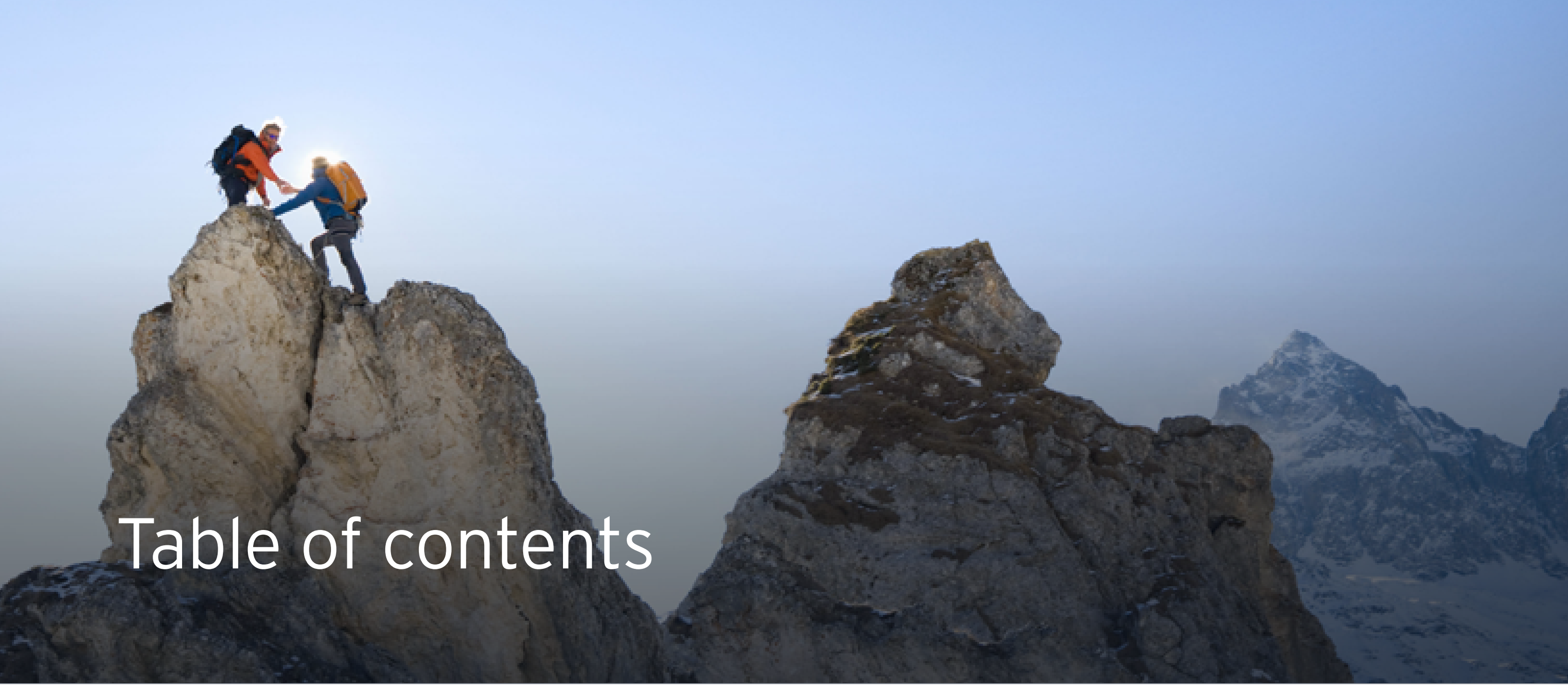
# Geostrategic analysis

The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

**December 2025 edition**

The better the question. The better the answer.
The better the world works.

EY Parthenon
Shape the future with confidence



# Table of contents



**EY-Parthenon Geostrategic Business Group (GBG)**
Translating geopolitical insights into business strategy

Read more.

# Top development

## Industrial decarbonization policies accelerate amid limited COP30 commitments.

**What happened:** More than 190 countries and the EU convened at the 30th United Nations Climate Change Conference (COP30) in Belem, Brazil in November to negotiate on global climate goals. China's delegation[1] was second in size only to that of the host.

There was pressure to mark a turning point in global climate action, moving from discussion to implementation. Ahead of the conference, nearly 120 countries representing more than 70% of global emissions submitted updated Nationally Determined Contributions (NDCs)[2], national climate action plans submitted every five years under the Paris Agreement. Though required to be increasingly ambitious via "the rachet mechanism," the NDCs collectively commit to only 11% of the cuts needed to achieve a 1.5°C scenario[3]. However, some observers saw the enhanced NDCs as more practical, with detail at a sectoral level that provides countries with an economic plan alongside a climate plan.

Notably, the US pulled out of the Paris Agreement for the second time[4] earlier this year. This was the first COP since its creation in 1995 at which the US was not officially represented.

**What's next:** The "Global Mutirão"[5], agreed at COP30, called for a tripling of adaptation finance by 2035 and a "Belem mission" to increase collective efforts to cut emissions. But negotiators did not reach collective agreement on roadmaps to transition away from fossil fuels or reverse deforestation, meaning market forces and domestic policies will continue to drive those dynamics. In this context, it is important to note that these domestic policies, especially industrial policies, are material.

Governments will continue to implement policies that align decarbonization with economic competitiveness. For example, Japan's Green Transformation (GX) framework[6] aims to achieve emissions reductions and economic growth through climate transition bonds and public-private investments. China's longstanding industrial policies to support emerging green sectors, such as solar panels and electric vehicles, mean it will continue to be a significant exporter of such technologies[7], particularly to emerging markets. Canada's newly announced Climate Competitiveness Strategy[8] seeks to catalyze economic growth through a low-carbon transformation. Europe's Clean Industrial Deal[9] advances a program to turn decarbonization into a driver of growth in light of the systemic vulnerabilities and competitiveness gaps highlighted in the Draghi report[10].

The US, in contrast, has stepped back from climate commitments and renewable energy incentives[11] at the federal level, while launching critical materials initiatives[12] and strategies[13] driven by competitiveness and other concerns. Some states, such as California, are continuing to pursue specific climate objectives though.

**Business impact:** Major sectors affected include banking and capital markets; mobility, aerospace and defense; power and utilities; mining and metals; chemicals, oil and gas; industrial products; and infrastructure.

Although COP30 sought to resolve contentious issues across finance, ambition, trade and transparency, inconsistent participation and the difficulty of coming to agreements highlights that fragmented and siloed sustainability policy and regulations will persist, creating uncertainty and hinder cross-border interoperability. Companies should closely monitor climate and energy policy in key markets, especially regarding phaseout timelines for polluting technologies, as these developments can significantly affect financial projections and investment plans around clean technologies.

Intensifying geopolitical competition and the accompanying increased reliance on industrial policy means some governments are seeking to secure transition-critical supply chains, prioritize domestic R&D and promote circularity to retain strategic materials. Executives should assess any opportunities these policies provide to access government incentives and lower capital costs for green projects and how evolving industrial strategies reshape the economics of sustainable activities, potentially enhancing ROI and unlocking new financing streams.

These opportunities may extend beyond the energy and resources sector. For instance, infrastructure companies may have procurement or public-private partnership opportunities related to energy projects. Industrials, chemicals, and advanced materials will likely see heightened demand for innovation in low-carbon processes and automotive companies in some markets may have access to incentives tied to electrification and supply chain localization — although they may face significant competitive pressures from established electric vehicle (EV) companies, such as those based in China.

For more information, contact Brian Tomlinson, John de Yonge, Jessica Cunningham and Charlotte Weston.

Additional reading: What do shifting sustainability regulations mean for business?

1. Analysis: Which Countries Have Sent the Most Delegates to COP30 | Carbon Brief (carbonbrief.org) https://www.carbonbrief.org/analysis-which-countries-have-sent-the-most-delegates-to-cop30/
2. Nationally Determined Contributions (NDCs) | UNFCCC (unfccc.int) https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs
3. NDC Tracker | Climate Watch (climatewatchdata.org)https://www.climatewatchdata.org/ndc-tracker
4. Putting America First in International Environmental Agreements | The White House (whitehouse.gov)
5. CMA2025_L24 Advanced Draft | UNFCCC (unfccc.int) https://unfccc.int/sites/default/files/resource/cma2025_L24_adv.pdf
6. Pathways to Green Transformation | METI (meti.go.jp) https://www.meti.go.jp/policy/energy_environment/global_warming/transition/pathways_to_green_transformation_eng.pdf
7. Solar PV Global Supply Chains: Executive Summary | IEA (iea.org) https://www.iea.org/reports/solar-pv-global-supply-chains/executive-summary
8. Canada's New Climate Competitiveness Strategy | Government of Canada (canada.ca) https://www.canada.ca/en/immigration-refugees-citizenship/news/2025/11/canadas-new-climate-competitiveness-strategy.html
9. Clean Industrial Deal | European Commission (commission.europa.eu) https://commission.europa.eu/topics/competitiveness/clean-industrial-deal_en
10. Draghi Report: One Year After | European Commission (commission.europa.eu) https://commission.europa.eu/topics/competitiveness/draghi-report/one-year-after_en
11. Ending Market-Distorting Subsidies for Unreliable Foreign-Controlled Energy Sources | The White House (whitehouse.gov) https://www.whitehouse.gov/presidential-actions/2025/07/ending-market-distorting-subsidies-for-unreliable-foreign%E2%80%91controlled-energy-sources/
12. Critical Minerals and Materials Program | U.S. Department of Energy (energy.gov) https://www.energy.gov/cmm/critical-minerals-and-materials-program
13. Department of Energy Restructures Lithium Americas Deal | U.S. Department of Energy (energy.gov) https://www.energy.gov/articles/department-energy-restructures-lithium-americas-deal-protect-taxpayers-and-onshore

# 2 Sector in focus: Industrial products

Industrial manufacturers embrace localization to manage trade policy risks.

## What happened

The US has introduced and revised tariffs on an estimated $750 billion in imported industrial goods as of August, although those implemented under the International Emergency Economic Powers Act (IEEPA)[14] are under review by the US Supreme Court.

In September, China introduced a new definition of "domestic product" for government procurement[15], a market estimated by government sources at more than US$436 billion. The new guidelines include manufacturing location and cost specifications that give a 20% price advantage to products made in China.

In recent months, the European Commission has increased its investigations of potential violations of anti-dumping measures[16], particularly for steel products from China and Turkey.

## What's next

Geopolitical developments will continue to influence demand, supply chains and investment strategies for industrial products firms amid a growing trend of state interventionism.

More governments may follow China, Canada[17], Australia[18] and others in introducing greater preference for domestic industrial products in government procurement.

There will likely be continued volatility in tariff rates and export controls for various industrial products and the inputs upon which manufacturers rely (such as semiconductors).

Some governments, likely led by the EU, will explore more local content requirements and other non-tariff barriers to put conditions on or restrict foreign investments and reduce imports in strategic sectors. These actions will in many cases be a response to the perception that China's industrial subsidies have led to overcapacity that is being exported.

## Business impact

Trade and industrial policies designed to onshore production have led Chinese, US and European industrial manufacturers to place more of their operations within the same countries as customers. The September edition of the EY-Parthenon CEO Outlook found that 42% of industrial products companies are already implementing localization strategies. These moves reflect a long-term shift away from the prioritization of cost efficiency in global supply chains and manufacturing footprints. Increased costs are now seen as unavoidable in managing geopolitical risk.

Industrial manufacturers should conduct scenario planning that takes into account long-term growth projections in local markets, the resilience of ROI for major capital commitments (especially when building new facilities), and the impacts of potential future policy changes — based on a careful analysis of the long-term trends without overreacting to short-term noise. Executives should explore how technologies such as AI and digital twins could support scenario planning efforts and build agility.

Government support for sectors that are customers of industrial products firms may also provide opportunities. For instance, the need to address water scarcity is emerging as a major growth driver, with demand for water treatment and management technologies accelerating. Localization can also support stronger relationships with local governments and customer communities, especially when investments foster local economic and job growth.

For more information, contact Jerry Gootee and Julie Buresh.

Additional reading: CEO Survey September 2025: Confidence, disruption and growth | EY – Global

14. U.S. Code Title 50, Chapter 35 | U.S. House of Representatives (uscode.house.gov) https://uscode.house.gov/view.xhtml?path=/prelim@title50/chapter35&edition=prelim
15. China Redefines Domestic Product in Government Procurement | LexChina (lexchina.org) https://lexchina.org/china-redefines-domestic-product-in-government-procurement-leveling-the-playing-field/
16. Anti-Dumping Measures | European Commission (policy.trade.ec.europa.eu) https://policy.trade.ec.europa.eu/enforcement-and-protection/trade-defence/anti-dumping-measures_en
17. Prime Minister Carney Launches New Measures | Government of Canada (pm.gc.ca) https://www.pm.gc.ca/en/news/backgrounders/2025/09/05/prime-minister-carney-launches-new-measures-protect-build-and
18. Definition of Australian Business | Australian Government (finance.gov.au) ttps://www.finance.gov.au/government/procurement/defining-australian-business-commonwealth-procurement/definition-australian-business?utm_source=chatgpt.com

# 3 Other issues we are watching

Gen-Z protests could lead to more policy changes, Chilean elections suggest a rightward shift and an emphasis on pro-business policy, Japan's new government will seek to boost investment in key sectors.

## Gen-Z protests could lead to more policy changes

This year is on pace to have more than 100 social protests of 1,000 people or more — the third year in a row for which this trend would hold, according to the Carnegie Global Protest Tracker[19]. The "Gen-Z protests" that have occurred across Asia, Africa and Latin America have contributed significantly to this trend — from the protests that began in Bangladesh in July 2024 to those that emerged in Mexico in November 2025. While there are specific circumstances in each country, common motivations for the Gen-Z protests include the perception of a lack of economic opportunity[20] for younger generations, poor public service provisions and broader governance issues. In some cases, these protests have led to a change in government or policy shifts. Digital mobilization has facilitated cross-border similarities among the protests thus far. The spread of such protests to more countries is likely to continue if similar grievances persist and protests lead to more government and policy changes.

**Business impact:** In the short term, social unrest can interrupt business operations, resulting in disrupted production and supply chains — due to either worker absenteeism or protestors blocking transitways. Social unrest can also disrupt commercial operations, slowing sales volumes in cities that experience protests. To support a more stable operating climate, governments may need to provide additional youth employment schemes and other social services, leading to increased interventions in the economy and possibly higher tax rates to pay for these services. Executives should explore scenario planning to manage business continuity and financial planning. In addition, executives should assess whether heightened stakeholder expectations affect reputational risks for their organization, particularly among younger employees.

For more information, contact Courtney Rickert McCaffrey.

## Chilean elections suggest a rightward shift and an emphasis on pro-business policy

Chile's first-round presidential election in November resulted in two highly divergent candidates in the runoff election on 14 December: José Antonio Kast, a right-wing Republican Party candidate, and Jeanette Jara, a left-wing Communist Party candidate. The election was the first since voting became mandatory in Latin America's fifth-largest market, with strong voter focus on controlling crime and immigration. The divided result suggests a polarized electorate open to change from the current socialist Gabriel Boric administration. The November election also led to a more right-leaning Chamber of Deputies, a clear signal of a rightward shift in Chilean politics. This result leads many political analysts to expect Kast to win the runoff and govern via a right-of-center coalition.

**Business impact:** While no party will have an outright majority in the legislature, a right-of-center coalition will likely pursue government spending cuts, although coalition dynamics and persistent public support for social spending may hamper these efforts. Under Kast, the government would also seek to reduce regulatory burdens on business and promote investment, including in the agricultural, construction and mining sectors. The latter is particularly significant given Chile is a leading exporter of critical minerals such as lithium and copper. Businesses should monitor post-election political negotiations ahead of the March 2026 presidential transition to assess which policy and regulatory changes are likely.

For more information, contact Adam Barbina.

## Japan's new government will seek to boost investment in key sectors

Japan's first female Prime Minister, Sanae Takaichi, had a nearly 70% approval rating for her cabinet following her first month in office, which included hosting US President Trump in Tokyo and participating in the ASEAN and APEC Summits. Prior to the recent election, the ruling Liberal Democratic Party (LDP) was in its weakest parliamentary position in decades, and Takaichi is emerging as a unifying party leader. Takaichi is most closely aligned with the policies of her political mentor, the late Shinzo Abe. Like Abe, she favors an expanded national security posture and looser fiscal policy. She also prioritizes the US-Japan relationship. Takaichi may face difficulties maintaining the LDP's coalition with the Innovation Party and passing legislation.

**Business impact:** Under Takaichi, Japan is likely to reverse the fiscal austerity approach of the previous government. Takaichi has signaled support for targeted stimulus which may create opportunities for businesses. The FY26 budget, to be introduced in late December, will set out investment plans focusing on 17 key sectors, including defense, AI, semiconductors, energy and digital and cybersecurity. This policy clarity, alongside Takaichi's successful hosting of President Trump, may contribute to a more stable business outlook and more interest from foreign investors. However, businesses should note that Takaichi will continue to face domestic political challenges associated with coalition dynamics. Also, recent tensions with China over comments about Taiwan underscore the need to remain vigilant about geopolitical risk in the region.

For more information, contact Laura Winthrop and Nobuko Kobayashi.

19. Global Protest Tracker | Carnegie Endowment (carnegieendowment.org) https://carnegieendowment.org/features/global-protest-tracker?lang=en
20. WSR25 Press Release | United Nations (un.org) https://www.un.org/sustainabledevelopment/blog/2025/04/wsr25-press-release/

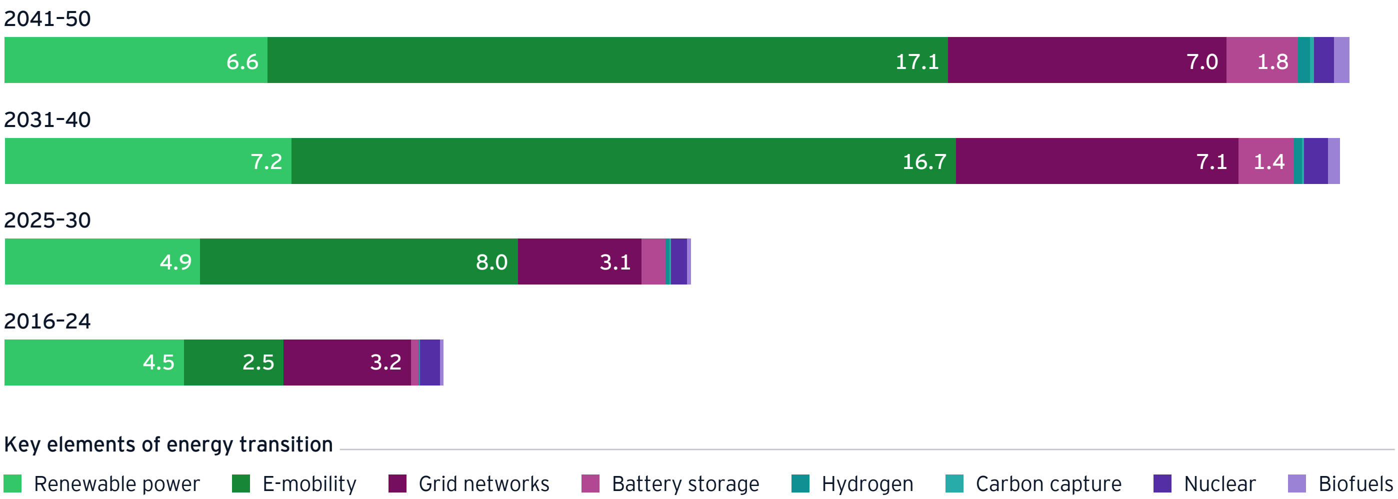

# Geostrategic indicator of the month

Global energy demand will rise 15% by 2050, driving over $85 trillion in investment.

## The indicator

Analysis of the EY Energy and Resources Transition Acceleration (ERTA) model highlights that global energy demand is set to rise by more than 15% by 2050, driven primarily by emerging markets and the rapid expansion of digital infrastructure such as data centers. While renewables are projected to see the largest absolute growth, the model shows that a balanced mix of energy sources will be required to ensure reliability and affordability. There is likely to be a clear divide between sectors where technologies are proven and commercially viable, and those still facing economic and technical hurdles. The next five years will be pivotal for scaling up technologies, laying the foundation for a projected cumulative investment of over US$85 trillion by 2050 under business-as-usual forecast. The pace and scale of the transition is expected to vary significantly by region, as well.

**More than US$85 trillion in cumulative investment is expected in energy transition technologies**
Cumulative investment expected




Source: EY Insights analysis of ERTA current trajectory, IEA, BNEF.

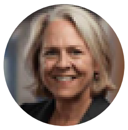
**Business impact:** In the short term, companies across all sectors could face higher energy costs as rising demand may outpace supply growth. To remain competitive, businesses will need to adapt to evolving regional policy landscapes and incorporate short-term and long-term energy cost and availability into investment and global footprint decisions. At the same time, companies in sectors aligned with mature transition technologies, such as renewables, grid infrastructure and electrified transport, are likely to benefit from supportive policy frameworks and financing conditions — including state-backed financing in some markets. Energy executives should assess opportunities to align with governments' energy policy objectives in key markets and explore innovative financing solutions.

Additional reading: Six actions to turn soaring energy demand into lasting prosperity

# Contacts


**Oliver Jones**
London
oliver.jones@uk.ey.com

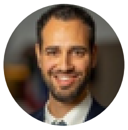

**Angelika Goliger**
Johannesburg
angelika.s.goliger@za.ey.com


**Mary Karol Cline**
Washington DC
mary.k.cline@ey.com


**Courtney Rickert McCaffrey**
Washington DC
courtney.r.mccaffrey@ey.com


**Adam Barbina**
New York
adam.l.barbina@parthenon.ey.com


**Ari B. Saks Gonzalez**
Mexico City
ari.b.saks.gonzalez@mx.ey.com


**Ben-Ari Boukai**
Washington DC
ben-ari.boukai@parthenon.ey.com


**Jay Young**
Dallas
jay.young1@parthenon.ey.com


**Famke Krumbmüller**
Paris
famke.krumbmuller@parthenon.ey.com


**Jan Kallmorgen**
Berlin
jan.kallmorgen@parthenon.ey.com


**Nobuko Kobayashi**
Tokyo
nobuko.kobayashi@parthenon.ey.com


**Alessandro Faini**
Paris
alessandro.faini@parthenon.ey.com

### EY | Building a better working world

**EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.**

**Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.**

**EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.**

**All in to shape the future with confidence.**



**About EY-Parthenon**

Our unique combination of transformative strategy, transactions and corporate finance delivers real-world value – solutions that work in practice, not just on paper. Benefiting from EY's full spectrum of services, we've reimagined strategic consulting to work in a world of increasing complexity. With deep functional and sector expertise, paired with innovative AI-powered technology and an investor mindset, we partner with CEOs, boards, private equity and governments every step of the way – enabling you to shape your future with confidence. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.



EYG no. 000668-26Gbl
2408-15893-CS
ED None



**ey.com**