

# ESG NEWS BULLETIN

March, 2026

Generali Asset Management's ESG team presents their exclusive monthly sector analysis, which includes a detailed overview of ESG risks and opportunities alongside the sector's macro trends, plus a summary of the most significant industry news worldwide of the month.

## MIDDLE EAST WAR – ESG MACRO OUTLOOK & EU REGULATION

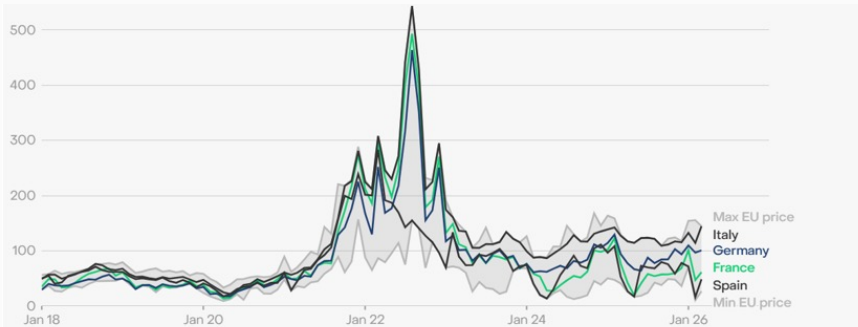
- Middle East escalation has triggered the second major **energy price shock** since 2022. Strait of Hormuz disruption is cascading through oil, gas, and fertilizer markets, reigniting inflation and exposing supply chain vulnerabilities.
- Energy transition is being reframed as a **geopolitical imperative**: reliability, affordability, and supply resilience now drive policy, calling for ESG strategies to increasingly integrate energy security as a core pillar of “E”.
- **EU climate policy flexibility** visible across sectors (e.g., EU ETS steel/cement) adjusting timelines while preserving ambition. Green Deal reaffirmed, with nuclear and grid interconnection central to energy sovereignty. Shorter term toolkit: state aid flexibility, tax relief, and grid upgrades. Long-term: sustained renewables and grid investment.
- **Sustainable Bond Market**: EUR ESG issuance was outpacing 2025 in January–February 2026 before the conflict outbreak. Momentum has since slowed materially. Geopolitical uncertainty and ECB policy repricing are suppressing green bond appetite in rate-sensitive sectors — banks and real estate most exposed. Near-term pipeline will be cautious.

## MIDDLE EAST WAR – ESG IMPACTS ACROSS SECTORS

- **Energy** - Short-term fossil fallback is occurring in some regions: South and SE Asia reverting to coal amid LNG price strikes; selected EU countries (Germany, Italy) activating mothballed gas peaker and coal capacity as a short-term buffer. Long-term, the crisis reinforces clean, diversified and independent energy systems as both climate and security infrastructure.
- **Defense** - Defense spending is rising globally, with ESG frameworks evolving to accommodate national security as a dimension of social sustainability. Though, social and governance risks remain central: civilian harm, human rights abuses, or corruption can still trigger divestments and reputational damage.
- **Technology** - Cybersecurity spending is accelerating across public and private sectors in response to digital warfare and critical infrastructure attacks. Data centers and semiconductor supply chains exposed to operational risk from energy cost inflation and potential shipping disruption.
- **Materials & Chemicals** - Transition metals and aluminum are in focus for supply chain fragility. The war is reinforcing government action on diversification, recycling, and strategic stockpiling. European chemicals benefit near term from Asia-concentrated disruptions and likely EU ETS delays easing cost pressure, but persistent energy shocks risk margin collapse.

## CHART OF THE MONTH

### Monthly wholesale energy prices in Europe (in €/MWh)



Source: Ember. Prices are average day-ahead spot prices per MWh sold per time period; Max and min prices refer to the highest and lowest average values of any country in the EU in that period. As of March 2026.

from July this year. This review raises questions around consistency with the EU's 2040 GHG reduction targets. Changes to the ETS will have material distributional effects across sectors, creating winners and losers. Companies that have invested early to build carbon competitiveness, risk being disadvantaged by softer rules, as delayed phase-outs reduce the value of early abatement efforts. Conversely, more carbon-intensive peers benefit from extended transition timelines.

#### Long-term

The conflict has reinforced the strategic priority of the energy transition. The EU is fast-tracking renewables deployment, grid interconnections, and nuclear investment to reduce fossil reliance and enhance resilience. Energy security is now inseparable from sustainability. The transition is being reframed through a pragmatic lens—balancing decarbonization with affordability and competitiveness. The war has not derailed the EU Green Deal; it has made its goals more urgent and more geopolitically relevant.

#### Short-term

The war has exposed stark divergences across the EU: Spain and France, with higher shares of renewables and nuclear, have been more shielded from gas-driven electricity inflation, while Italy and Germany—more gas-dependent—have faced acute cost pressures. This disparity has pushed energy affordability and sovereignty back to the top of the EU agenda.

Crucially, climate policy is being recalibrated—not reversed. The EU is adjusting the ETS to stabilize carbon prices and ease industrial burden, while launching a €30bn ETS Investment Booster to sustain decarbonization momentum. A broader review of the free-allowance phase-out under the ETS, is expected

## In the news this month



### ESG NEWS MONITORING

- **TotalEnergies (Integrated O&G | FR)** – TotalEnergies has dropped its company-wide net-zero emissions target for 2050, citing slow global fossil fuel reduction and EU reporting issues. The firm will focus on carbon neutrality in its operations. TTE also signed a \$1bn deal with the US to cancel offshore wind projects and redirect investment to fossil fuels. [Bloomberg](#); [AP](#)
- **BP (Integrated O&G | GB)** – European investors led by Follow This are urging BP shareholders to vote against a board-backed AGM resolution removing climate reporting and executive pay climate links, arguing it would weaken accountability and shareholder rights. Separately, Follow This is considering legal action after BP declined to add a shareholder resolution on long-term strategy under declining oil and gas demand. [Reuters](#); [Financial Times](#)
- **Meta Platforms (Interactive Media & Services | US) and other** – A jury has found Meta and Google negligent in designing social media platforms harmful for young users, awarding \$6 million in damages. The verdict cited as problematic and insufficient warnings about risks. Both companies plan to appeal, and the outcome could impact similar lawsuits across the industry. [Reuters](#)



### SOVEREIGN

- **EU** - The European Commission has adopted a Clean Energy Investment Strategy aimed at mobilising substantial private capital. By strategically deploying public resources to de-risk projects, the EU seeks to diversify its investor base and attract long-term institutional capital. Within this framework, the EIB Group plans to deliver over €75 billion in financing over the next three years to support the transition. [European Commission](#)
- **Italy** - Italy has decided to delay the permanent shutdown of its coal fired power plants from 2025 to 2038, extending the phase out by 13 years after approval in the lower house of parliament, with Senate backing expected. The move reflects a renewed focus on energy security amid heightened supply risks linked to the conflict in Iran. This decision weakens Italy's previous commitments to exit coal by 2025 and support a G7 pledge to end coal power generation by 2035. [Reuters](#)
- **Germany** - Germany has adopted a new Climate Protection Program targeting a 65% cut in GHG emissions by 2030, backed by €8 billion in planned investments across key sectors. The plan includes expansion of onshore wind capacity, industrial electrification measures and a €3 billion subsidy scheme to support EV purchases. The government said the program also aims to reduce reliance on fossil fuel imports and strengthen economic resilience. [ESG Today](#)



## REGULATION

- **EU Emissions Trading System (ETS)** – The European Commission has proposed changes to the EU ETS Market Stability Reserve to strengthen price stability and predictability in the carbon market. The proposal would suspend the automatic cancellation of allowances held above 400 million, retaining them as a reserve to address potential future supply shortages. The Commission said the adjustment follows recent energy-market volatility and aims to ensure the ETS continues to support emissions reductions and investment in clean energy while remaining resilient under changing market conditions. [European Commission](#)
- **SFDR 2.0** - EU member states are considering changes to the Sustainable Finance Disclosure Regulation (SFDR) that would remove fossil-fuel exclusions from the transition fund category, indicating a shift from exclusion-based strategies toward engagement-focused approaches. There is also broad support for retaining the three-category product structure and a minimum 70% contribution threshold, alongside a possible extension of the application timeline to 24 months after the rules enter into force. [Responsible Investor](#)
- **EU Industrial Accelerator Act** – The European Commission has launched the Industrial Accelerator Act, a strategy aimed at strengthening EU manufacturing competitiveness by introducing “Made in Europe” and low-carbon criteria for access to public procurement and state support. The framework targets increasing industry’s share of EU GDP to 20% by 2035 and sets minimum quotas from 2029 for European-sourced and low-carbon materials across strategic sectors including steel, cement, aluminium, clean tech, nuclear and electric vehicles. The proposal also tightens scrutiny of foreign investment and applies EU-origin requirements to key products, marking a shift toward a more assertive industrial policy to reshape supply chains and support European manufacturing. [Il Sole 24 Ore](#)



## EXTERNAL REPORTS

- **Equileap** – The US ranks near the bottom among developed economies on gender equality, scoring 44%, trailing Spain, France, and Italy, and ahead only of Japan and Israel. The US underperforms on 21 indicators such as gender balance, pay equity, parental leave, and support for gender-diverse employees. Pay transparency also remains weak, undermined by insufficient disclosure requirements, especially when compared to Europe’s robust reporting standards driven by legislation. AI expansion is worsening gender gaps, disproportionately impacting women in lower-wage roles and fueling biased hiring and promotion. [Global Equality Report](#)
- **MainStreet Partners** - While greenwashing risks are stabilizing, they remain significant. About 25% of Article 8 funds and 30% of Article 9 funds fall below their respective ESG and sustainability thresholds. Regulatory changes from ESMA and the FCA have reduced naming-related penalties from 7% to 4.6%. Asset manager scores continue to drop due to higher standards, regional differences, and a broader fund universe. Environmental funds dominate with over €75bn AUM across 110 funds, while social funds lag at €17bn across 38 funds despite similar ratings. The lack of a social taxonomy limits growth. SFDR 2.0 will tighten classification: 67% of funds would qualify as ESG Basics, 19% as Transition, and 14% as Sustainable, raising the bar for sustainability. [2026 ESG and Sustainability Barometer](#)

## THE ESG TEAM AT GENERALI ASSET MANAGEMENT

Our ESG team is comprised of 15 specialists who sit at the intersection of ESG analysis and research, and active engagement.

The team is structured around two key pillars – analytical coverage of ESG risks and opportunities from an investment point of view, and a tailor-made client service, designed to respond to investor needs and sustainability mandates.

This dual focus allows the team to integrate ESG factors at every stage of decision-making, translating thematic research, engagement inputs and quantitative filters into concrete investment actions.

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