

Sustainability in Infrastructure: pragmatism, progress, and portfolio value

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Introduction

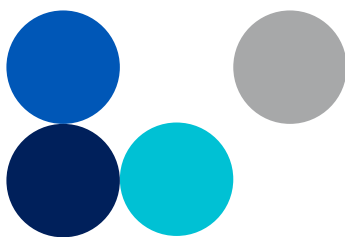
In today's investment landscape, sustainability is no longer a niche concern. It is a core lens through which risk and opportunity are assessed. For infrastructure investors, this is especially true. Long-term assets are shaped by structural forces: environment, technology, demographics, and geopolitics. Navigating these forces requires conviction, clarity, and a focus on financial materiality.

In Aberdeen's Economic Infrastructure business, we have spent the past decade building a portfolio that reflects this philosophy. Our approach is grounded in fundamentals: sustainability is not a separate agenda, but a way to understand risk, unlock value, and build resilient businesses.

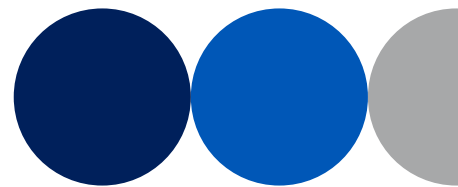
This paper brings together two examples that illustrate this approach in action:

- **Auris Energia**, a Finnish utility evolving into a green gas leader through strategic diversification and infrastructure-led growth; and
- **UK Rail Investments**, where aging rolling stock and rising demand create a compelling opportunity to decarbonise transport and deliver long-term returns.

Together, these examples highlight how sustainability can be a source of strength, not just for society, but for investors seeking durable, profitable, and future-fit infrastructure.



Building on Strength: Auris Energia's Green Gas Expansion



Sustainability is often framed as a cost; something to be managed, reported, or explained. In some sectors, it's still seen as a distraction from the "real" business of delivering returns. But in infrastructure, the picture is different. For us in the Economic Infrastructure team at Aberdeen Investments, sustainability is part of how we understand risk, identify opportunity, and build long-term value.

Auris Energia, a Finnish utility we've partnered with since 2015, is a great example of that philosophy in action.

Auris began as a regulated gas distribution business, providing essential energy services to residential and industrial customers. That core business remains strong today – a stable, cash-generative platform that supports the resilience of Finland's energy system. It's precisely this backbone that has enabled the company to explore new opportunities in low-carbon energy, including biomethane production.

A Foundation for Growth

In recent years, we've worked closely with Auris management to expand the company's capabilities and position it for long-term relevance. One of the most exciting developments is Mäntsälän Biovoima Oy, a biogas facility now majority-owned by Auris. In 2024, the plant produced over 10 GWh of biomethane and processed more than 12,000 tonnes of organic waste. A major expansion is underway, tripling capacity to 34 GWh annually and adding a new line to handle 23,000 tonnes of wastewater sludge.

This investment is supported by Finland's Ministry of the Environment and aligns with national goals for carbon neutrality by 2035. It also reflects growing demand for domestically produced green gas – both as a substitute for fossil fuels and as a strategic asset in a more volatile energy landscape.

Importantly, the biomethane business is not a pivot away from Auris's core operations. It's an extension; a way to leverage existing infrastructure, relationships, and expertise to deliver new services that complement the company's traditional role. The regulated gas network continues to provide reliable service and stable returns, while the biomethane platform opens new avenues for growth.

Strategic Diversification, Not Displacement

Auris's evolution reflects our broader approach to sustainability: pragmatic, financially grounded, and focused on long-term value. The company is classified as "Transition-Aligned" under our internal framework, meaning it actively supports the low-carbon transition while maintaining essential service provision.

This categorisation reflects both the emissions profile and the strategic direction of the business. Auris is investing in hybrid heating systems, energy services, and infrastructure to inject biomethane into the national grid. These developments diversify revenue, reduce exposure to fossil fuel volatility, and enhance the company's resilience to regulatory and technological change.

As CEO Anni Sarvaranta puts it:

"We're building a business that's fit for the future – one that supports our customers, strengthens our energy system, and contributes meaningfully to the green transition."

Looking Ahead: Scaling the Opportunity

The biomethane platform is just the beginning. Auris has ambitious plans to expand its production capacity further, explore new feedstock sources, and deepen its role in Finland's green gas ecosystem. With infrastructure already in place and a strong operational track record, the company is well-positioned to scale – both organically and through strategic partnerships.

This growth potential is underpinned by clear market signals. Finland, like many European countries, is seeking to reduce reliance on imported fossil fuels and increase domestic renewable energy production. Biomethane offers a credible pathway to do both, and Auris is emerging as a key player in that transition.

A Model for Measured Progress

Auris Energia's story isn't one of radical reinvention, but of thoughtful evolution. It reflects our philosophy: sustainability is not a separate agenda, but a lens through which we understand risk, identify opportunity, and build better businesses.

Rolling Forward: the case for rail investment in a low-carbon economy



Following years of rapid progress, the climate transition is now in a reflective phase, facing interlinked challenges post-pandemic including geopolitical tensions, inflation, and constrained public finances. While some sectors have made significant strides, transport remains a stubborn laggard. Rail, however, stands out as a bright spot, offering scalable emissions reductions, improved mobility, and economic growth.

Mind the gap: the transition's stubborn sector

Transport accounts for over 25% of greenhouse gas emissions in the UK and Europe. While energy sector emissions have fallen sharply, transport emissions have not and are only projected to fall below 1990 levels by 2030¹. The EU's Green Deal targets a 90% reduction in transport emissions by 2050, with the UK pursuing similar goals. Achieving this will require €1 trillion in investment across the EU.

Rail: a platform for growth

Rail represents just 1% of transport emissions despite facilitating 6% of journeys in Europe². Emissions per passenger kilometre are four times lower than cars and nine times lower than domestic flights. With urban populations forecast to reach 92%³ in the UK and 84%⁴ in Europe by 2050, rail will be essential to avoid congestion and emissions growth.

Passenger demand in the UK is projected to grow by between 37% and 97% by 2050, depending on policy ambition. Even the lower bound implies significant infrastructure and rolling stock investment. With an economic multiplier of 2.5⁶ for rail investment delivers strong societal returns.

Gaining traction: the need for new and better trains

Meeting demand will require up to 12,000 new vehicles over 30 years—nearly doubling the UK fleet. The average UK train is 17 years old, with some dating back to the 1970s⁷ – a fact all too familiar to many rail users. By 2030, 2,600 vehicles will be over 35 years old⁵. Currently, 40% of the UK network is electrified, with a target to eliminate diesel-only trains by 2040, replacing them with fully electric, bi-mode and battery alternatives. Electrification offers 60% lower emissions, better reliability, and lower operating costs.

New trains bring major efficiency gains. Digital signalling (ETCS) and regenerative braking can cut energy use by up to 45%, reinforcing rail's role as a climate solution.

The rail opportunity for investors

The investment case for UK rolling stock is compelling and increasingly urgent. With the aging fleet and demand projected to grow by up to 97% by 2050, the need for fleet renewal is clear. Electrification targets and diesel phase-out by 2040 further reinforce the opportunity.

For investors, rolling stock delivers long-term, inflation-linked cashflows through lease structures, while supporting national decarbonisation goals and improved passenger experience. Aberdeen's Economic Infrastructure business has already deployed capital into six fleets across the UK and Germany, with strong operational performance and further tenders expected. With over £13 billion in procurement anticipated over the next decade, the sector offers scale, stability, and sustainability—making it a standout opportunity in infrastructure.

We look forward to supporting these goals for decades to come and are excited about expanding our presence in the sector.

¹ Greenhouse gas emissions from transport in Europe | European Environment Agency's home page (europa.eu)

² Rail passenger transport in Europe – Statistics & Facts | Statista

³ Trend Deck 2021: Urbanisation – GOV.UK (www.gov.uk)

⁴ Developments and Forecasts on Continuing Urbanisation | Knowledge for policy (europa.eu)

⁵ <https://www.risg.org.uk/common/Uploaded%20files/Policy/Future%20of%20Rail/Future%20of%20Rail%20Demand%20Report.pdf>

⁶ The Economic, Environmental, and Social Opportunities that Rail Brings to the UK RIA (risg.org.uk)

⁷ ORR stats reveal the oldest train fleets in Great Britain | Office of Rail and Road

Conclusion



As we mark ten years since our first investment in Economic Infrastructure, our approach to sustainability remains consistent: focused on financial materiality, grounded in real-world outcomes, and integrated into how we invest and manage assets.

The examples of Auris Energia and UK rail investments reflect this philosophy in action – demonstrating how sustainability can drive resilience, unlock opportunity, and deliver long-term value.

Even in the small to mid-market, infrastructure assets deliver substantial societal benefits alongside returns. In 2024 our investments generated nearly 900 GWh of renewable electricity, 1,400 GWh of low-carbon heat and facilitated over 50 million public transport journeys.

We look forward to further building on this track record in the near future, using sustainability factors to support long term value creation.



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