Talking Heads with Ulrik Fugmann

Andrew Craig: Hello and welcome to this week's BNP Paribas Asset Management Talking Heads podcast. Every week, Talking Heads will bring you in-depth insights and analysis through the lens of sustainability on the topics that really matter to investors. In this episode, we'll be discussing clean energy and how investors can participate in the secular shift to clean energy. I'm Andy Craig, Co-Head of the Investment Insights Centre, and I'm joined by Ulrik Fugmann, Co-Head of the Environmental Strategies Group at BNP Paribas Asset Management. Welcome, Ulrik, and thank you for joining me.

Ulrik Fugmann: Thanks very much, Andy. It's always great to be here.

AC: Now, just before we start, let me congratulate you and your team because your clean energy investment strategy has been announced as a winner of the 2026 ESG and Sustainability Champions Awards by Main Street Partners who are part of the All Funds group. Your strategy has been named as best transition strategy out of a 10,500 strategies managed by more than 480 asset managers globally. So that's certainly a great start to the year for you.

UF: Thank you very much, Andy. It's really a testament to a fantastic effort across the team and we're incredibly proud of the recognition.

AC: Clean energy has been a big topic over the last few years. There's been a focus on power demand, on decarbonisation. It was one of the best performing themes of 2025 and has started 2026 strongly, significantly outperforming the broader equity market. What's driving this and, and what's your outlook?

UF: It's been an incredible performance since 'Liberation Day'. What is driving us? Let's start with the first one. Global power demand in the past four years have never grown as much in the history of the dataset. After 20 years where demand for power has been offset by power efficiency, we're now seeing significant growth. And that's coming from two things. One, broader electrification. So simply, the world is getting increasingly electrified, with EVs and buildings and homes. Second. the build-out of a broader digital infrastructure. The scale is enormous in terms of the investments that are being made and the energy requirements that are involved.

AC: You've recently launched an infrastructure income strategy that invests in companies that own and operate essential and critical infrastructure assets such as renewable energy networks, water and waste utilities, and the key digital infrastructure you mentioned, as well as sustainable transport systems with a strong environmental focus. Can you talk us through the main attractions of this strategy?

UF: We're blessed with a theme that I've invested in personally and Edward Lease as well, the other Co-Head, for close to 30 years. What we're blessed with is a thematic that actually ties together a number of megatrends: innovation, demographics, geopolitics, and of course environment.

When we think about the thematic of power and energy, you can approach it from different angles. The first was through innovation, so, investing in some of the most innovative companies in the world around solar, energy storage, wind, EVs, critical materials. There's a different aspect and that is building out the infrastructure that's going to facilitate all of this. And that's not just in power, it goes into waste and water – through the datacentres that have an incredible amount of water draw, and around the logistics and supply chains and buildings.

That's the strategy we launched – a way to play the environmental thematic through different vehicles that will yield different investment outcomes, almost like providing a solutions-oriented business to clients.

AC: It sounds from what you're saying as if it's inherently a diversification between innovation and the infrastructure with defensive characteristics of being a good hedge against inflation. Is that correct?

UF: That's absolutely correct. What it means is that we have some really good through-cycle strategies. These themes are long-term. When we look at clean energy, that is a theme that really started rallying and becoming secular because of economics and adoption, meaning solar and wind are now significantly cheaper than using coal and gas. Having launched the listed environmental infrastructure income strategy really gives [us] the ability to offer clients something when we're seeing market volatility. Clients want to have exposure to a strategy that pays them an attractive dividend, but also aims at capital protection amid market volatility.

AC: There's been reports recently that half of the world's largest cities are in what's called high water stress areas. I would assume from that that the demand for infrastructure, for water, for example, is, on a similar scale. The infrastructure demands must be enormous.

UF: Absolutely when we look at the overall thematic of water. But the beautiful thing is that our listed infrastructure strategy goes over and beyond that. There isn't that many pureplay water companies globally and as a result, the valuations of those have become elevated. The benefit of our listed infrastructure strategy is that we go move beyond just water, looking at companies with the exact same attractive defensive qualities as water, namely around waste and waste management as well as the digital infrastructure. The strategy is really focused on what we call adaptation.

AC: Let's talk more about the strategies that your team manages now. The environmental strategies group manages six strategies. Can you tell us what differentiates the strategies from each other?

UF: If we start with our flagship , the clean energy solution strategy, that's one that has a higher element of growth, of innovation. It's also a strategy that has recently been given the status of an impact strategy. That's also a strategy where we have done a huge amount in both primary and secondary listings. We have brought a number of companies to market through anchoring them. And when I'm talking about anchoring, it means we are subscribing for shares in the company and committing to undertake a certain portion of the company's shares before it goes public.

AC: And that gives other investors reassurance that there is a significant investment and that there is an investor who's ready to lead and that they're not putting themselves into something where there's nobody else participating. That's our clean energy strategy.

UF: What we wanted to do was to create a range for investors that have a desire to stay very close to broader global markets or emerging markets or European markets. In other words. with a lower tracking error. Those are multi-thematic funds. They span eight themes from clean energy to infrastructure to natural capital. And then we have our listed infrastructure strategy. So, I'd like to think that when we have clients coming in and they have an interest in investing in the theme of power and energy security, we can present a number of different options that suit their risk tolerances and return objectives.

AC: Recently, you've been involved in some high-profile European initial public offerings and capital

raising for environmental, energy and digital infrastructure companies. Where does that fit into your strategy?

UF: It really goes back to the history of how Ed and I have been managing portfolios over the past 30 years. An important element of that has been to find companies before they go public, speak to a number of private companies, and participate. In cases where we believe that it's to the benefit of our clients, we will go in and commit a certain allocation for that company. It creates what we call impact.

We have examples of companies that we have proposed to do an IPO in exchange for us anchoring, meaning that we will subscribe a substantial part of the IPO beforehand and that gives the company some stability when they go out and want to raise capital. Since we started the strategy, [we] anchored about $2 billion worth of transactions which has benefited our clients and performance.

AC: Let's get back to clean energy. We can't end our discussion without talking about artificial intelligence because it's clearly going to play a massive role in the environmental sector in the future. Can you talk us through the implications of AI for clean energy?

UF: There are huge implications. Clean energy both benefits and enables AI. Clean energy companies are adopting artificial intelligence to predict weather patterns, to improve their manufacturing processes, etcetera. More importantly, what has been the blind spot of artificial intelligence is power. Artificial intelligence isn't measured in bytes or gigabytes, it's measured in power. The reason is that power is the key enabler for artificial intelligence. AI is incredibly power-hungry. To facilitate that power, you can either do that through clean energy, solar, wind and energy storage, you can do it through gas and through nuclear.

Now if we want to build the datacentre today, a gas facility will take six to eight years to build. Nuclear will take 12 years to build, whereas solar, wind and energy storage takes about 18 months and hence it's no surprise that close to 100% of additional power built in the US last year came from solar, wind and energy storage. This is a trend we're going to see 26, 27, 28 and 29.

But it's not one or the other. It really is all because this simply isn't enough. The way that we can see that is power prices going up significantly in the US, in Europe, because of this significant deficit in the provision of power. That’s why we think that the outlook for clean energy not only being grounded by increased electrification, but also turbocharged by AI. That outlook is incredibly attractive.

AC: That's a very powerful argument in favour of the whole sector. Ulrik, thank you very much for joining me today.

UF: Thank you for having me.

AC: That's it for this week's episode of Talking Heads.