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Munro steers clear of EV producers, focuses on companies enabling energy efficiency

The case to invest in electric vehicle (EV) producers could be falling away as supply increases, highlighting that not all clean energy investments are created equal. Emerging opportunities are coming from companies improving energy efficiency and managing waste, according to James Tsinidis, Portfolio Manager, Munro Partners.

"In recent times, the investment case for investing in EV manufacturers has fallen. Even before the anti-Musk Tesla backlash occurred, a combination of oversupply, slowing demand, and aggressive competition from China was putting pressure on car makers such as Tesla, making investments less compelling in the short term," he says.

In terms of clean energy production, renewable sources like solar and wind are well established, and with more producers, competition is increasing as are supply chain risks. Tsinidis says that on the other hand, nuclear energy is seeing a resurgence as a reliable, carbon-free baseload power source.

"Beyond clean energy generation, a compelling investment opportunity lies in electrification enablers or those companies providing grid upgrades, energy storage, and infrastructure solutions that allow renewables and nuclear to integrate seamlessly and efficiently into the energy system.

"Energy efficiency has done more to reduce emissions in the US over the past decade than renewables, yet it remains one of the most overlooked areas of climate investment. Unlike energy production, efficiency solutions reduce demand altogether, cutting costs and emissions in the process.

"As a result, energy efficiency solutions represent one of the fastest-growing and most financially attractive areas of climate investment. At the same time, industrial energy efficiency is becoming a major investment theme. Technologies such as industrial process optimisation, heat pumps, and waste heat recovery are improving operational efficiency in manufacturing, logistics, and data centres," he says.

In terms of other opportunities, Tsinidis says reducing waste to increase sustainability is becoming a focus for investors.

“The transition to a sustainable economy is also about redefining how we use materials. The circular economy focuses on reducing waste, increasing recycling, and creating more sustainable production systems.

“Plastics, industrial waste, and water scarcity present some of the biggest environmental challenges today. Companies involved in waste management, advanced recycling, and water treatment solutions are seeing rising demand, particularly as corporate and government policies push for higher sustainability standards in packaging and industrial processes,” says Tsinidis.

Beyond waste management, the rapid adoption of artificial intelligence (AI) is reshaping global energy consumption. According to Tsinidis, AI workloads are significantly more power-intensive than traditional computing, and as businesses deploy AI at scale, data centre electricity demand is set to surge.

“Data centres already contribute over 2.5 per cent of global emissions, a figure set to rise as AI infrastructure expands. Rather than slowing decarbonisation efforts, AI could increase the urgency of the energy transition, forcing companies to scale clean energy investment and grid infrastructure faster than previously expected.

“Additionally, AI is playing a role in energy efficiency and grid optimisation. Machine learning models are being used to improve electricity demand forecasting, enhance battery storage performance, and increase the efficiency of industrial and building energy systems. While AI is accelerating the need for clean power, it is also emerging as a key enabler of smarter energy use,” he says.

According to Tsinidis, the direction towards decarbonisation is clear, whether through energy infrastructure, efficiency technologies, or resource management solutions.

“Long-term investors, who position early, will be well placed for the next phase of growth as the world accelerates toward a low-carbon future,” he says.

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