FROM CERTAINTY TO CONTRADICTION

ENERGY UPDATE

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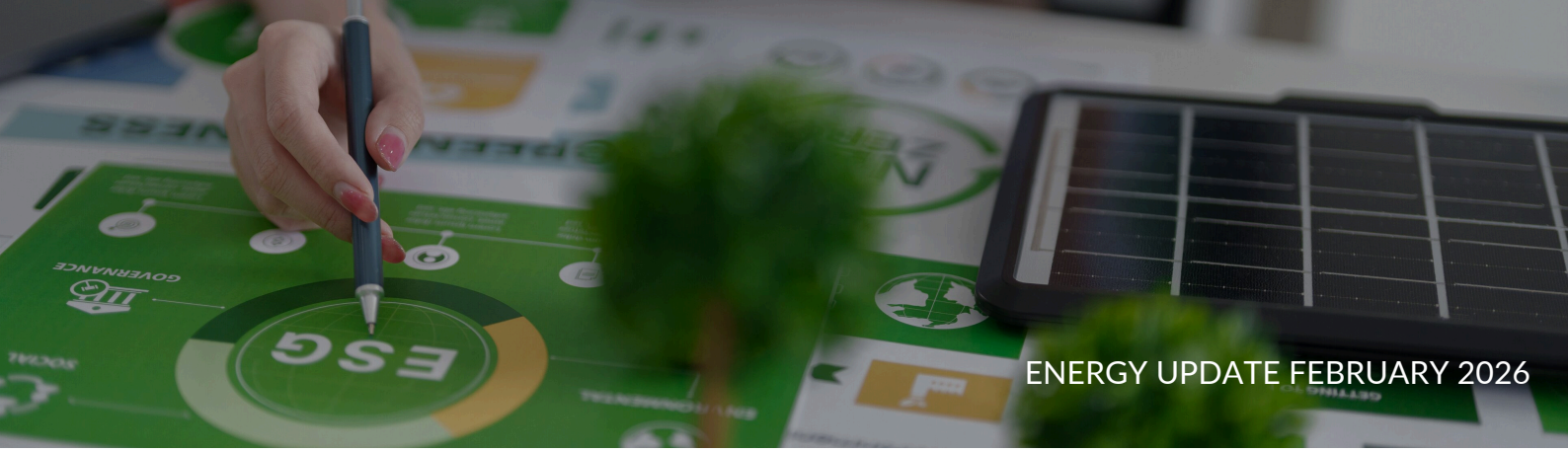
INTRODUCTION

FROM CERTAINTY TO CONTRADICTION: HOW THE "GREEN TRANSITION" IS LOSING COHERENCE

The narrative of a „green energy transition" is increasingly colliding with economic, political, and infrastructural realities. Behind ambitious targets and record wind and solar installations, a series of bankruptcies, project cancellations, policy reversals and rising fossil fuel power generation are revealing stresses that markets can no longer ignore.

Even as "climate commitments" dominate public messaging, 30 top superannuation funds in Australia continue to allocate more than A$33 billion to companies expanding coal, oil and gas, highlighting the persistent gap between stated "transition" goals and actual capital deployment. (Top Australian super funds invest...)

What was once presented as a unified global effort is now fragmenting into a patchwork of national responses, corporate reversals, and policy pushback. For banks, this shift marks a transition from "climate" ambition risk through to execution and credit risk.



1. REALITY CHECK FOR "GREEN" ENTERPRISES

WHEN FLAGSHIP CLIMATE MODELS FAIL

The bankruptcy of Aspiration Partners Inc. known as CTN holdings, a "climate firm", who partnered with Meta and Microsoft, underscores a broader vulnerability across the „green transition" ecosystem, where valuations and financing assumptions have often outpaced commercial viability (Bloomberg – Climate firm bankruptcy)

This failure highlights a growing disconnect between political signaling and market fundamentals, particularly for firms reliant on future regulatory certainty rather than present revenue streams. Such collapses are not just isolated events but show to be early indicators of systemic strain within climate aligned capital deployment.

2. PROJECT CANCELLATIONS AND IMPLEMENTATION GAPS

WHEN AMBITION MEETS PERMITTING, COST, AND GRID LIMITS

The cancellation of Nevada's Esmeralda 7 solar project demonstrates how the expansion of wind and solar is increasingly constrained by land-use disputes, permitting delays, and rising development costs (Heatmap News – Esmeralda 7 canceled)

Even in jurisdictions politically committed to "decarbonization", large-scale wind and solar projects are failing to jump these practical and financial hurdles. For lenders, this exposes heightened development risk within utility-scale wind and solar portfolios.

3. INDUSTRIAL PUSHBACK

CORE MANUFACTURERS REASSESS TRANSITION TIMELINES

Porsche's decision to continue selling internal combustion vehicles beyond 2035 speaks of growing skepticism within industrial leadership toward these rigid electrification mandates (Business Insider – Porsche combustion engines).

The company listed reasons like market demand, infrastructure readiness, and technological uncertainty among others for maintaining combustion engines well into the 2030s.
This redirection illustrates how "transition" timelines are bending under commercial and consumer pressure.

4. POLICY CROSS-CURRENTS

GOVERNMENTS STEP BACK FROM "CLIMATE CONSENSUS"

At a multilateral level, the United States' refusal to sign the World Bank directors' joint climate statement speaks to the declining political consensus around the climate finance frameworks (Reuters – US declines climate statement).

This stance is reinforced by Washington's explicit opposition to the International Maritime Organization's "Net-Zero" Framework, which U.S. officials characterized as an implicit global carbon tax (U.S. Department of State – IMO Net-Zero Framework).
These instrances expose the growing resistance to externally imposed climate mechanisms perceived as economically burdensome.

5. EMERGING MARKETS AND FISCAL REALITY

SOLAR BOOMS AND SOVEREIGN CONSTRAINTS

Pakistan's rapid solar expansion is now also facing political backlash as the government confronts fiscal stress, grid instability, and declining utility revenues (**Bloomberg – Pakistan solar backlash**).

This expansion seems to threaten fiscal stability, complicate energy sector restructuring and it warrants careful credit and risk assessment by banks with exposure to this energy sector and countries now facing these concerns.

6. THE RETURN OF COAL

SECURITY AND AFFORDABILITY REASSERTING THEMSELVES?

India's latest power strategy sidelines natural gas and doubles down on coal to not only meet rising electricity demand but also maintain power price stability (**Bloomberg – India power plan**). A separate proposal to extend coal capacity expansion by another twelve years just confirms the important role coal plays in India's energy planning (**Bloomberg – India coal expansion**).

Southern Africa's coal and metals sector remains strategically resilient, with coal supporting power security and export revenues while governments and investors continue to fund mine rehabilitation, coal-fired generation and grid upgrades despite decarbonization pressure. (Southern Africa Coal & Metals Report).

Coal is not disappearing - it is being repositioned as a strategic asset.

7. DATA REVISIONS AND MODEL UNCERTAINTY

WHEN ASSUMPTIONS UNRAVEL

Recent high profile retractions and methodological corrections in "climate"-related research, highlights how overstated certainty has shaped policy and investment narratives to-date (**Roger Pielke Jr. – Retraction analysis**).

While climate risk remains real, the reliability of specific projections and timelines is increasingly contested. For financial institutions, this uncertainty complicates long-term scenario modeling. (**A Huge Retraction, the Usual Playbook, and Reason for Optimism- Roger Pielke Jr.**)

8. THE GRID REALITY

COAL RISING DESPITE RECORD WIND AND SOLAR

In 2025, U.S. coal generation, driven by rising demand and grid constraints, increased faster than solar and wind combined. This highlights the limits of intermittent capacity in a grid with ever rising demand (**Distilled Earth – US grid data**).

Independent analysis confirms that intermittency and capacity limitations faced by wind and solar power generation, forced greater reliance on dispatchable fossil fuel power generation (**Michael Thomas – US power grid**).

These outcomes challenge assumptions that wind and solar capacity additions automatically displace fossil fuels.

9. DIVERGENCE AND GREENWASHING

DIFFERENT RULES, DIFFERENT REALITIES

The concept of “greenwashing with Chinese characteristics” is exposing how “CO2-emissions intensive” activities are increasingly reclassified rather than reduced, particularly within global supply chains (**Breakthrough Journal – Greenwashing**).

The popular narrative of China as a global “green electro state” leading the “energy transition”, is often contrasted with the U.S. petrostate, which turns out to be more hype than reality. Noting that while China dominates manufacturing of wind, solar, batteries and EVs, its economy remains heavily dependent on coal and fossil energy. This implies that their environmental credentials may be exaggerated and policymakers, investors and banks should take this into consideration when interpreting China’s climate leadership claims when assessing risk, competitiveness and supply chain resilience.

10. OUTLOOK:

FROM “TRANSITION” PROMISES TO PRAGMATIC REASSESSMENT

Across markets and geographies, the emerging pattern is not one of coordinated “decarbonization”, but it rather points to a widening gap between “transition” narratives and operational, financial, and political realities.

In emerging markets, rapid solar adoption is colliding with fiscal and grid stability concerns, while countries such as India and several in Southern Africa are doubling down on coal for affordability and reliability.

At the same time, rising electricity demand and intermittency constraints mean conventional fossil generation is not being displaced as expected, even where wind and solar capacity is growing quickly.

For banks, the core challenge ahead is recalibrating risk frameworks to account for project failures, policy reversals, grid constraints, and the persistence of fossil fuels within global energy systems. The age of “transition” certainty is fading. What replaces it is a more complex, less ideological energy landscape, one that rewards realism over rhetoric and resilience over symbolism.

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