

COP30 Asset Owners Summit

Discussion Summary & Key Recommendations

Context

- The road from Baku to Belém outlined a USD 1.3 trillion p.a. need to scale transition finance in developing countries by 2035. The COP 29 commitment to mobilise USD 0.3 trillion of international public finance means that much of the remaining USD 1 trillion will have to come from the private sector.
- This year the first Asset Owners Summit was therefore held at the COP, as part of the official agenda, marking a pivotal moment in bringing the world's largest private capital allocators directly into the Action Agenda. Participants included senior representatives from pensions, insurers, development banks, endowments and investment consultants representing c. \$USD 10 trillion in total assets, as well as scientists and select executives from corporates across hard-to-abate sectors. The Summit followed asset owner convenings in São Paulo at both PRI in Person and the Milken Institute's Global Investors Symposium.
- Climate change does not recognize national borders, economic status, or political systems. Greenhouse gas emissions produced in one region affect the atmosphere everywhere. The effects of climate change and nature loss are already disrupting economies, supply chains and societies – threatening enterprise value and financial stability well before 2050.
- There is a demographic and economic growth opportunity to support Emerging Markets and Developing Economies (EMDEs), where the majority of incremental emissions growth lies, to achieve low-carbon resilient development.
- There is a clear fiduciary imperative to act: investment opportunity, risk management and portfolio allocation. The asset owner community is enthusiastically allocating capital to the sustainability revolution. But, not to all the required industries and geographies, nor at the speed and scale required. Each year we wait, the problem gets bigger and harder.

Discussion Read Out

- Countries who are both ambitious, consistent and acting on climate commitments should receive the most transition investment.
- The role of equity finance is critical.
- Companies using sustainability frameworks can solve business challenges and drive innovation and competitiveness. Profitability and sustainability as mutually reinforcing outcomes of sound management.
- Universal owners cannot diversify so must shift mindset from hard-to-abate to must-abate.
- Countries can create enabling conditions (see recommendations) to catalyze capital flows at scale.
- Importance of public and private organisations talking and working together. Must agree the “how”.
- Science underpins fiduciary duty.
- Importance of activating positive tipping points of societal and economic action.
- Climate Trace and TREX show that information is available to make better capital allocation decisions. Need to package this with urgency in usable ways for the asset owner community.

- Must better understand timetable to stranded assets; long-term, sustained policy signals will lead to efficient private sector and market response.
- Must better understand implications of physical risk: quantification, accountability and integration with other risk factors.
- Challenge of pricing insurance risk, including year-on-year changes in coverage, pricing and capacity.
- Importance of integrating physical risk assessment into financial decision-making and valuation holistically, including revenues, to support capital allocation towards both adaptation and mitigation.
- Climate solutions must address decarbonisation *gaps* – both countries and sectors.
- Urgency to re-establish fiduciary ownership of the energy and land transition narrative. Must be simple and people-centric.

Recommendations

Below are key recommendations to establish the economic imperative to increase capital allocation by institutional investors to the transition.

1. **Enabling conditions:** The foundational de-risking that investors need is reliable and sustained enabling conditions, such as regulatory certainty (including on prudential regulation) and demand-side policies, local permitting, reliable tax regimes, grid access, support for consumer behaviour, etc. Blended finance can then be saved for tackling *residual* risk. → **Recommend country-specific bodies be appointed (not established, we don't need new initiatives) that coordinate across government departments, spanning executive, legislature and judiciary, to create suitable sector-specific enabling conditions for scaling climate solutions. In emerging markets, the multilaterals and DFIs could play a role here.**
2. **Transition framework consistent with macro reality:** Asset owners need a transition framework consistent with macro reality, which links to countries' NDCs and sector-specific pathways → **Recommend a credible replacement for previous voluntary frameworks, supported by governments, that can serve as a reference point for asset owner commitments. The definitional framework of the UK's Transition Finance Council and the recently launched Country Platforms in emerging markets could be leveraged here.**
3. **Fiduciary obligations:** Asset owners have a responsibility toward the long-term best interests of their beneficiaries. Fiduciary duty therefore requires investors to consider long-term climate- and nature-related risks, including at system level, and to act on them. → **Recommend country-specific Governance Codes are strengthened to emphasise *long-term* incentive policies for investment teams and that there are accountability mechanisms to support this with adequate enforcement capacity.**
4. **Definition of climate "solutions" and the fiduciary imperative to allocate to EMDEs and hard-to-abate sectors:** Mitigating climate damage is also a collective action problem. Asset owners would benefit collectively from sufficient fund flows toward climate action but may have insufficient individual incentive to participate. Transition frameworks should include decarbonisation of existing assets and allocation to sectors already aligned to net zero, but should also make explicit reference to investment in climate solutions, where solutions are defined as sectors and geographies with the potential to significantly *accelerate* decarbonisation → **Recommend a clearer definition of climate solutions and increased efforts to stimulate capital allocations to such solutions, focusing especially on EMDEs and the hard-to-abate sectors informed by data on potential for avoided emissions and positive tipping points. Data from ClimateTrace and TREX could be leveraged here, as could the work of the Taxonomy Roadmap initiative.**

5. **Physical risk data:** Asset owners and corporates require significant incremental insight and capacity to be able to quantify increasing physical risks and incorporate into financial planning. This expertise is however a hallmark of the global insurance (risk transfer) markets. This market is already responding to increasing losses through re-pricing and changes in coverage. Although they can offer pricing for only the next 12 months on a rolling basis and only c. half of economic losses are insured, expertise in the insurance market has the capacity to send a clear signal to government, boards and investment committees of the future cost of inaction. While insurers are not in a position to provide firm quotes 10 and 20 years forward, the industry does have the expertise and available data to be in a position to provide an indication of expected losses derived from climate-related disasters and how they are projected to evolve under different scenarios → **To support longevity of insurance capacity through increased resilience, recommend insurers and other data providers share projections and scenarios, as appropriate, to ensure other stakeholders in the economy are armed with better information to quantify and estimate the value of action or the prospective penalty from inaction.**
6. **Globally comparable climate disclosure:** Investors have global portfolios and therefore need globally *comparable* information about companies' climate-related risks and opportunities to make efficient capital allocation choices → **Recommend that a globally-consistent baseline of climate disclosure is recognised as an urgent investor protection issue and encourage Parties to align their corporate and financial disclosure requirements around consistent global standards for capital markets, to which additional jurisdiction-specific disclosures can be added to meet local policy objectives. The work of the International Sustainability Standards Board (ISSB) can be leveraged here.**
7. **Public-private engagement on system-level issues:** Many capital allocators are universal asset owners, meaning they are invested across economies. They care about the system but have ownership rights only over companies, not the system → **Recommend Governance Codes also reinforce the fiduciary obligation to consider and act on climate- and nature-related risks at system level and that an ongoing COP Asset Owner Forum convenes annually, with preparatory meetings in between, to foster deliberate engagement between investors and policymakers on system-level issues.**

The Way Forward

The session marked a new phase of engagement and collaboration between private capital and the global climate agenda, with momentum carrying into next year through working groups between COPs and the potential to announce tangible outcomes at COP31.