

Investing in Europe's energy transition

Supporting energy transition infrastructure isn't just about addressing climate change. Infrastructure assets represent the backbone of Europe's future economy, presenting a potentially compelling opportunity for private market investors. Europe stands at a critical crossroads in its journey towards a sustainable, resilient, and independent energy future.

By Rosheen McGuckian and Bill Hughes

The contours of this transformation are clear: higher demand for electricity, a decisive pivot away from fossil fuels, and a high-level policy commitment to energy security and decarbonisation. Yet, the path forward is anything but simple.

The scale of infrastructure required to power this transition is staggering, and the need for committed, long-term capital has never been greater. We believe private market investors, therefore, have both an

extraordinary opportunity and a profound responsibility to help rewire Europe.

The time is now...

Europe's clean power transition is being influenced by several forces. Among these are climate imperatives, the increasing digitalisation of the global economy, and the acute need for energy security in a world beset by geopolitical uncertainty.

Europe has been consistent in its policy approach to clean power – providing a continually supportive backdrop. The 27 member states of the EU are targeting a transformation that will double clean power's share of gross final energy consumption by 2030¹. It's a goal that will require not just political will, but a structural overhaul of how energy is generated, transported, and consumed.

Electricity demand in Europe is projected to reach an additional 280 TWh by 2030². Digitalisation, the electrification of heat and transport, and a shift away from conventional fuels are the new realities.

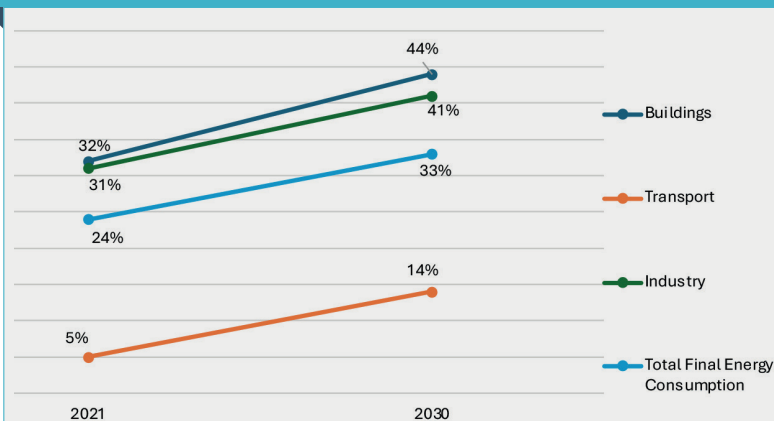
This won't just mean more power has to be generated. It will also require a significant step up in Europe's infrastructure. As more people purchase electric vehicles or install heat pumps in their homes, the continent's infrastructure – much of it aging – will need to be updated and overhauled.

Crucially, 67% of Europe's targeted CO₂ reduction in the coming decades is expected to come from clean power and electrification³.

This transformation is not only about combating climate change. It is a matter of economic competitiveness, social stability, and national security. Energy security – and the ability to offer competitively priced, decarbonised power – is enshrined as a central pillar of Europe's political agenda. Failure to act decisively would leave the continent exposed to volatile fuel markets, geopolitical shocks, and the economic drag of ageing, under-invested infrastructure.

In particular, the need to establish an independent and resilient energy supply has been made more pressing by the continent's desire to wean itself off Russian gas, with a proposal on the table for the bloc to stop imports by 2027⁴. Increased

FIGURE 1: EU27 ELECTRIFICATION RATE BY SECTOR AND TOTAL (DECARBONISING SCENARIO)



Source: IRENA (June 2025) Regional Energy Transition Outlook: European Union, EU27 electrification rate relative to final energy consumption in transport, buildings and industry and in total. Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

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adoption of clean power can be seen as one of the quickest and most cost-efficient methods of achieving this greater degree of energy independence.

The € 1 trillion investment opportunity

The rapid growth of clean power will be unlocked by investment in enabling technologies – especially grid modernisation and energy storage – that ensure system stability and effective power distribution. Meeting demand will be a challenge. But challenges breed opportunity.

The numbers are both daunting and exhilarating: The EU27 will require an estimated € 1 trillion of investment per year through 2050 to achieve its energy transition goals⁵.

This € 1 trillion covers a broad range of clean power generating and storage technologies, new grid infrastructure, bolstering of existing grid infrastructure, electrification of transport infrastructure and a rapidly growing opportunity to invest in the electrification of industrial and municipal heat.

These shouldn't be seen simply as costs to be borne. Supporting clean energy infrastructure could rather be viewed as a method of fostering economic and social growth, with private capital playing an increasingly important role, in our view.

The role of private markets

Against this backdrop, we see private capital as indispensable. While governments have acknowledged the importance of clean power infrastructure, they are unable to fund it all through the public purse.

Private market investors aren't just filling a financing gap. We see them also providing the patient capital, technical expertise, and governance discipline needed to deliver complex, multi-decade projects at speed. This is particularly true when investors seek out partnerships with specialist clean energy infrastructure players who can identify compelling long-term opportunities.

Private capital is well positioned to absorb and manage the complex risks inherent in large infrastructure projects. With the right governance, stewardship, and alignment of interests, we believe these investments have the potential to generate attractive risk-adjusted returns while also seeking to deliver tangible impacts: reduced greenhouse gas emissions, improved energy security, skilled jobs, and affordable power underpinning economic growth and social stability.

Europe's clean energy transition is about more than financial gain. It is a chance to be part of a historic transformation and help build a decarbonised, resilient future for generations to come.

The road ahead will not be easy. But with vision, partnership, and decisive action from investors, Europe can realise its ambition: a continent powered by clean energy, underpinned by the infrastructure and innovation that long-term, committed capital can provide. ■

L&G and NTR have been in a strategic partnership since 2015, combining L&G's global institutional strength and NTR's expertise as a leading European clean power transition specialist to accelerate the deployment of clean energy solutions across Europe.

- 1 IRENA (June 2025) Regional Energy Transition Outlook: European Union
- 2 McKinsey Global Energy Perspective, 2024
- 3 Bloomberg BNEF (December 2024) New Energy Outlook Europe
- 4 European Commission, June 2025
- 5 IRENA (June 2025) Regional Energy Transition Outlook: European Union

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SUMMARY

The energy transition is a large-scale, long-term transformation, comparable in scope to the industrial revolution.

It involves a shift from dependence on fossil fuels to a future powered by electricity.

Clear tipping points in the transition are becoming visible, driven by rising electricity demand, and supported by falling costs of renewable energy sources.

There is a growing emphasis on building more resilient energy systems.