The Catalyst

SPECIAL REPORT

THE YEAR IS 2025

Palladium
60 YEARS OF IMPACT

Letter from the Editor

In an increasingly uncertain world, why do we keep publishing predictions (and why do you keep reading about them)? It's not just a guessing game—it's part of being human. Predictions give us a way to wrestle with the unknown, to imagine what can be and not just what might be. At their best, they inspire hope that can be channelled into action.

Whatever we expect 2025 to bring, the path ahead is not set in stone. Predictions offer a glimpse into possible realities, but it's our actions that will ultimately determine the course, and the key is in our understanding of the paths that lay before us.

So, as every year, our Palladium experts have penned their predictions for the next 12 months. In this report, you'll find emerging trends related to livelihoods and economic growth, the resilience required to live on a warming planet, and the community-led efforts that create the most impact.

What's more, you'll find opportunities. Risks to be taken. Gambles that might pay off. Solutions that only need a daring investment to pilot before they can be taken to scale. Because if there's one thing all the trends seem to point to, it's that the risk of inaction is far greater than that of anything we might dare to try.

Predictions are only the first step. The future is a landscape shaped by our collection vision, effort, and force of will to act.

If you find something in these pages that resonates with you, I hope you'll get in touch so we can act together.

Welcome to 2025,

Elizabeth Godo

Chief Communications Officer
Palladium

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The Hidden Cost of Playing it Safe: Embracing Risk for Greater Impact

BY
Sinéad Magill
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ABOUT THE EXPERT
Sinéad leads Palladium's UK, Europe and APAC businesses, delivering impact in more than 90 countries worldwide. Sinéad has 20 years' experience leading positive impact programs, with projects spanning humanitarian response, governance reform, post conflict stabilisation, economic growth and social inclusion. She played a key role in the UK programming in Iraq and subsequently delivered programmes in Afghanistan, Palestine, Uganda and Syria, during which time she founded one of the UK's leading stabilisation and recovery teams.

Development is inherently risky. Whether delivering aid in conflict zones or driving policy reforms in fragile democracies, the work we do is messy, uncertain, and subject to forces beyond our control. In recent years, the natural desire to control these risks has driven increasingly robust techniques for understanding and managing them – unfortunately, shifting focus towards what could go wrong and away from what could go right in the process. It's understandable—funders and implementers are held accountable to taxpayers and shareholders, and they rightly want to mitigate harm.

But as we wrap ourselves in layers of risk frameworks and compliance procedures, are we also suffocating the very impact we seek to deliver?

At its best, risk management ensures we don't create harm and that we protect our staff, partners, and participants. But an obsession with minimising risk comes at the expense of opportunity. Too many development programs are being managed to avoid failures, not to expand the scope of positive change they can create. As a result, bold, transformative interventions can be sidelined, replaced by safer, incremental, predictable approaches that keep us within the comfort zone of what we know we can control.

> "But an obsession with minimising risk comes at the expense of opportunity."

The problem is that real impact frequently lies beyond our comfort zone. And 'impact' – tangible, measurable, long-term results – is what funders are buying on behalf of those same taxpayers and shareholders. Achieving results like these often requires taking a leap of faith, and we can do this cognisant of the risks but optimistic about the potential for real change.

We need to ask ourselves: What are we sacrificing by focusing so heavily on what can go wrong? We've become adept at drafting risk registers that catalogue every potential pitfall, but where are the opportunity registers? Where are the strategies for identifying and seizing the moments that could spark real, system-wide change? Development isn't just about containing risk—it's about navigating it with courage and conviction toward something greater.

This requires a shift in mindset.

We need to stop thinking of risk and opportunity as opposites and start seeing them as two sides of the same coin. Taking smart risks is essential if we want to break new ground and go beyond status-quo solutions. Without experimentation—without the possibility of failure—how do we expect to solve the complex challenges of today, from extreme weather adaptation to economic inclusion?

We often admire the pioneers, entrepreneurs and grassroots movements that have driven significant change, but we forget that they succeeded precisely because they embraced risk. In the traditional development sector, by contrast, the pressure to deliver predictable outcomes makes it harder to experiment with new ideas.

A perfect example is M-PESA, a transformative SMS-based system that allows users to deposit, send and withdraw funds using their mobile phone. M-PESA came to be after Nick Hughes, a Vodacom employee, applied for funding from the UK Government to use mobile phones to deliver financial services to Kenyans, and the UK and Vodafone ultimately delivered matching investments of £1 million.

This was risky! And the outcomes were not guaranteed. But eight months after M-PESA's launch, a million Kenyans had already signed up. In 2017, there were 20 million users, and in 2023, a staggering 59% of Kenya's GDP flowed through the platform.

I don't know if an idea like this would be funded today. But we need more like it.

This is why opportunity management is so critical. It means building systems that not only mitigate risks but also create space for experimentation, iteration, and learning. It asks, "what might be possible?" instead of, "what could go wrong?"

Development initiatives must have the freedom to fail responsibly and learn from setbacks. Impact is rarely linear, and the most successful development interventions are often born from bold steps into the unknown. This requires bravery from everyone—funders, implementers, and local partners. It means sharing accountability for both the wins and the inevitable losses along the way.

> "Development cannot afford to become so safe that it becomes stagnant"

I believe the future of development can be in targeted public funding of truly out-of-the-box solutions, which can either fail quickly, or, like M-PESA, be taken to scale by the private sector.

Development cannot afford to become so safe that it becomes stagnant. We need to find the balance between minimising harm and maximising potential. Opportunity management offers a path forward, one that challenges us to think beyond risk and embrace the uncertainty that comes with meaningful change. Let's have the courage to ask not just what might go wrong, but what extraordinary things might happen if we dare to try.

Unlocking Economic Growth in the Americas: Jobs, Stability, and the Role of Legal Immigration

BY
Ricardo Michel
Co-CEO, Palladium

ABOUT THE EXPERT
With more than 25 years of international finance and leadership experience, Ricardo brings a wealth of expertise in both the private and public sectors. As Co-CEO, he leads Palladium's work in the Americas, overseeing business growth, operational excellence and the delivery of impactful programs across the globe.
Ricardo's career has been defined by his strategic leadership driving public private partnerships and leveraging private sector funds for development outcomes.
With a background in business transformation, accounting, and investment, he brings a unique understanding of how to blend financial strategy with development objectives, creating scalable solutions that drive value for both communities and businesses.

During my recent travels through Central and South America, I saw firsthand both the promise and the challenges shaping the region's future. From bustling urban centers to rural communities, the same fundamental question arose time and again: How can we create more and better jobs to improve livelihoods? And how can doing so mitigate the need for citizens to seek opportunities outside of their home country? The answer lies in fostering economic stability, attracting responsible investment, and ensuring that legal immigration pathways connect skilled workers with opportunities—both within their own countries and abroad, including in the United States.

ECONOMIC STABILITY AS THE FOUNDATION FOR GROWTH

Across the Americas, economic instability remains a major barrier to sustainable development. Inflation, currency volatility, and sovereign debt concerns have eroded purchasing power and shaken investor confidence. Businesses, both local and international, hesitate to commit capital when policy environments are unpredictable or when high tax burdens and bureaucratic red tape make it difficult to operate. The result is slow job creation and an economic climate that leaves too many workers stuck in the informal sector, unable to access stable wages, benefits, or career mobility.

> "Stability alone isn't enough. Countries must also build an environment where businesses can thrive."

The solution begins with policies that promote macroeconomic stability—reducing inflation, ensuring responsible fiscal management, and strengthening financial institutions. But stability alone isn't enough. Countries must also build an environment where businesses can thrive. That means cutting unnecessary regulations, improving access to credit for entrepreneurs, and investing in infrastructure that connects workers to jobs and markets to consumers.

THE PRIVATE SECTOR AS A JOBS ENGINE

Governments alone cannot solve the employment crisis. The private sector—both domestic enterprises and foreign investors—must be the primary driver of job creation. Yet for businesses to commit significant capital, they need access to a workforce with the right skills, a regulatory environment that rewards long-term investment, and clear legal protections for contracts and property rights.

One key area of opportunity is in nearshoring—the movement of manufacturing and supply chains closer to North America. With global supply chains shifting and companies looking to reduce dependence on Asia, Central and South America are well positioned to attract new industries. But for nearshoring to succeed at scale, countries must ensure that workforce development keeps pace. That means investing in technical training, vocational education, and digital skills programs to prepare workers for the jobs that companies need to fill.

LEGAL IMMIGRATION PATHWAYS AS AN ECONOMIC NECESSITY

While job creation within the region is critical, legal immigration also plays a vital role in connecting workers to opportunities—especially in the U.S., where labor shortages in key industries continue to hold back growth. Politicians and economist have underscored the strategic importance of America's economic engagement in the region, and legal immigration must be part of that equation.

Many American industries, from agriculture to healthcare to manufacturing, rely on temporary seasonal immigrant labor to fill essential roles. Yet the current system remains inefficient, with too few legal pathways available to match willing, law-abiding workers with unfilled jobs. Expanding and modernizing guest worker

> "Clear legal pathways for temporary seasonal workers help reduce the incentives for irregular migration."

programs, streamlining visa processes for high-demand skills, and creating stronger bilateral agreements with key countries would not only benefit migrants seeking opportunity but also strengthen the U.S. economy.

Moreover, clear legal pathways for temporary seasonal workers help reduce the incentives for irregular migration, easing strain on border security and ensuring that migration is a structured, economically beneficial process rather than a crisis-driven one.

A PATH FORWARD

Economic growth and job creation must be the cornerstone of any serious effort to stabilize and strengthen the Americas. That requires policies that promote investment, develop a skilled workforce, and recognize the critical role of legal immigration in sustaining economic vitality.

The private sector, governments, and international partners all have a role to play in making this vision a reality. With the right strategies in place, the Americas can become not just a region of untapped potential, but one of shared prosperity and long-term stability.

Inclusive Growth: A Strategy for 2025 That's Both Timely and Timeless

BY
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Senior Advisor, Inclusive Growth, Palladium

ABOUT THE EXPERT
Throughout his 36-year career, Eduardo has designed and executed market-led approaches to accelerate inclusive economic growth and generate employment opportunities. He is a recognized expert in the areas of inclusive supply chain solutions and has particular expertise in crafting and managing public-private alliances. He has worked in a total of 64 countries generating private sector investments and transforming value chains across industries ranging from agriculture to financial services.

Nearly a decade ago, Palladium's Eduardo Tugendhat published the seminal Inclusive Growth: Profitable Strategies for Tackling Poverty and Inequality in the Harvard Business Review alongside Robert Kaplan and George Seraphim. In it, they lay out a new way for the private sector to address poverty, by reimagining the regional ecosystems in which they participate. Now, he's revisiting and revising the concepts he built that first article upon with the original authors, as it's more relevant than ever. Here, he shares his thoughts on why inclusive growth has come back into vogue and why it's critical as we turn towards a greener, more sustainable global economy.

As we approach 2025, inclusive growth is re-emerging as a central strategy for businesses and development organisations alike. While not a new concept, its rising prominence reflects the growing recognition that sustainable development requires a unified approach—one that bridges public, private, and community interests to tackle complex global challenges.

For development organisations reliant on donor funding, or any organisation or business looking to stretch budgets and make big impact with less capital, inclusive growth provides a compelling framework to mobilise resources and create lasting impact.

At the same time, it offers businesses a roadmap to align profit with purpose, ensuring resilience and relevance in an increasingly interconnected world.

At its heart, inclusive growth ensures that economic progress benefits all segments of society. This means integrating marginalised groups—such as rural communities and indigenous populations—into the economy, not as recipients of aid but as active contributors and beneficiaries.

For decades, we have championed this approach.

The strategy is both straightforward and ambitious: use public funds as catalytic seed capital to unlock private investments, establish governance frameworks to build trust among stakeholders, and create partnerships that drive systemic change.

For instance, in Malawi, where we worked with tobacco and other agribusiness companies to develop competitive peanut and soybean value chains as a means of providing tobacco and other farmers with alternative livelihoods, we united corporations, research institutions, and investors to develop commercially viable solutions from seeds to processing. By aligning these diverse actors around a shared strategy, the initiative not only improved livelihoods but also enhanced resilience to climate shocks—a model that can inspire other sectors and regions.

Or similarly in Peru where we worked on the Peru Cacao Alliance, facilitating transparency and traceability to rethink the larger system. It channeled funding to new technology and bio-diverse "growing" models to ensure farmers could maximise available land while meeting international standards for quality and supply. Most importantly, the farmers weren't merely passive beneficiaries on the receiving end of fleeting social largesse. They were full-fledged business partners, called upon to articulate the nuanced challenges they face, outline distinct areas of need, and enlist peers so the program could reach critical mass.

A BUSINESS IMPERATIVE

For corporations, inclusive growth may have felt like a "nice-to-have" but has always been a business necessity – assuming one wants their business to last. The traditional corporate social responsibility model, often characterised by fragmented and short-term projects, is finally being replaced by integrated strategies that address the root causes of inequality and environmental degradation while at the same time opening new commercial opportunities.

The logic is simple: businesses cannot thrive in isolation from the societies and environments in which they operate. If large portions of the population are excluded from economic participation—unable to buy products, work in factories, or contribute to supply chains—growth stalls. Moreover, the raw materials and resources businesses rely on are increasingly at risk due to climate change and unsustainable practices. Meanwhile solutions to climate challenges are opening enormous new market and employment opportunities.

Inclusive growth provides a pathway for companies to modernise operations, mitigate risks, and tap into new markets. It's not philanthropy; it's about aligning long-term business interests with societal needs.

WHY NOW?

Several factors are driving the renewed focus on inclusive growth. First, governments in many countries face fiscal constraints, limiting their ability to fund large-scale development projects. This places the onus on the private sector to fill the gap, often in partnership with aid agencies and implementers like Palladium.

> "It's not philanthropy; it's about aligning long-term business interests with societal needs."

Second, the urgency of global challenges—from climate change to education inequalities—requires unprecedented levels of innovation and collaboration. Public funds can play a critical role as early-stage capital, incubating partnerships and scalable solutions. For instance, initiatives under USAID's CATALYZE program demonstrate how targeted investments in education and access to finance for women can unlock broader economic opportunities across whole countries and regions.

Third, inclusive growth is proving, and will continue to prove, to be critical in post-disaster recovery efforts. When crises strike, whether due to natural disasters, conflict, or pandemics, inclusive growth strategies ensure recovery efforts extend beyond immediate relief to build long-term resilience. By engaging diverse stakeholders—local communities, governments, businesses, and donors—such approaches create solutions that rebuild economies while addressing systemic vulnerabilities.

We're seeing this approach being adopted in Mozambique, where USAID's Bureau of Humanitarian Assistance recently launched a three-year project designed to support Internally Displaced Persons and returnees through agricultural development, private sector partnerships, and sustainable livelihoods to restore economic stability. I expect we'll see similar strategies over the coming months and years as Ukraine begins the rebuilding process, too.

Finally, inclusive growth aligns with the rising expectations of consumers, investors, and policymakers for businesses to prioritise environmental, social, and governance (ESG) factors, especially in light of increased compliance and disclosure requirements. While ESG and the UN Sustainable Development Goals may be buzzwords, they signify a critical shift: companies are increasingly evaluated on their ability to deliver shared value.

But implementing inclusive growth strategies is not without its challenges.

Success requires navigating competing priorities and expectations among stakeholders. For governments, it's about ensuring accountability and demonstrating value to taxpayers. For businesses, it's about showing shareholders that investments are not just ethical but profitable. And for communities, it's about seeing tangible benefits, from improved livelihoods to reduced vulnerabilities.

Transparency and trust are essential. Misalignment often arises when stakeholders assume others are disproportionately benefitting. Tools like the Balanced Scorecard can help define shared objectives and measure outcomes in ways that resonate across the board.

A CATALYST FOR THE FUTURE

Inclusive growth is not about "do-goodism." It's a pragmatic strategy for addressing systemic challenges while driving growth and innovation. Whether it's restoring vulnerable forests, improving education systems, or rebuilding communities after disaster, the approach is grounded in the understanding that no single actor can solve these issues alone.

By acting as catalysts, organisations like Palladium bring together diverse players—corporates, donors, governments, and communities—to co-create solutions. This is the essence of inclusive growth: aligning interests to achieve outcomes that are greater than the sum of their parts.

As we head into 2025, the question is not whether to embrace inclusive growth but how.

The stakes are high, and the opportunities—economic, social, and environmental—are too significant to ignore. For businesses and development organisations alike, inclusive growth is the strategy for building a more equitable and sustainable future. It's both timely and timeless, a trend rooted in decades of experience and poised to shape the decades to come.

Why the Employment Sector Must Unite Skills, Health, and Employment Support Services

BY
Caroline Bostock
Director, Employability and Community Services, Palladium

ABOUT THE EXPERT
As Palladium's Director of Employability and Community Services, Caroline Bostock leads the global employment and community services business. She has dedicated her career to supporting vulnerable and struggling people and communities. The first 10 years of her career were spent in London local and regional government, including a 4-year stint at the London Development Agency, where she developed, procured, and managed large-scale employment, skills, and business support programs. She has built a reputation as a strong Business Development leader for private and not-for-profit organizations.

As we head into 2025, the UK is facing persistent challenges, including high public debt, a strained labour market, and inflationary pressures, all culminating in increased pressures on the country's public services.

It's becoming increasingly clear that traditional approaches to employment support are no longer sufficient. If we are serious about creating opportunities for people furthest from the labour market, we must rethink how we deliver support to ensure it addresses people's needs in a more holistic way – that is why I am supportive of the government's aim to unite employment, skills, and health support in a truly integrated way.

This is not just about jobs and it's not just about the UK. Many of the challenges the UK is facing are global, and around the world, employment support needs to address the real, often complex, barriers that people face—whether it's mental health challenges, housing instability, or a lack of skills and confidence.

> "Despite many red flags, no one stepped in to provide the coordinated support we needed. It was luck, not intervention, that kept us safe."

Without a joined-up approach, vulnerable individuals and families will continue to slip through the cracks, just as my own family did.

THE COST OF DISJOINTED SERVICES

Growing up in a declining mining town, I saw firsthand what happens when public services fail to communicate or collaborate. My family faced multiple challenges after my mother's severe mental illness left her unable to cope. Despite many red flags, no one stepped in to provide the coordinated support we needed. It was luck, not intervention, that kept us safe.

This experience drives my belief that no one should have to rely on luck. Yet today, disjointed services remain a reality for many. People who are unemployed often face multiple barriers simultaneously, but these are rarely addressed holistically. Housing issues, health needs, and skills gaps are treated as separate problems when they are deeply interconnected.

For example, a person facing homelessness may find it impossible to focus on a training course or maintain a job. Addressing their housing needs is not secondary to employment—it's foundational. Likewise, long health services waiting lists to access appropriate support mean that mental and physical health conditions continue to be a major barrier to employment for way longer than they should.

If these barriers aren't tackled together, efforts to move people into work will fail, and the cycle of poverty continues.

A HOLISTIC APPROACH

The solution lies in place-based, integrated services that respond to the unique needs of individuals and communities. It requires collaboration across sectors, meaningful investment, and a shared vision for change.

Programs that embrace this model are already making a difference. For instance, employment programs that prioritise housing support have helped thousands of participants secure stable accommodation—a critical first step toward re-entering the workforce.

Similarly, embedding mental health support into employability services ensures that individuals can address emotional and psychological barriers alongside developing job-ready skills.

TACKLING ECONOMIC INACTIVITY

The need for this integrated approach has never been more urgent. In the UK, years of austerity have left the NHS and

> "Economic inactivity is not just an employment problem; it's a societal challenge."

wider public services threadbare; which combined with the impact of COVID-19, and the loss of funding streams that traditionally focused on those furthest from the labour market (such as the European Social Fund), means that it is no surprise that economic inactivity has risen sharply.

At the same time, employment services themselves are often undervalued and misunderstood. The recent 'Get Britain Working White Paper' criticised the current system for failing to support those furthest from the labour market, an assertion I would counter, and I would caution the government not to dismiss the significant lessons the employability sector has learned in delivering employment support at scale to increasingly complex caseloads.

Outsourced Department of Work and Pension programs have become one of the few places people can currently find meaningful support – and this often goes way beyond helping someone to find a job. This has meant that as a sector we have had to enable our advisors to support people experiencing wide ranging and complex barriers through programs not originally designed to address such complexity.

To achieve this our services (by necessity) are heavily embedded within their local communities - we work closely with local community organisations and services, most of our employment advisors are from those communities and often have lived experience of the barriers our service users face.

THE ROLE OF DEVOLUTION

Devolution, or the transfer of delegation from a central to more local administration or government, offers an opportunity to deliver better, more integrated support at a local level – something that is desperately needed. But devolution alone is not enough. Essential public services must be properly funded; otherwise, Combined and Local Authorities could face the same resource constraints that have plagued our current heavily centralised system.

True place-based working is about more than where funding sits. It's about aligning services, building partnerships, and putting individuals at the centre. It's about ensuring that economically inactive people can access the support they need and when they need it, whether that be housing, health, and/or skills support, without having to navigate a maze of confusing and disconnected agencies.

BUILDING AN INCLUSIVE FUTURE

As a sector, we have made progress. Employment programs now prioritise local engagement and holistic support. But we must go further. We need to advocate for properly funded, integrated services that address the full spectrum of challenges people face.

Economic inactivity is not just an employment problem; it's a societal challenge. Solving it requires a bold, collaborative approach that brings together employment, skills, and health interventions into a unified framework.

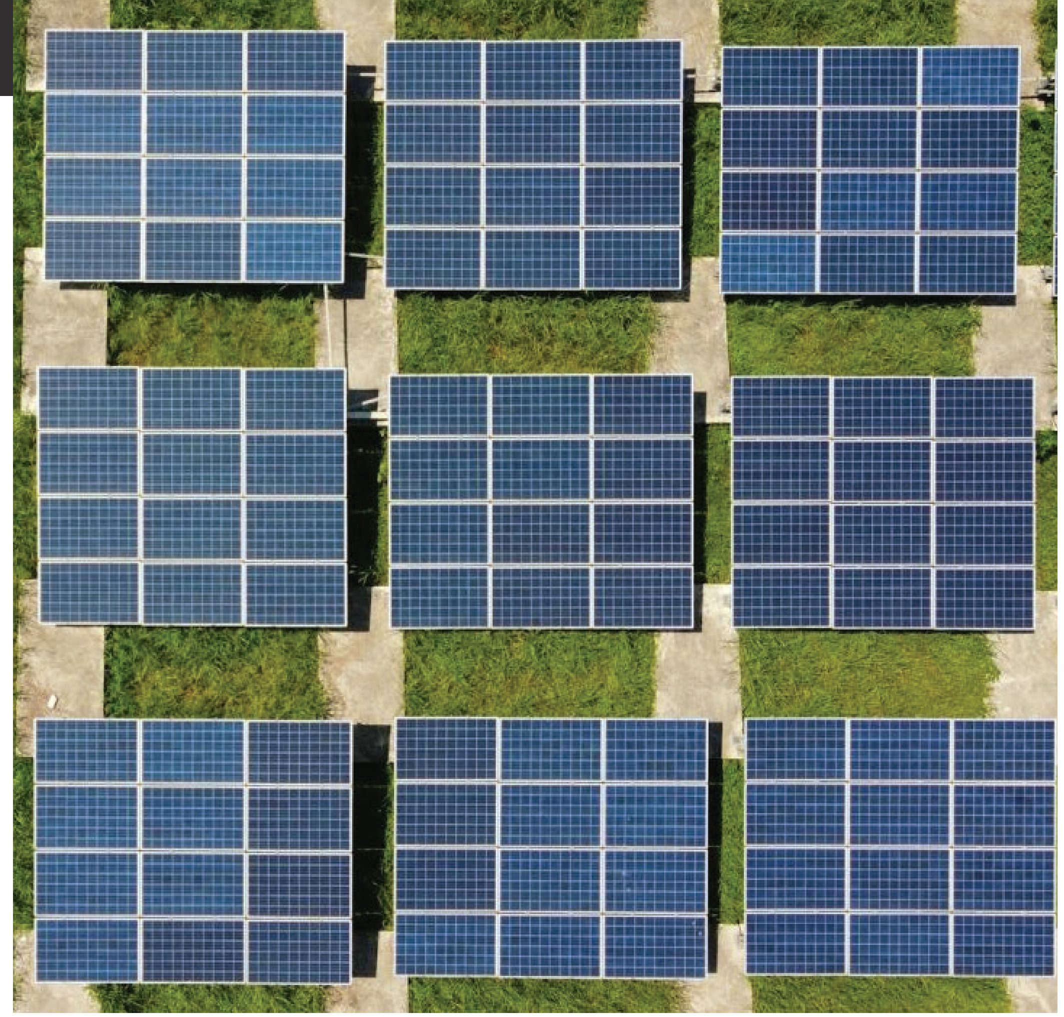
This is not just about improving job outcomes. It's about giving people the confidence, stability, and hope they need to move forward. It's about creating communities where no one is left behind. And it's about ensuring that everyone, no matter their circumstances, has the opportunity to achieve their full potential.

The stakes are too high to settle for anything less. Let's work together to build a system that truly supports people, families, and communities—and delivers the transformative change that's long overdue.

2025 is the Year for ESG

BY
David Wallis
Impact Lead, Natural Capital, Palladium

ABOUT THE EXPERT
David has more than 10 years' experience working on biodiversity conservation and community development projects across the global south. Over the past five years, David has played a key role in the development and deployment of high-profile natural capital and climate focused impact investing and financing vehicles with Althelia, leading on best-in-class impact and ESG management and reporting, and working closely with investors and asset managers, donors and development finance institutions. David is currently leading our work with asset managers and investors to develop cutting edge impact and ESG frameworks for climate and nature-focussed funds and investment vehicles.



For years, Environmental, Social, and Governance (ESG), a framework used to evaluate a company's or project's sustainability, has been a key topic of discussion. But a combination of evolving regulations, technological innovation, and rising expectations around transparency will make the coming year critical. More than just a framework, ESG is becoming the foundation for how businesses and investors align profitability with sustainability.

Here's why 2025 is shaping up to be a transformative year.

THE RISE OF MANDATORY AND VOLUNTARY DISCLOSURES

Disclosures have been a point of focus in ESG for some time, but I expect that we'll see real progress as businesses are compelled to up their game. The European Union's Corporate Sustainability Reporting Directive (CSRD) and Sustainable Finance Disclosure Regulation (SFDR) demand unprecedented levels of detail from companies and investors, especially for the latter managing

> "It's no longer enough to claim sustainability—organisations must demonstrate it with robust data and transparency."

so called "Article 9" funds focused on deep environmental and social impact. These frameworks require organisations to not only identify their negative impacts but to also measure and articulate how they will deliver positive change.

Meanwhile, voluntary standards like the Taskforce on Nature-related Financial Disclosures (TNFD) continue to gain traction, with early adopters now setting the tone. For those of us working on nature-focused projects, TNFD represents a major step forward, establishing how businesses and private finance can contribute to global nature goals.

> "Ultimately, ESG is about more than compliance—it's about creating the conditions for achieving meaningful impact."

It's no longer enough to claim sustainability—organisations must demonstrate it with robust data and transparency.

THE PUSH TO BE NATURE POSITIVE

A standout trend for 2025 will be the "nature positive" movement, the global goal of halting and reversing nature loss by 2030 with a full recovery by 2050. Stemming from the Kunming-Montreal Global Biodiversity Framework, this approach challenges businesses and investors to go beyond simply minimising harm to actively contributing to the restoration of nature.

Organisations like WWF are leading the charge, offering practical guidance on how companies can align their activities with biodiversity goals. But the bar is set high. It's not enough to make vague commitments—businesses and investors are increasingly being pushed to demonstrate measurable results related to ecosystems and biodiversity.

To meet these demands, businesses will need to embrace cutting-edge monitoring, reporting, and verification (MRV) tools which are evolving at breakneck speed. Technologies like geospatial mapping, eDNA sampling, and AI-driven analytics are enabling deeper and more precise measurements.

For us and our many global partners and clients working on nature projects, this represents an exciting opportunity to catalyse action by making these tools more accessible and practical for businesses and investors alike.

CARBON MARKET INTEGRITY

The past few years have been tough for carbon markets, which were rocked by scandals over integrity and poor governance. However, the market is poised for recovery, thanks to stronger standards such as the iCVCM (Integrity Council for the Voluntary Carbon Market), Core Carbon Principles, SBTi (Science Based Targets initiative), and others which aim to restore trust by defining what constitutes a credible carbon credit, both on the supply and demand sides.

These improvements are heavily based on better ESG practices and increased transparency, and their mainstreaming is reflected in the strict criteria of carbon credit buying groups such as the big tech Symbiosis coalition.

However, complexity remains a barrier. While stronger compliance frameworks are necessary, there is a risk they could dissuade uptake if they become overly burdensome. Yet the broader momentum is clear: businesses understand that their long-term success is tied to a healthy planet, and this fundamental reality will drive investment into impactful projects.

ESG MEETS TECHNOLOGY

Despite its critical role, ESG remains surprisingly analogue. Current processes are often slow and cumbersome, relying on questionnaires, trawling through documents. But 2025 could mark a turning point as technology is increasingly integrated into ESG practices.

AI and machine learning offer immense potential to streamline data collection, analyse risks and impacts, and enhance transparency. For example, AI systems can quickly process large volumes of data from impact assessments, reports and news articles, rapidly identifying key risks and opportunities for improvements, and enhancing decision making. In addition, complex reporting requirements can be automated, greatly freeing up the administrative burden. These innovations promise to make ESG reporting faster, cheaper, and more reliable, bringing greater clarity to both investors and regulators.

FROM COMPLIANCE TO ACTION

Ultimately, ESG is about more than compliance—it's about creating the conditions for achieving meaningful impact. ESG and impact go hand in hand: ESG sets the foundation by ensuring businesses "do no harm," while impact builds on that foundation to "do good."

In our work across several natural capital funds, this approach has delivered real results. Whether it's restoring wildlife corridors or supporting local communities, these projects start with rigorous ESG processes.

By identifying risks and mitigating them, we enable positive outcomes that benefit people and the planet.

WHY 2025 BRINGS HOPE

While there has been a frustrating lack of action in recent years, I believe 2025 will finally see capital flowing into businesses and projects that deliver tangible benefits on the ground. The complexity of ESG frameworks alongside the alphabet soup of compliance requirements, while sometimes daunting, has created a foundation of integrity and transparency that investors can trust. Once the cork is out of the bottle, I expect to see significant investment into business models that restore nature, enhance biodiversity, and uplift local communities.

What gives me hope is the growing recognition that businesses and investors cannot afford to ignore ESG. The health of the planet is directly tied to the health of the global economy, and this reality is driving change at every level. More than ever, there is a willingness to embrace innovation, collaborate across sectors, and focus on solutions that work.

2025 has the potential to be a landmark year for ESG—not just a year of frameworks and reporting, but one of real-world impact. If we can harness this momentum, we can build a future where economic growth and environmental stewardship go hand in hand. The time for action is now, and I am optimistic that next year could mark the beginning of a truly sustainable future.

EVs, PVs and GWhs: Energy Trends (and Acronyms) to Watch in 2025

FEATURED EXPERT
Llyr Rowlands
Chief Operating Officer, Palladium

ABOUT THE EXPERT
Llyr Rowlands is Palladium's global Chief Operating Officer based in Washington, DC. He began as a UK based lawyer working on international infrastructure projects, before pursuing a career global development in the energy and critical infrastructure sectors. He has since held several project leadership roles, notably in the Western Balkans and sub-Saharan Africa, and has overseen and delivered technical assistance across Central Asia, Moldova, Ukraine, SE Asia, MENA, and the Pacific Islands.

The global energy sector is on the brink of transformative changes, characterised by a continued focus on decarbonisation, decentralisation, and digitisation. These shifts will continue in 2025, driven by technological advancements, environmental imperatives, and shifting geopolitical dynamics that will shape the way energy is produced, distributed, and consumed.

Llyr Rowlands, Palladium Chief Operating Officer, shares his insights into the key trends to watch in the coming year.

RENEWABLE ENERGY'S CONTINUED MOMENTUM

"The transition to renewable energy sources isn't slowing down," says Rowlands. He points to data from the International Energy Agency (IEA), which forecasts global investment in renewables to reach $1.3 trillion in 2025. A decade of technological advancements has significantly reduced costs, with solar photovoltaic (PV) prices falling by 82% and wind energy costs dropping by 39%.

> "The global energy sector is on the brink of transformative changes."

However, the pace of renewable capacity installation is expected to dip slightly compared to record levels in 2023. The Economist projects 250 gigawatts (GW) of combined solar and wind capacity to be added in 2025, with China leading both production and investment.

Energy storage remains a linchpin for integrating renewables. Advances in battery technology—longer lifespans, higher energy density, and lower costs—are making storage solutions increasingly viable. Rowlands highlights that global battery storage capacity is projected to reach 270 gigawatt-hours (GWh) by the end of the year.

"To put it in perspective," he says, "a city like London consumes about 52 GWh of electricity per day and at 270 GWh, the global storage capacity could power London for over five full days without any additional electricity generation."

"ELECTRIFICATION GAINS MOMENTUM

Electric vehicles (EVs) are set to play a pivotal role in reducing carbon emissions. Despite a recent slowdown in sales growth, EV sales are expected to rise by 30% in 2025, reaching 15.1 million units. This surge would elevate EVs' market share from 13.2% in 2024 to 16.7% in 2025.

"The expansion of charging infrastructure is critical to this growth," Rowlands explains. According to the IEA, the number of public charging points worldwide will exceed 12 million by 2025. Enhanced battery technology and more accessible charging solutions are expected to accelerate EV adoption.

THE DIGITAL REVOLUTION IN ENERGY

The digitalisation of energy systems is another transformative trend for 2025. "Smart grids are revolutionising how electricity is managed," Rowlands notes. These systems use digital technology to optimise energy distribution and consumption. The IEA estimates that global investment in smart grids will reach $241 billion this year.

> "2025 will be a pivotal year for the energy sector."

Integration of the Internet of Things (IoT) will play a pivotal role. With over 41 billion connected IoT devices projected by 2025, smart energy systems will offer real-time data analytics, demand response capabilities, and predictive maintenance. This, Rowlands explains, will lead to greater efficiency and lower energy costs for consumers.

A RESURGENCE IN NUCLEAR ENERGY

Nuclear energy is poised for a resurgence in 2025, driven by the need for reliable power to support emerging technologies such as artificial intelligence and advanced computing. "Small modular reactors are gaining attention, though they remain in development and costly," Rowlands points out.

The International Atomic Energy Agency (IAEA) projects global nuclear capacity could increase 2.5 times by 2050 in its high-case scenario. Nuclear's role as a stable, zero-emission power source makes it increasingly appealing as countries strive for energy security and climate goals.

GEOPOLITICAL AND POLICY SHIFTS

Geopolitical tensions, including instability in the Middle East and reduced Russian natural gas transit through Ukraine, are influencing national energy strategies. "Many countries are rethinking energy independence," says Rowlands, emphasising the dual focus on reducing reliance on fossil fuels and bolstering domestic energy production.

In the US, shifting political priorities may also reshape the landscape. "Some policies may pivot towards deregulation and fossil fuels, potentially rolling back elements of the Inflation Reduction Act," he explains.

"This could revive oil, gas, and coal industries, but it may clash with the interests of regions committed to renewable energy."

WHAT LIES AHEAD

"2025 will be a pivotal year for the energy sector," Rowlands reflects. "The interplay of technology, policy, and geopolitical factors ensures a dynamic and unpredictable landscape."

From renewable energy breakthroughs to electrification and digitalisation, the global energy transition continues to gather pace. The year ahead promises to be a defining chapter in the push towards a sustainable, efficient, and secure energy future.

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The Catalyst is Palladium's online publication, delivering news, perspectives, and in-depth reports from the front lines of our global work. Many of the stories are written by Palladium employees and partners, sharing their experiences and expertise as they work to solve the world's greatest challenges.

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