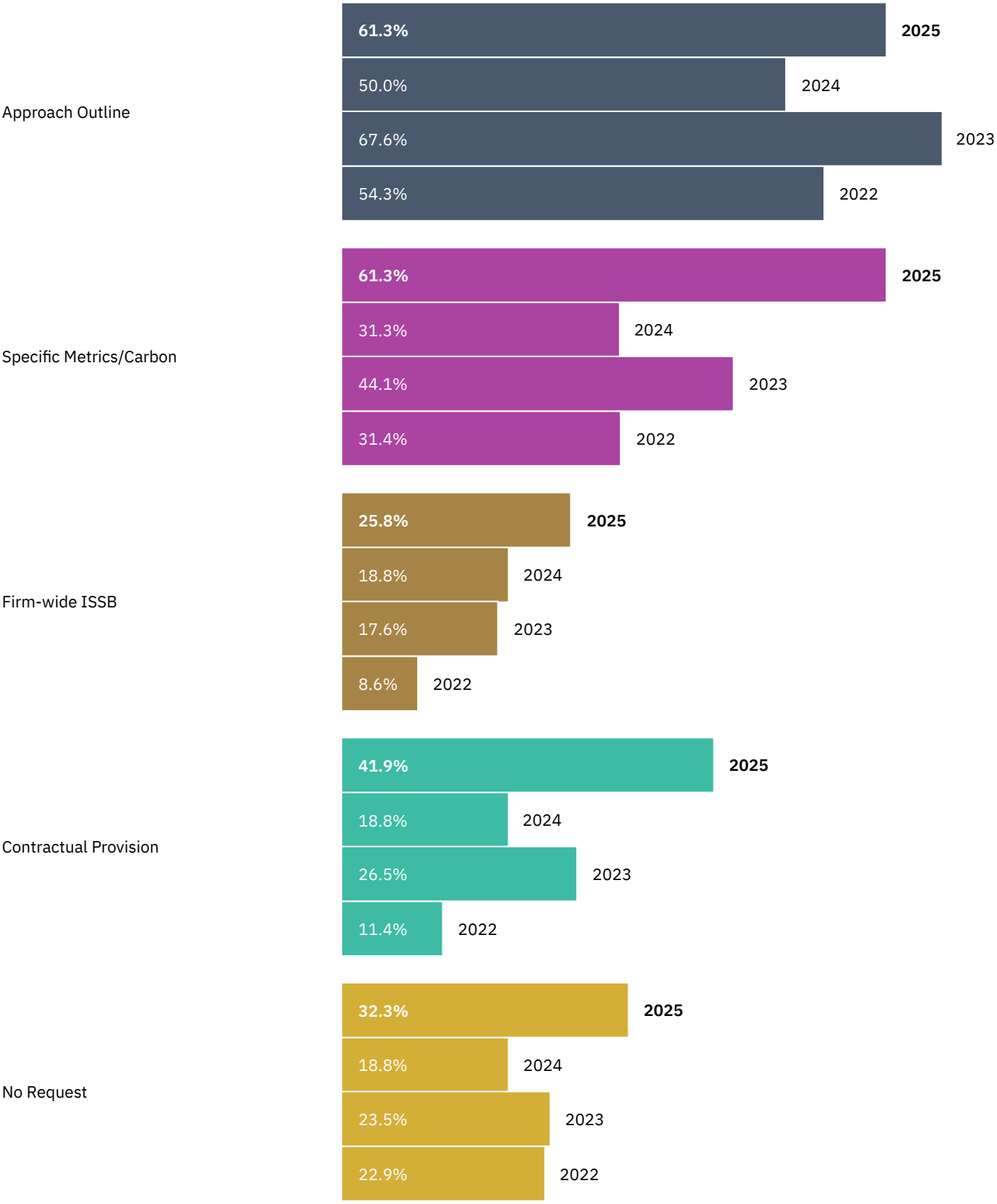
Sovereign wealth funds focus their climate consideration **earlier in the investment life cycle**

2.2 Climate requirements for asset managers

Sovereign wealth funds increasingly set climate-related expectations of their external managers, both in terms of specific indicators and globally recognised reporting frameworks, and formalise those expectations in their agreements. Funds are also shifting towards more stringent, quantifiable requirements. This shift further supports the finding that sovereign wealth funds focus their climate consideration earlier in the investment life cycle, suggesting a maturing approach.

The lifecycle sequencing noted earlier of asset manager requirements — expectations set at selection, contractualised at appointment, and verified through monitoring — reflects a process-design logic that is distinct from (and increasingly substituting for) direct engagement with portfolio companies.

Figure 2.2: Climate reporting requirements for asset managers (2022-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

Specific metrics. Sixty-one per cent (61%) of sovereign wealth funds now require asset managers to provide specific climate, sustainability, or governance metrics (such as carbon footprint), rising sharply from 31% in 2024 and capping a rising trend. In addition, a growing number of funds (26%, up from 9% in 2022) now request firm-wide reporting aligned with ISSB standards (including former TCFD), reflecting the mainstreaming of climate disclosures.

Setting expectations. Six in ten funds (61%) request that asset managers outline their approach to climate change or sustainability before appointment, stabilising a relatively flat trend. The request for an overall climate approach—in effect, a qualitative narrative—is accompanied by the increasing demand for specific climate metrics detailed in the figure above. This suggests that sovereign funds are setting more specific, quantitative climate requirements when selecting external managers.

Contractual agreements. The most significant shift is in contractual provisions of climate considerations. In 2025, 42% of respondents included specific climate change provisions in their manager agreements, up from just 12% in 2022. This near quadrupling over four years indicates that funds are moving from informal expectations to binding commitments.

No climate requirements. The proportion of funds that do not request any climate-related reporting from managers has increased (from 23% in 2022 to 32% in 2025), though this increase may reflect changes in sample composition rather than a decline in engagement. Notably, even among this group, some may rely on direct investments rather than external managers for climate-related exposure.

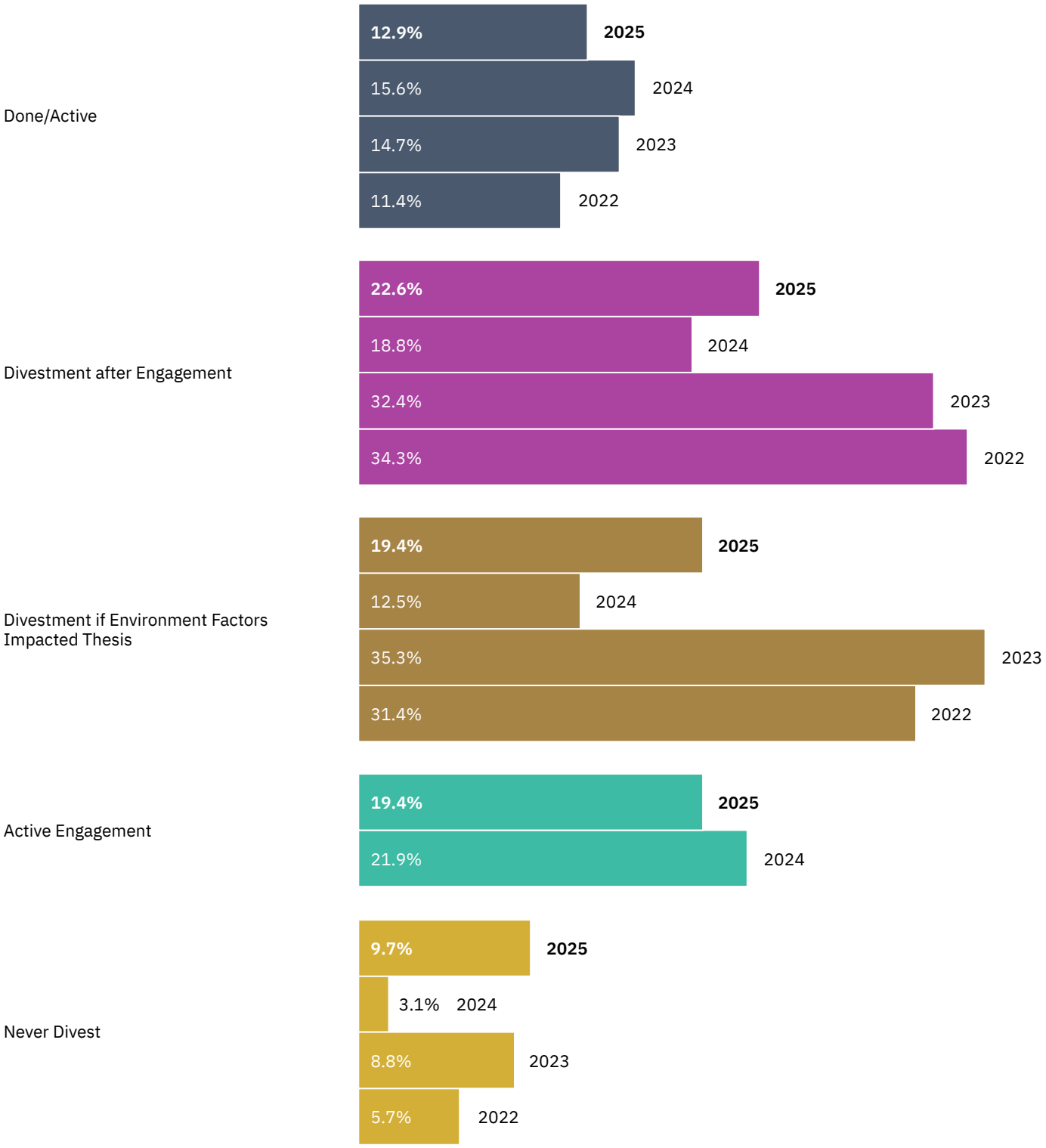
2.3 Divestment: Frequency, triggers, and conditions

The most **common rationale for** considering **divestment** remains the failure of engagement to deliver adequate outcomes.

Sovereign wealth funds are less likely to divest from companies due to negative environmental events or if engagement with the company has not had the desired effect. Survey respondents consistently framed divestment on climate-related grounds as a conditional and last-resort option, rather than a primary tool for addressing climate risk. This reinforces other findings that funds are taking a less confrontational stance on climate issues.

The most common rationale for considering divestment remains the failure of engagement to deliver adequate outcomes. Twenty-three per cent (23%) of funds reported in 2025 that they would consider divesting from a company if extensive engagement did not produce sufficient progress. This marks a downward trend from 2022, when 34% of funds reported that they would divest if engagement did not yield the desired results.

Figure 2.3: Approaches to company divestment[1]



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

1 Note on Methodology: Survey categories have been condensed for clarity. 'Would divest if engagement fails' refers to divestment considered only after extensive engagement fails to produce adequate outcomes. 'Favour engagement' specifically relates to seeking transition strategies and physical asset exposure risks within oil and gas holdings. 'Thesis impact' refers to divestment triggered by environmental factors negatively impacting the core investment case.

Even fewer funds (10%) reported that they would divest from a company in response to a significant negative environmental event. This marks a sharp decline from 2022, when 31% of funds indicated they would divest due to such an event, signalling a shift away from event-driven divestment practices.

Actual divestment remains limited in practice. Between 2022 and 2025, only 11-16% of respondents reported having divested from a company on climate-related grounds. At the same time, a consistent minority reported that they would not consider divestment on environmental grounds, rising to 10% in 2025.

Taken together, the findings reinforce the view that sovereign wealth funds continue to prioritise climate considerations earlier in the investment life cycle (manager selection and due diligence). Funds also continue to prioritise engagement over exit. At the same time, these findings may also indicate that many companies have gradually reduced their negative environmental and climate impacts and have become more accustomed to engaging with investors. Divestment remains available as a tool, but it is applied selectively, typically only after engagement strategies have been exhausted.

CASE EXAMPLE 3
[use of exclusions to lower GHG emissions of portfolio]:

Korea Investment Corporation (KIC) enhanced its climate risk mitigation strategies in 2025, including ESG-dedicated funds, ESG quant approaches, and refined exclusion and divestment strategies. These efforts have resulted in lower carbon emissions and Weighted Average Carbon Intensity (WACI) for both KIC's equity and bond portfolios compared to their benchmarks.

Source: OPSWF 2025 Framework Companion Document

3. From risk assessment to investment decisions

Most sovereign wealth funds are evaluating climate-related risks and opportunities in their investment portfolios, but the survey suggests that some funds are questioning the ongoing relevance of top-down portfolio analyses. Funds primarily aim to understand transitional and physical climate issues, as well as the carbon footprint of specific sectors. Data quality remains a major obstacle to fully understanding climate-related risks and opportunities in investment portfolios.

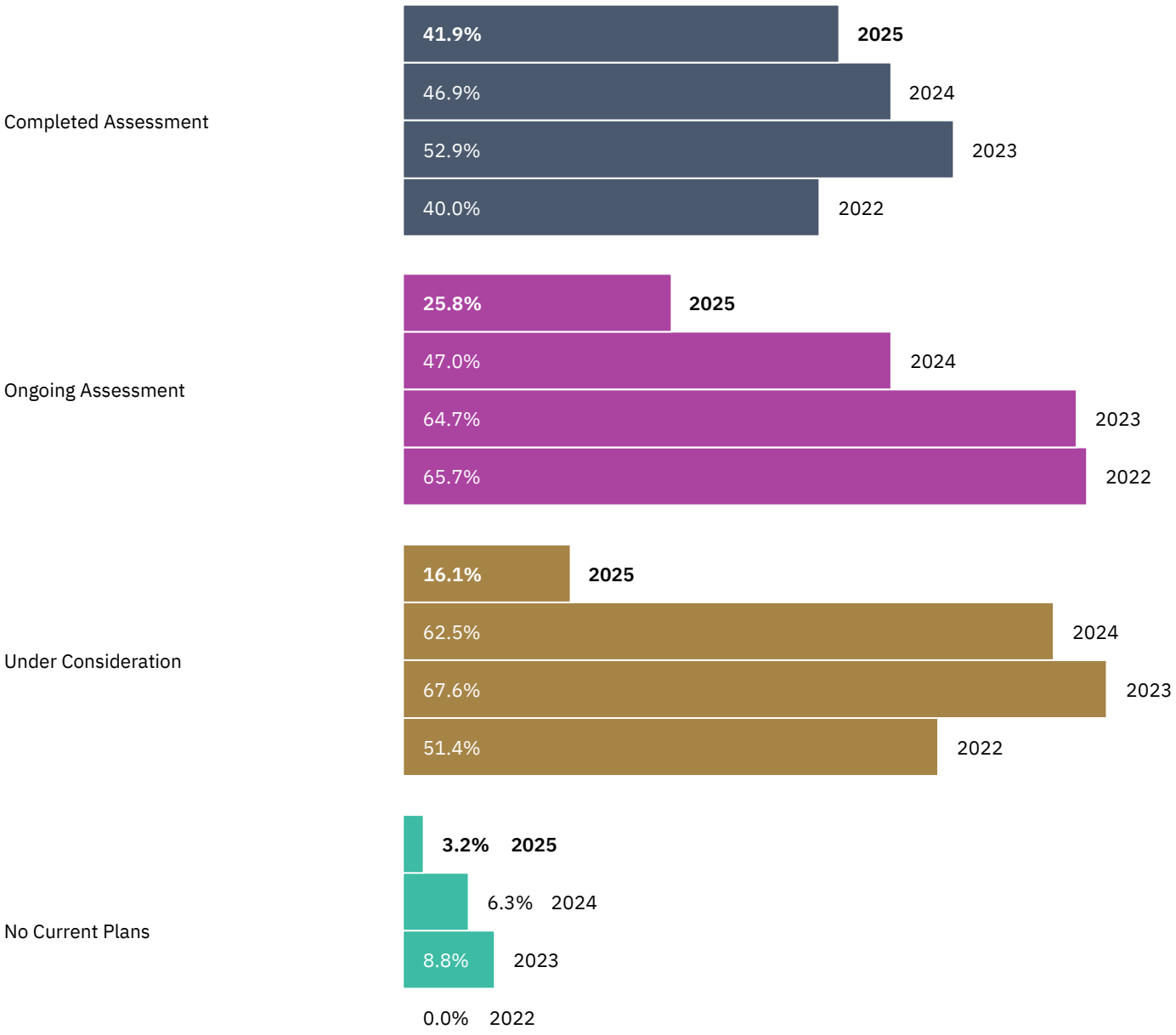
More funds are **questioning the** continued **relevance** of top-down, portfolio-wide assessments of climate risks and opportunities

3.1 Climate risk assessment: Adoption, maturity, and plateau

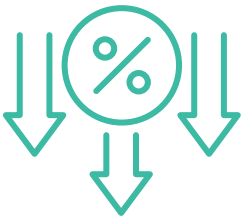
The vast majority of sovereign wealth funds have already assessed climate-related risks and opportunities in their portfolios, are in the process of assessing them, or are considering doing so in the future. But because it blends past performance with future plans, this static figure does not reflect the downward trend: funds also report a marked drop in current climate assessments or those planned for the future. This points to more funds questioning the continued relevance of top-down, portfolio-wide assessments of climate risks and opportunities.

In 2025, 42% of sovereign wealth funds reported having assessed climate-related risks and opportunities in their portfolios, a decrease from 50% in 2024. The percentage of funds that completed such assessments grew steadily from 32% in 2021 to 40% in 2022, peaking at 53% in 2023. This pattern shows a rapid adoption of climate risk assessment capabilities through 2024, followed by a decline back to earlier levels. Differences in sample sizes among funds and a more cautious approach to internal processes might explain the reduction in completed assessments.

Figure 3.1: Implementation status of climate portfolio risk assessments (2022–2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025
Categories do not add up to 100% as multiple answers were possible.



The share of institutions assessing climate-related risks and opportunities **fell sharply** to 26% in 2025

This downward trend is even more pronounced among funds in the process of, or considering, climate risk assessments. The share of institutions assessing climate-related risks and opportunities fell sharply to 26% in 2025, down from 65% in 2023 and 47% in 2024. An even sharper contraction is visible among funds reporting that they are considering climate assessments, dropping to 16% in 2025, down from 68% in 2023 and 63% in 2024. These sharp drops indicate that a significant share of funds have either halted ongoing climate assessments or abandoned plans for future assessments.

Overall, climate risk assessments have moved beyond a widespread adoption phase into a period of maturity. Very few funds report in 2025 that they have not considered or decided against climate assessments. The share of funds that have decided against climate assessments has declined steadily from 43% in 2021 to 3% in 2025, suggesting that outright opposition to climate risk assessment has largely disappeared among surveyed sovereign wealth funds.

Taken together, the data points to a narrowing pipeline of new climate assessments. Fewer institutions are initiating or completing climate assessments. This pattern suggests that, for many sovereign wealth funds, the focus on climate issues has shifted from expanding top-down portfolio analysis to maintaining, updating, or selectively applying existing assessments.

Analytical capability has matured, but the survey does not indicate that this maturity has yet translated into investment-relevant insights. Climate risk assessment is no longer a new capability for this peer group; it is an established process applied selectively. The more consequential question—whether climate assessments can inform asset allocation and portfolio construction or primarily support due diligence within existing strategies—remains open. The 2025 results suggest the latter. That is not a failure of intent. It reflects the binding constraints identified in the call-out box below: data quality and the size of the investable opportunity set continue to limit the translation of analysis into action. As shown in earlier sections, climate considerations are most consistently applied at the deal stage, while engagement-based approaches have declined, and evidence of broad capital reallocation remains limited. As noted above, this raises an important question for the next phase of climate integration: whether existing risk assessments are actively shaping investment strategies or rather supporting due diligence and risk management within existing strategies.

The 2025 results suggest that top-down, portfolio-wide climate assessments are no longer a new capability for sovereign wealth funds, and the usefulness of these assessments in shaping investment decisions appears uneven.

3.2 Assessment techniques: Concentration and constraints

There are many ways to assess climate-related risks and opportunities in investment portfolios. Sovereign wealth funds report the strongest interest in understanding transition and physical climate risks and opportunities in their portfolios, and in performing carbon footprinting of selected (presumably carbon-intensive) sectors. A smaller share of funds uses more technical assessments, including transition plans and decarbonisation pathways.

While earlier surveys asked whether climate risk assessment is taking place, the 2026 report provides additional insight into how sovereign wealth funds approach specific dimensions of climate risk assessment. The analytical techniques covered, including carbon footprinting, physical and transition risk assessment, and scenario analysis, are broadly consistent with those included in previous surveys.

The main change in 2025 is to the response structure, not the content. Earlier surveys allowed multiple activity stages per technique, inflating activity levels when combined. The 2025 design simplifies this to a single response: undertaken or planned. To compare across years, use the 'completed' category from earlier surveys. The 2025 figures show genuine capability, not regression, and this structure will stay in future surveys for consistency.

In 2025, respondents were asked to indicate whether these assessment techniques had been undertaken or were planned, without distinguishing between stages of completion. This framing provides a more conservative and streamlined view of assessment activity and establishes a clearer baseline for future comparisons.

Against this backdrop, the 2025 results show that climate assessments are concentrated around a limited set of core techniques. Transition risks and opportunities, and physical climate risks and opportunities are each reported by 45% of respondents. Carbon footprinting is also widely used, with 45% assessing specific areas of the portfolio and 42% assessing the portfolio's carbon footprint in total.

Fewer than one-third of respondents **measure and monitor** climate solution investments

A smaller subset of institutions applied more advanced or resource-intensive techniques. Thirty-six per cent (36%) of respondents reported conducting climate scenario analysis, while 39% reported assessing climate adaptation and resilience investments. Fewer than one-third of respondents (29%) report measuring and monitoring investment in climate solutions, and 26% assess decarbonisation or transition pathways for portfolio companies. The proportion reporting a formal transition plan is lower still, at 19%.

Taken together, these results suggest that sovereign wealth funds are applying a familiar set of climate risk assessment tools, with greater uptake of foundational techniques and more limited use of advanced or asset-level approaches.

CASE EXAMPLE 4 [climate assessments]:

In partnership with the European Investment Bank (EIB), Growthfund has initiated Climate Risk and Vulnerability Assessments (CRVAs) for three ports in its portfolio. The CRVAs assess the ports' exposure to physical climate risks (e.g., flooding, coastal erosion), quantify potential financial impacts, and propose adaptation measures. This information helps the ports understand specific climate risks and integrate resilience into their operational and investment planning. Growthfund sees the CRVAs as enhancing portfolio resilience and value creation, and plans to expand their use to all the ports in which it is invested.

Source: OPSWF 2025 Framework Companion Document

58% of respondents reported a **struggle to find reliable data** on which to base climate-related investment decisions

3.3 Binding constraints: Data and opportunity

Data quality remains a significant obstacle for most sovereign wealth funds seeking to integrate climate considerations into their investment life cycle. A growing share of funds also report struggling to find suitable climate-aligned opportunities that meet their investment criteria. Lack of talent and organisational buy-in are not significant obstacles for most funds.

Data availability remains the single largest obstacle, and a remarkably stable one. In 2025, 58% of respondents reported struggling to find reliable data on which to base climate-related investment decisions, a figure that has remained roughly the same across multiple surveys. The consistency of this finding is itself significant: it points to a structural gap in the climate data ecosystem that incremental improvements have not yet resolved.

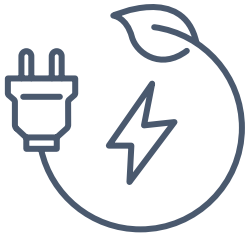
The declining availability of climate-aligned opportunities that meet the fund's investment criteria is particularly noticeable. The proportion of respondents reporting difficulty in finding suitable climate-aligned investment opportunities increased to 36% in 2025, up from 31% in 2024 and around 20–23% in earlier years. When read alongside the motivation data, in which funds increasingly cite long-term return potential as a driver of climate engagement, a clear pattern emerges: sovereign wealth funds increasingly see the climate transition as an opportunity but struggle to find assets that meet their investment criteria.

Internal factors are less significant. Only 10% of respondents report organisational buy-in as a challenge, while 16% cite insufficient internal resources or expertise. These figures have remained broadly stable across survey waves and fall within normal margins of variation. A small but growing minority (16%) reports experiencing no material obstacles.

Taken together, these findings suggest that the primary barriers to deeper climate integration are external and structural, rooted in data infrastructure gaps and a mismatch between funding requirements and climate-aligned opportunities, rather than in internal resistance or a lack of talent.

4. Climate solutions

Sovereign wealth funds see the most attractive climate opportunities clustered in a few segments, including renewable energy generation, energy storage, and energy efficiency. Clean hydrogen, low-emission transport, and nature-based solutions are considered less attractive investments. Despite divergent policy and regulatory developments, the funds see the most attractive climate opportunities in the Americas, closely followed by Europe. Africa is also steadily considered a more attractive region for climate investments.



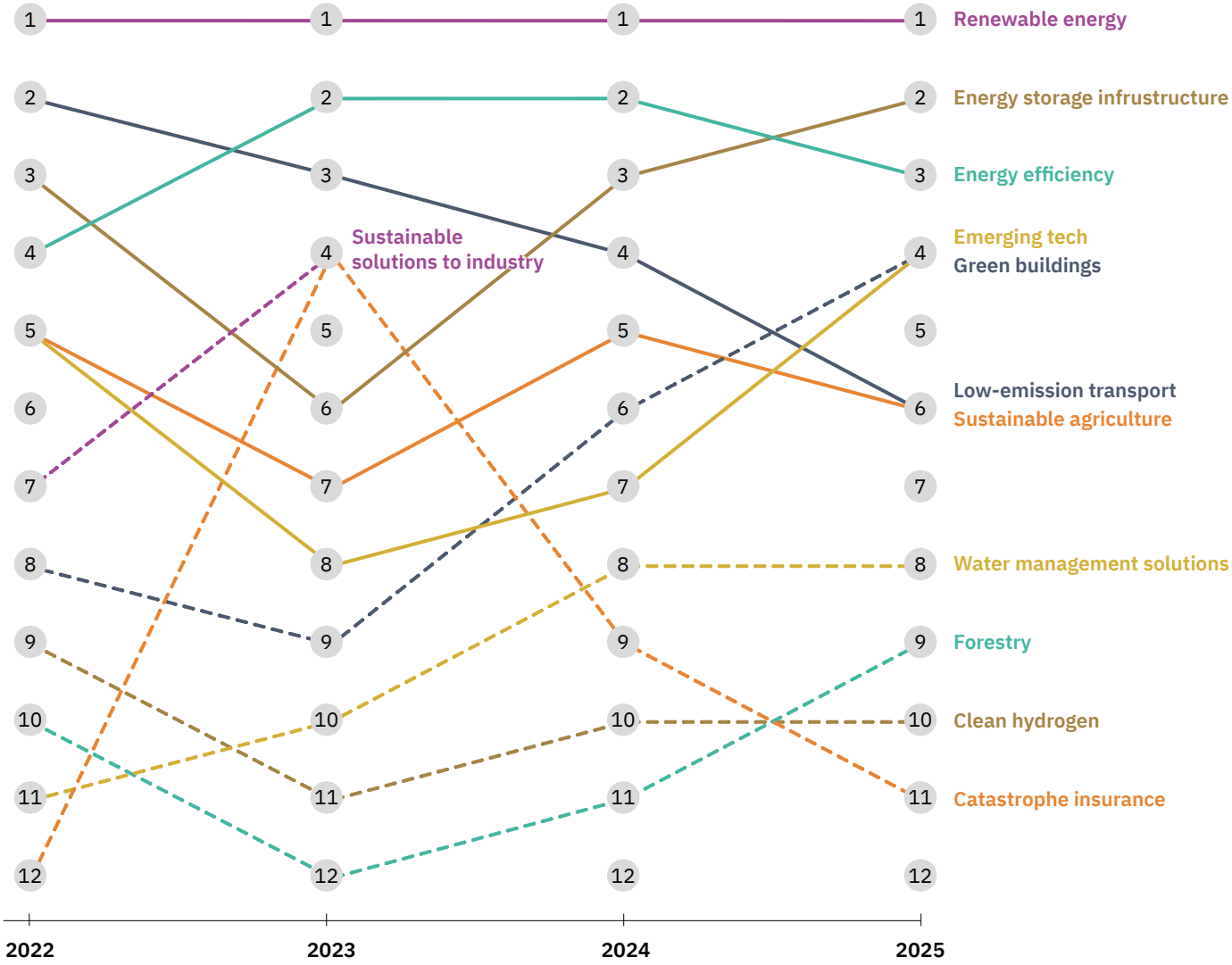
The **most attractive opportunities** are concentrated in a few segments, including **clean energy generation**

4.1 Economic segments: Where capital is drawn

With a record number of sovereign wealth funds citing financial opportunities as the main driver for considering climate, the most attractive opportunities are concentrated in a few segments, including clean energy generation. In addition, energy storage and energy efficiency are increasingly attractive segments, while low-emission transport, natural capital, and clean hydrogen are less attractive for investment.

To identify patterns across the 20+ individual segments, we calculated the average net score for each. Respondents rated each segment on a five-point scale; the final score is the net balance of the relative frequency of positive responses (4-5) and negative responses (1-2). The scoring results in a weighted index ranging from -100 (total negative consensus) to +100 (total positive consensus), where 0 represents a neutral midpoint.

Figure 4.1: Relative attractiveness of climate segments: 2022–2025 rankings by net score[2]



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

2 Note on Methodology: This 'Bump' chart tracks the relative ranking of segments based on their net scores (detailed in the Methodology). A rising line indicates a segment is gaining attraction compared to its peers. Because this is a relative rank, a segment's position may shift even if its absolute sentiment is stable, provided other categories experience higher volatility.

Energy storage is considered increasingly attractive

Sovereign wealth funds consider energy generation, energy storage and electrification to have the most attractive investment opportunities, with average net scores above 50 in 2025.

Renewable energy remains the anchor, with a net rating of 84. Scoring between 78 and 87 across the last four years, renewable energy generation is considered the most consistently attractive segment in the survey.

Energy storage is considered increasingly attractive. Storage infrastructure recorded the sharpest improvement, rising from 44 in 2023 to 83 in 2025. This likely reflects growing recognition that grid-scale storage is essential to managing intermittency as renewable energy expands.

Energy efficiency and electrification have become more attractive segments in the last three years. Both segments reached new highs in 2025 (78 and 56, respectively), up from their 2023 lows. The gains suggest renewed focus on demand-side solutions alongside supply-side generation.

In contrast, some segments have seen their investment attractiveness eroded over the last four years, as rising inflation and interest rates have changed industry dynamics. Clean hydrogen has suffered the sharpest decline in investment attractiveness, with a net score of -14 in 2025, down from 43 in 2022. A combination of stubbornly high production costs, slow infrastructure development, and a lack of committed buyers has likely contributed to this drop.

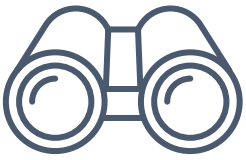
Low-emission transport has suffered a similar drop in investment attractiveness, with electric vehicles and mass transit declining to 36 in 2025, from a net score of 74 in 2022. This may reflect concerns about electric-vehicle market saturation in developed economies, policy uncertainty, or supply-chain constraints on critical minerals.

Sovereign wealth funds appear to remain cautious on nature-based solutions. The attractiveness of forestry and natural capital has declined to a neutral position in 2025, down from a net score of 39 in 2022. However, relative to other segments, forestry has shown some improvement over the past three years. A similar, though less pronounced, pattern is evident in sustainable agriculture and food security, which has remained broadly stable over this period with a net score of 36, but below its peak of 50 in 2022. Structural challenges—including limited deal sizes, liquidity constraints, and difficulties in measurement and verification—are likely to continue to constrain institutional appetite for nature-based solutions.

Green buildings have seen a strong recovery over the past three years, reaching a net score of 39 in 2025. While this remains below the historical peak of 47 in 2022—highlighting some volatility in the segment—green buildings have continued to gain ground relative to other climate sectors and now rank fourth in terms of financial attractiveness. This trajectory suggests that investors are showing increased interest in the risk–return profile of green buildings.

Adaptation and resilience are stabilising. After a dip in 2024 (net score of 6), this cluster recovered to a net score of 28 in 2025. The volatility across years (ranging from 6 to 29) suggests investor sentiment around physical climate risk is still forming.

4.2 Regional investment attractiveness



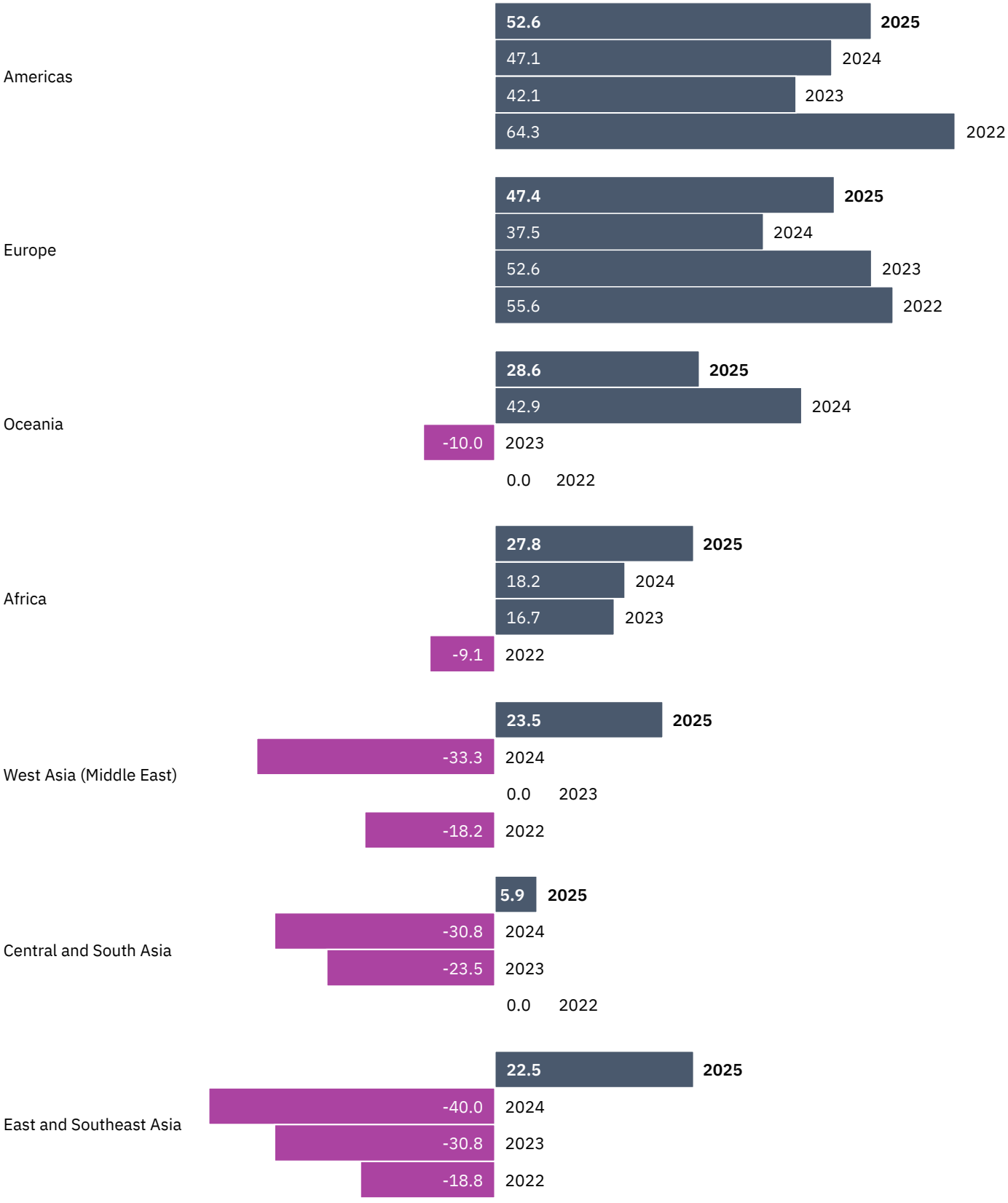
For the **first time in four years**, sovereign wealth funds report **a positive view of investment opportunities** in all regions

Sovereign wealth funds remain consistent in their assessment of climate-related opportunities in different regions. Despite divergent policy and regulatory developments, the funds see the most attractive investment opportunities for climate solutions in the Americas, closely followed by Europe. Africa is also steadily considered a more attractive region for climate investments.

Respondents rated each region's attractiveness for climate-related investment on a five-point scale. To summarise sentiment, we calculated a Net Score: the percentage of positive responses (4-5) minus the percentage of negative responses (1-2), resulting in a range from -100 to +100.

The 2025 responses mark a turning point: for the first time in four years, sovereign wealth funds report a positive view of investment opportunities in all regions (positive net scores). This broad-based optimism contrasts sharply with the divergent sentiment reported in previous years.

Figure 4.2: Regional attractiveness: Measuring global investor confidence (2022-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

The **Americas** continue to be the **most attractive region** for climate solutions

Sovereign wealth funds continue to view the Americas as the most attractive region for climate solutions, with a net score of 53. This caps a three-year upward trend, despite increased policy and regulatory uncertainty in the US.

The investment attractiveness of Europe lags that of the Americas, but has remained remarkably stable, with a net score fluctuating between 47 and 56 across the last four years. This suggests that sovereign wealth funds view these markets as reliable anchors for climate investments.

Africa has demonstrated a clear positive trend since 2022, with net scores growing from -9 in 2022 to +28 in 2025. This 37-point improvement over the last four years suggests a gradual reassessment of the continent's climate investment potential.

The sentiment in other emerging markets has varied significantly over time. The most striking development is a more positive view of regions that were, on average, not considered attractive for investment as recently as 2024. West Asia swung from -33 in 2024 to +24 in 2025, a 57-point reversal. East and Southeast Asia saw an even larger turnaround, moving from -40 in 2024 to +22 in 2025. These shifts may reflect growing confidence in regional energy transition plans and expanding renewable infrastructure pipelines.

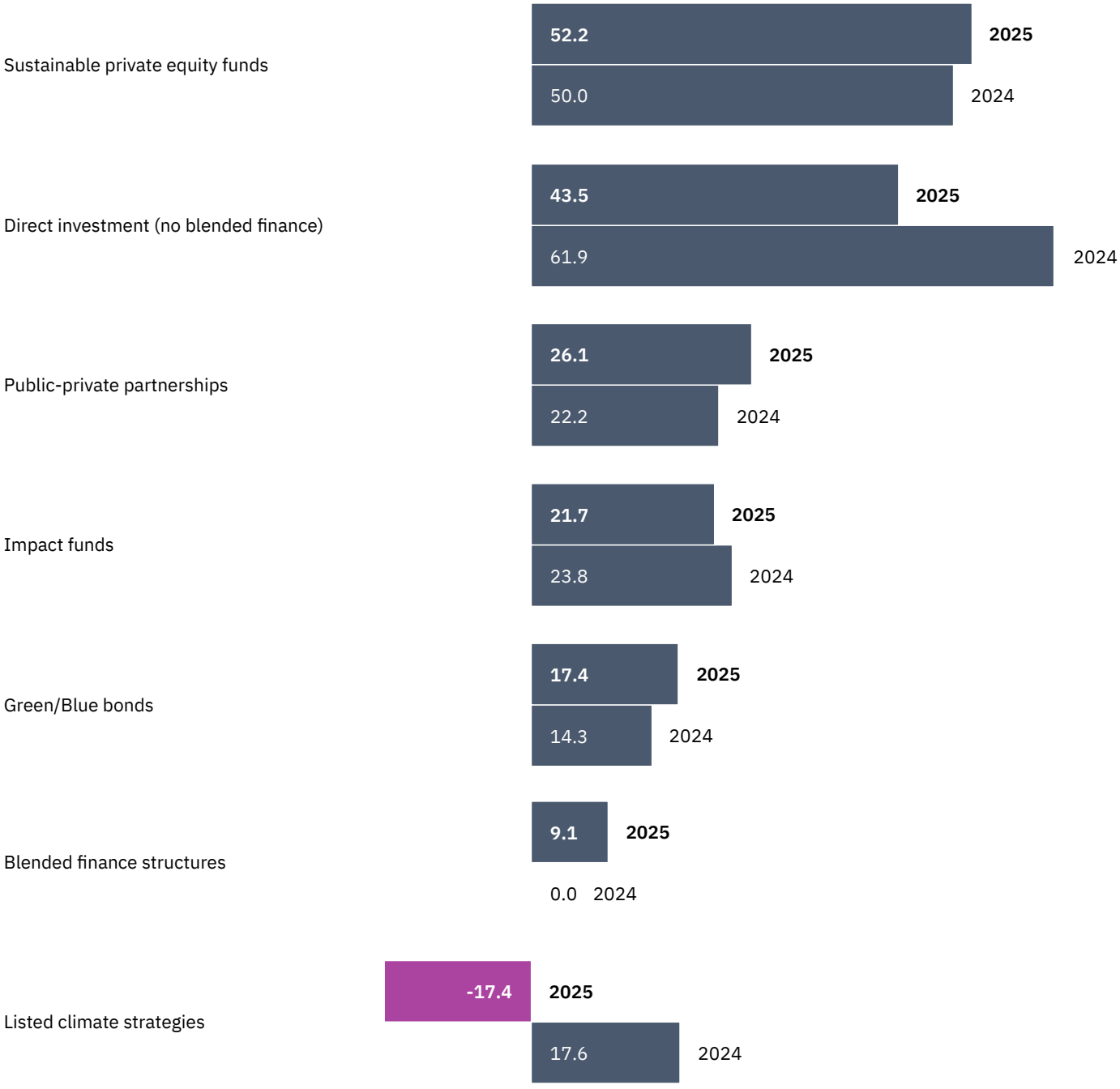
Sovereign wealth funds are less convinced about the climate-related investment opportunities in Oceania and Central/South Asia. Both regions show improving but volatile net scores. Oceania jumped to +43 in 2024, then settled at +29 in 2025, while Central and South Asia only recently turned positive at +6 after years of negative sentiment.

4.3 Financing approaches

Sovereign wealth funds express a preference for sustainable private equity funds and direct investments to capture climate-related opportunities. Some funds also use public-private funds and impact funds to invest in climate solutions.

This question asked respondents about their engagement with different financing options, ranging from 'We have not considered' to 'We have done'. To summarise sentiment, we calculated a net score: the percentage of respondents who have acted or are in the process of acting, minus the percentage who have not considered or decided against each option.

Figure 4.3: Attractiveness of climate financing mechanisms (2024-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

Direct investment and sustainable private equity show the strongest net scores (44 and 52, respectively, in 2025), reflecting sovereign wealth funds' continued preference for direct ownership and control over climate-related assets. Direct investment declined from 62 in 2024, though this may reflect saturation rather than a diminishing interest.

Blended finance has stalled. Despite its prominence in climate finance discussions, blended finance structures score just 9 in 2025. Funds may remain cautious about the complexity of concessional arrangements or uncertain about alignment with fiduciary mandates.

Listed climate solutions strategies recorded the only negative score (-17 in 2025), suggesting that funds see limited value in public market climate products compared to private market alternatives. Listed sustainable investment funds, which scored positively in 2024 (18), were not included in the 2026 report.

Impact funds, green/blue/sustainability-linked bonds, and **public-private partnerships** all score in the 17-26 range—positive but not decisive. These approaches may represent complementary tools rather than core strategies.

CASE EXAMPLE 5 [climate as an opportunity]:

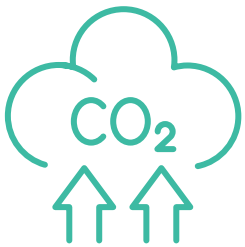
In 2024, Mubadala portfolio company Masdar, Abu Dhabi's Future Energy Company, invested nearly $8 billion in equity as it expanded its clean energy portfolio by 62%, reaching 51 GW of capacity across more than 40 countries.

Source: OPSWF 2025 Framework Companion Document

5. Reporting and targets: Institutionalisation, not signalling

Sovereign wealth funds are taking divergent views on decarbonisation targets, likely driven by their different investment mandates. Most funds are nevertheless aligned with their national net-zero targets. When reporting on climate issues, funds are increasingly relying on recognised international standards. Some funds are taking a less public stance on climate and reducing their public disclosures.

5.1 Portfolio-level climate targets



The share of funds with a formal **net-zero target** has reached its **highest level to date** at 19%

Most sovereign wealth funds are aligned with their national net-zero targets. When it comes to setting their own decarbonisation targets, funds are split into two camps: a small but growing share has adopted net zero targets, while a larger (and also growing) share has no plans to consider such targets.

Sixty-eight per cent (68%) of sovereign wealth funds are aligned with their national energy transition and net-zero targets, confirming a longer trend. Only 13% of funds report that they are not aligned with their national targets.

The share of funds with a formal net-zero target has reached its highest level to date at 19%. Simultaneously, the share with no intention of adopting a quantitative decarbonisation target has also reached its highest level, at 36%. Both ends of the distribution are growing. This may reflect that differences in investment mandates are becoming more visible. Funds operating under explicit development mandates face different expectations on climate impacts than funds with pure financial return objectives.

A relatively stable share of sovereign funds (13%) is considering a net zero target, but is unlikely to introduce one in the next 2-3 years. Ten per cent (10%) of funds report having other decarbonisation targets.

Taken together, the findings suggest that targets are being adopted cautiously and selectively. Where used, they tend to function as monitoring and governance tools, rather than as rigid allocation constraints.

CASE EXAMPLE 6 [climate targets]:

In November 2022, His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince, Prime Minister, and Chairman of Public Investment Fund (PIF), announced PIF's commitment to achieving net-zero by 2050.

Source: OPSWF 2025 Framework Companion Document

A **growing share of funds (32%)** report using standards aligned with the International Sustainability Standards Board (ISSB)

5.2 Use of reporting standards and frameworks

Sovereign wealth funds are disclosing more on the sustainability of their investments and increasingly using global climate frameworks and reporting standards. At the same time, funds are pulling back on explaining their approach to climate change, indicating that they are taking a less public stance on the issue.

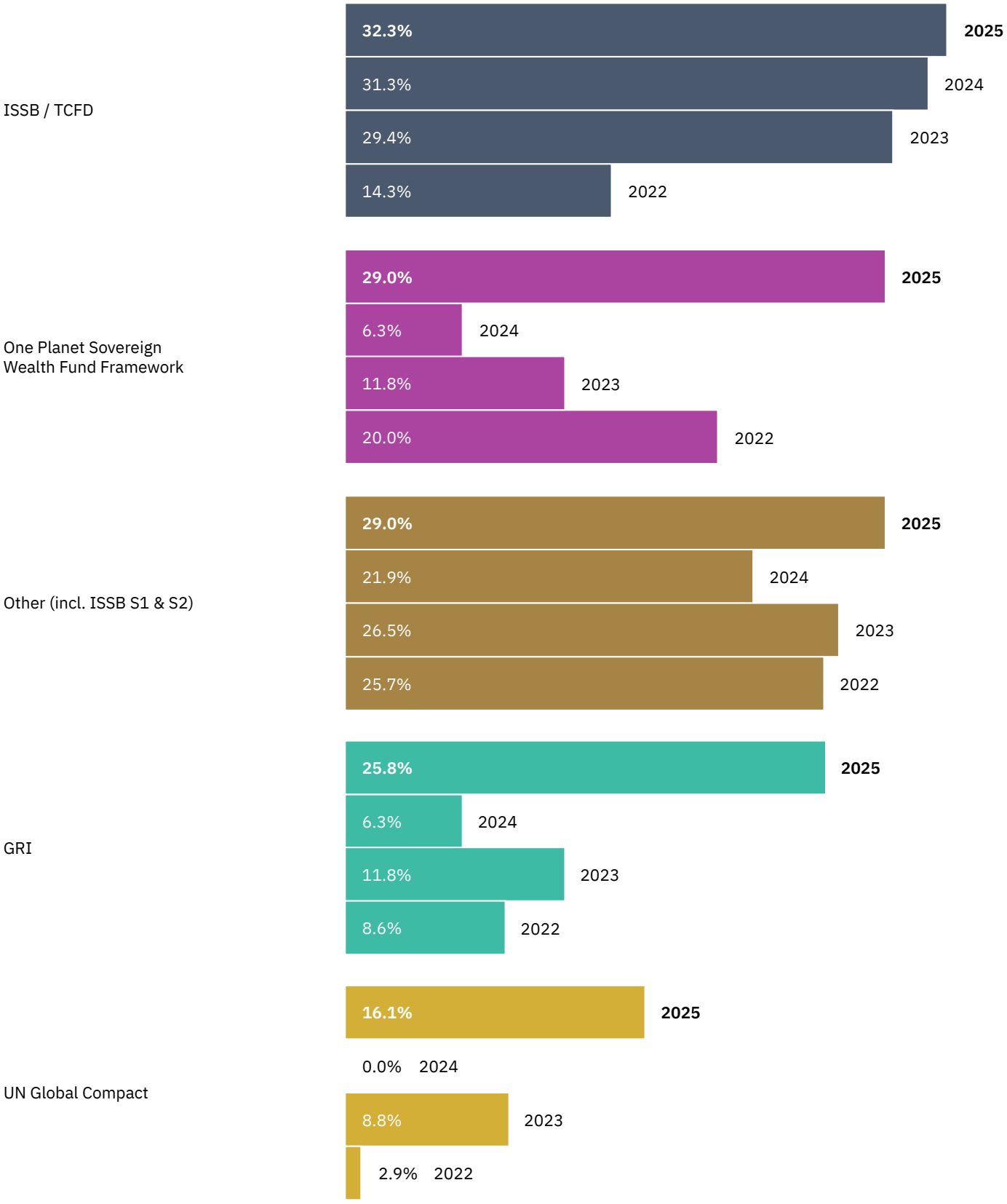
The survey indicates increasing convergence around a limited number of climate-related reporting frameworks. A growing share of funds (32%) report using standards aligned with the International Sustainability Standards Board (ISSB), including those developed under the former Task Force on Climate-related Financial Disclosures (TCFD). This marks a significant increase from 14% adoption in 2022, a year after the ISSB was established at COP26 in Glasgow.

Nearly as many sovereign wealth funds (29%) report using the OPSWF Climate Disclosure Framework, marking the highest adoption rate so far since its launch in 2017. The Global Reporting Initiative (GRI) and the UN Global Compact also have their highest adoption rate to date, with 26% and 16% of funds, respectively, using them in their climate reporting

At the same time, the continued use of multiple frameworks reflects the fragmented nature of the reporting landscape. Some funds report against a combination of international standards, internal frameworks, and jurisdiction-specific requirements, depending on the mandate and reporting audience.

The persistence of framework fragmentation despite some consolidation underscores that convergence is underway but not complete. Reporting practices continue to evolve alongside regulatory developments and data availability.

Figure 5.2: Adoption of Global Climate Reporting Frameworks (2022-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

32% of sovereign wealth funds publish dedicated sustainability reports, reflecting a **positive five-year trend**

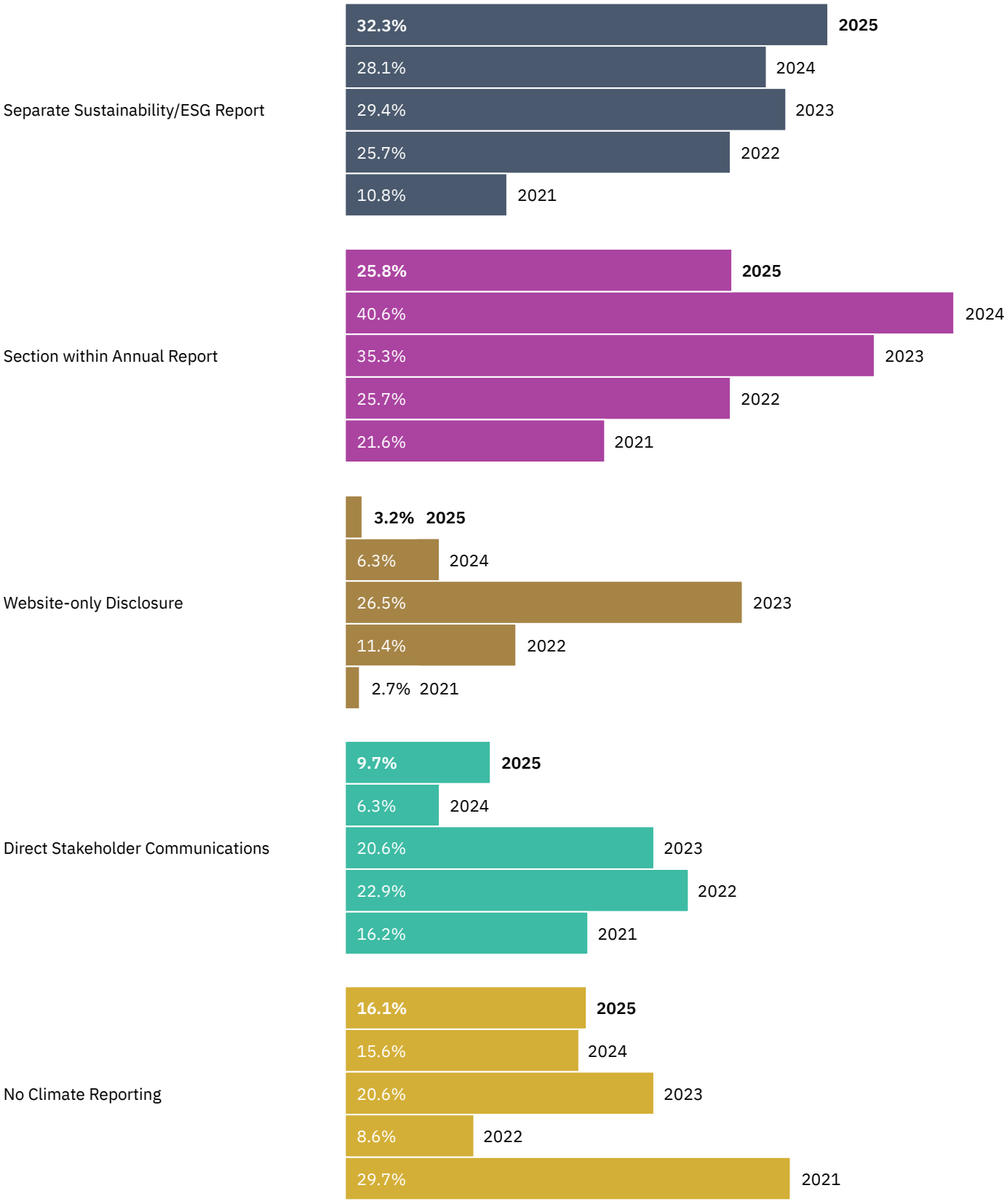
5.3 How climate strategy is reported: Rigour and restraint

Sovereign wealth funds increasingly diverge in their approach to climate disclosures: There is a marked drop in funds publicly disclosing their climate change approach in their annual reports, while a small increase in funds' reporting separately on sustainability more broadly, continuing a longer positive trend.

Currently, 32% of sovereign wealth funds publish dedicated sustainability reports, reflecting a positive five-year trend from 2021, when just 11% shared this information publicly. Standalone reporting is increasingly common, particularly when funds develop climate-specific strategies or respond to stakeholder expectations. Nonetheless, the gradual move toward integrating climate issues into mainstream reporting indicates that climate considerations are becoming part of overall investment and risk management rather than remaining a separate disclosure process.

As noted earlier, however, there has also been a marked drop in the number of funds that describe their climate change approach in their annual reports. Twenty-six per cent (26%) of funds describe their climate approach in 2025, down from 41% in 2024 and marking a break in a longer positive trend. This decrease confirms earlier findings that sovereign wealth funds and institutional investors in general are taking a less public role on climate issues.

Figure 5.3: Evolution of corporate climate change reporting strategies (2021-2025)



Source: IFSWF-OPSWF Climate Change Survey 2020-2025

While the share of respondents reporting no climate-related disclosure has declined, it has not disappeared entirely, reflecting ongoing diversity in institutional maturity, mandates, and disclosure obligations.

The 2026 report confirms an established trend of international reporting standards finding wider adoption. At the same time, there is a divergence between more standardised reporting and public visibility. A growing number of fund reports are using ISSB-aligned frameworks internally while simultaneously reducing public disclosure of their climate approach. Funds are reporting more systematically but also less publicly. This pattern of rigorous internal governance combined with deliberate external restraint reflects the same reputational caution observed in the engagement data. This dynamic is sometimes referred to as green whispering: institutional investors who continue to integrate climate considerations but do so quietly.

CASE EXAMPLE 7 [reporting]:

The Nigeria Investment Authority (NSIA) reinforced transparency and accountability by publishing its second Sustainability & Impact Report, providing stakeholders with clear insights into its ESG performance, climate strategy, and long-term value creation.

NSIA has commenced implementing the ISSB's IFRS Sustainability Standards (S1 & S2), embedding climate-related disclosures into governance and reporting frameworks, and aligning with global best practices.

Source: OPSWF 2025 Framework Companion Document

Conclusion:
From intent to implementation

The 2026 report assessed whether five years of growing analytical expertise and a declared commitment have led to tangible changes in how sovereign wealth funds allocate capital. The evidence points to increased institutionalisation rather than portfolio shifts.

The focus on long-term returns has overtaken risk management as the main driver for climate integration (74% versus 68%), marking the first time this crossover has occurred across five survey waves. Deal-stage assessment remains the most common method of execution, cited by 68% of respondents and unchanged since 2022. Only 3% of sovereign wealth funds report not considering climate change in their investment decisions, down from 23% in 2022. These developments indicate genuine structural shifts in how sovereign wealth funds shape and implement climate policy.

Engagement with portfolio companies decreased from 59% to 36% within a single year. Divestment remains conditional: 23% of respondents would consider it after failed engagement, with actual divestment reported by 11–16% across all survey waves. The governance burden has shifted upstream, from post-investment stewardship to manager selection and deal assessment, with 42% of funds now including climate provisions contractually, up from 12% in 2022.

A notable finding in 2025 is the divergence between institutional rigour and public visibility. ISSB-aligned reporting has increased from 14% in 2022 to 32% in 2025. Meanwhile, the proportion of funds detailing their climate approach in annual reports fell from 41% to 26%, reversing a five-year positive trend. Net-zero commitments have split: formal adoption peaked at 19%, while the percentage with no plans to adopt a target also reached an all-time high of 36%. Sovereign wealth funds are reporting more systematically but less publicly.

A notable finding in 2025 is the **divergence between institutional rigour and public visibility**

Two structural constraints still hinder translating analysis into action. Data availability remains the biggest obstacle, cited by 58% of respondents, with little change across five survey waves. The investable opportunity set is tightening: 36% of respondents report difficulty finding climate-aligned investments meeting their criteria, the highest level recorded. Whether sovereign wealth funds move from building institutional capacity to measurably redirecting capital will depend less on declared intentions and more on how market infrastructure, data quality, and opportunity pipelines develop to support the governance capabilities these institutions have now established. The headwinds mentioned in last year's report remain; what has evolved is the nature of the response.

Acknowledgements

The International Forum of Sovereign Wealth Funds and the One Planet Sovereign Wealth Funds Network thank all the sovereign wealth funds that completed the survey. Their contributions allow us to track the progress these institutions are making and to provide accurate, first-hand analysis on an issue of increasing importance to the global investment community. We also thank the sovereign wealth funds that provided additional insights and context on the trends we observed in the data, which greatly enriched the analysis.

We thank Duncan Bofield, CEO of IFSWF, and Lawrence Yanovitch, Founder and CEO of OPSWF, for their guidance and support throughout the project.

The report is co-authored by Enrico Soddu, Senior Consultant at IFSWF, and Jonas Jølle, Senior Advisor at OPSWF. Enrico Soddu also designed and conducted the underlying data analysis and produced all charts.

About the International Forum of Sovereign Wealth Funds (IFSWF)

The International Forum of Sovereign Wealth Funds (IFSWF) is a voluntary organisation of global sovereign wealth funds committed to working together and strengthening the community through dialogue, research and self-assessment.

In 2008, a group of 26 leading state-owned international investors from around the world established the IFSWF's precursor, the International Working Group of Sovereign Wealth Funds, following discussions with global groups such as the G20, International Monetary Fund and the US Department of the Treasury. The Working Group created a set of Generally Accepted Principles and Practices, known as the Santiago Principles, for sovereign wealth funds' institutional governance and risk-management frameworks. Following the Kuwait Declaration in 2009, the International Working Group became the IFSWF with the mandate of helping members implement the Principles.

Today, helping members implement the Santiago Principles remains the foundation of the IFSWF's activity. The Forum now represents a group of almost 40 sovereign wealth funds from all corners of the globe, with a variety of mandates and at various stages in their development. As a result, IFSWF's focus has evolved. In addition to encouraging the ongoing commitment to the Santiago Principles, the Forum also undertakes research, facilitates peer assistance exercises and holds workshops and seminars to help members enhance their existing investment capabilities. The IFSWF also represents its members to the global financial and policy communities.

About the One Planet Sovereign Wealth Fund Network

The One Planet Sovereign Wealth Fund Network was established at the One Planet Summit in December 2017. The objectives of the initiative are to:

- Help mobilise the capital of sovereign wealth funds, to innovate and expand the market for investment opportunities that advance alignment with the goals of the Paris Agreement.
- Accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools.
- Leverage the scale and benefits of knowledge-sharing, while preserving flexibility and agility.

On 6 July 2018, the OPSWF founding members published a voluntary framework ("the Framework") outlining principles for sovereign wealth funds to systematically integrate climate change into their decision-making, and how they can collectively support ambitious global climate action.

This Framework includes 12 recommendations based on three guiding principles:

- **Principle 1: Alignment**
  Build climate change considerations, which are aligned with the sovereign wealth funds' investment horizons, into decision-making.
- **Principle 2: Ownership**
  Encourage companies to address material climate change issues in their governance, business strategy and planning, risk management and public reporting to promote value creation.
- **Principle 3: Integration**
  Integrate the consideration of climate-change-related risks and opportunities into investment management to improve the resilience of long-term investment portfolios.

Following the drafting of the Framework, members committed to continuing to work together to develop and share best practices for implementing the Framework's principles. The One Planet Asset Managers (OPAM), the One Planet Private Equity Funds (OPPEF) initiatives, and the One Planet Research Forum have also been established to accelerate efforts to support the implementation of the Framework and the transition towards more sustainable financial markets

From five founding sovereign wealth funds, as of March 2026, the OPSWF Network has grown to 50 total members, comprising 18 sovereign wealth funds, 19 asset managers, and 13 private investment firms, with over $48 trillion under management and ownership. For more information, visit oneplanetswfs.org

IFSWF
International Forum of Sovereign Wealth Funds

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