COP29: Building on progress

Key developments and their implications for financial services

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This paper examines the developments from recent UN negotiations at COP29 and the preceding COP16, highlighting the integration of climate and nature agendas, the operationalization of carbon markets, and the formal recognition of the insurance sector. It provides strategic insights for C-suite leaders in the financial services sector to help navigate the evolving landscape of climate and nature action and align their business strategies with ambitious sustainability goals.

Introduction

As COP29 wrapped up in the early hours of Sunday morning, the agreement for a three-fold increase in climate finance from developed to developing countries to US$300b annually by 2035 was significant, although expectations had been set much higher, with calls for US$1.3t per annum to effectively address climate challenges. In this paper, we examine the progress made over the course of the two-week negotiations and highlight the growing necessity to ensure that the nature and human rights agendas are integrated within climate plans and financing.

This integration presents potential opportunities for businesses, but it also presents potential risks, as businesses may struggle to keep pace. The complex regulatory landscape, evolving stakeholder expectations, and the need for significant cultural and operational changes can make it challenging for companies to align their practices with these interconnected agendas. Additionally, many businesses may lack the resources, finances or expertise to effectively manage the intertwined risks associated with environmental degradation and social responsibility.

Despite the potential for the private sector to drive meaningful progress, current actions may not be sufficient. Insights from the latest EY Global Climate Action Barometer reveal that less than half (41%) of large companies worldwide have published a transition plan for climate change mitigation, even as global temperatures continue to rise.

Global greenhouse gas emissions reached a new record in 2023, necessitating a 42% reduction by 2030 and a 57% reduction by 2035 to limit global warming to 1.5°C by 2100[1]. Additionally, with over half of global GDP reliant on nature, the fact that one-quarter of plant and animal species face extinction poses a critical risk to both business and society[2].

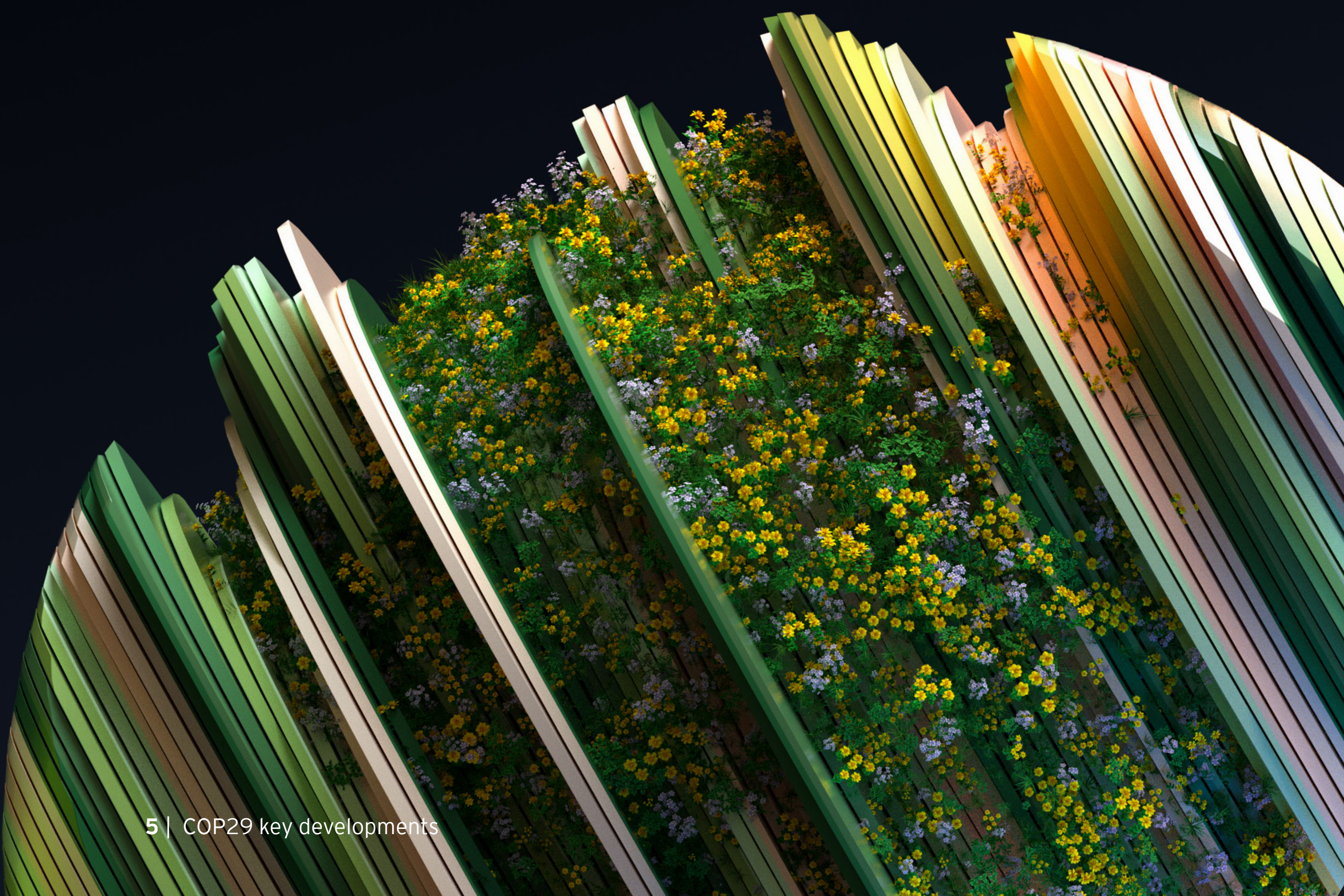
With just five years to halve emissions and secure a pathway to net zero while restoring 30% of land and oceans by 2030, 2025 will be a crucial year for integrating national level plans. These include the Nationally Determined Contributions (NDCs), outlining each country's climate action plans, alongside nature-focused National Biodiversity Strategies and Action Plans (NBSAPs). Together they must build confidence and accelerate real action and investment for both nature and climate.

This EY report summarizes the key developments, contextualizes them against current challenges, and offers actionable next steps for the C-suite to navigate this evolving landscape.

1. Source: "Greenhouse gases surged to new highs in 2023, warns UN weather agency" United Nations website
2. Source: "Six Multinationals Reveal Breakthrough Strategies for a Nature-Positive Future," World Economic Forum website

At a glance: Key developments in climate and nature in 2024

Nature-focused discussions at COP16 in October focused on the implementation of national-level plans for nature and biodiversity targets, while climate efforts at COP29 reflect more mature systems ready for scaled implementation, particularly in finance, disclosures and carbon markets. Both agendas highlight the interconnected nature of biodiversity and climate in achieving global sustainability goals.



	COP16	COP29
Finance Both summits emphasize the critical role of financial flows for global sustainability goals, yet the climate finance mechanism is further developed in implementation.	Broad agreement on need to secure US$200b annually by 2030, but no agreement on funding mechanism. Slow progress on publication of national-level plans.	New Collective Quantified Goal (NCQG) on climate finance agreed. The deal includes a commitment to mobilize at least US$300b annually for developing countries by 2035.
Country-level ambitions Slower pace in biodiversity action vs. climate commitments, underlining the need for both stronger national-level action on biodiversity and climate to meet global goals.	Only 22% of 194 governments submitted strategies for the implementation of the Kunming-Montreal Global Biodiversity Framework (GBF).	The UK and Brazil raised the bar on climate action, unveiling bold new NDC targets that accelerate emissions reductions and advance clean energy transitions, setting an ambitious tone for others to follow.
Reporting and disclosures Both focus on streamlining and elevating the quality of disclosures, with climate reporting frameworks further ahead in maturity.	500 companies now committed to reporting through the Taskforce on Nature-related Financial Disclosures (TNFD.)	Progress on aligning frameworks like the International Financial Reporting Standards (IFRS) and International Sustainability Standards Board (ISSB) for corporate sustainability disclosures to enhance consistency and interoperability across climate reporting standards.

Business engagement Both COPs underscore the private sector's pivotal role, with COP16 focused on advocacy for integrated biodiversity and nature action and COP29 emphasizing actionable transition frameworks and capital mobilization.	Strong business and investment profile with more than 230 businesses and financial institutions calling for renewed policy ambition.	New opportunities emerge for businesses to accelerate net-zero transition planning through initiatives like the International Transition Planning Network (ITPN), complemented by blended finance models such as FAST-P's Green Investment Partnership and the GAIA platform.
Frameworks to support Both frameworks aim to provide structured approaches for global collaboration, with biodiversity frameworks addressing equitable resource use and climate frameworks advancing market-based solutions for emissions reduction.	First-ever agreement on the equitable use of digital sequence information (DSI) on genetic resources, a key step in ensuring benefits of nature are valued and shared fairly.	Advancement of the Paris Agreement's Article 6 mechanism, including finalizing key rules for a centralized carbon market to enhance climate accountability and integrity.
Formal recognition Both summits underscore the importance of collaboration with previously under-recognized actors to enhance ecosystem and climate resilience.	Formal acknowledgment of Indigenous Peoples and Local Communities (IPLCs) as key stewards of biodiversity, with enhanced roles in decision-making and access to financial resources.	Formal recognition of the insurance sector as pivotal to climate transition, highlighted by the launch of the Forum for Insurance Transition to Net Zero (FIT).

In detail: Key developments from COP29

1 New Collective Quantified Goal (NCQG)

A landmark agreement was reached to increase finance from developed to developing countries to US$300b annually by 2035, significantly enhancing climate finance flows. While lower than earlier proposals of up to US$1t, this target represents a threefold increase over the previous US$100b commitment. It focuses on scaling funding for mitigation, adaptation and resilience efforts in developing countries, including climate vulnerable nations, alongside mechanisms to mobilize private finance to bridge the gap.

Why this matters

The agreed NCQG acknowledges the critical need to accelerate funding for climate action in developing countries, where the impacts of climate change are most pronounced. Although the agreed target is substantial, the scale of finance required is significant across mitigation and adaptation. For the energy transition alone, EY forecasts that US$4.1t is required annually by 2050 to achieve a low carbon-transition. This highlights the ongoing importance of leveraging private-sector finance to supplement public commitments.

What this means for financial services:

- **Increased climate finance demand:** The US$300b NCQG will catalyze significant funding flows to developing countries, creating numerous opportunities for financial institutions. Mobilizing private finance to complement public commitments is essential, especially in Emerging Markets and Developing Economies (EMDEs), where climate finance is critical for scaling renewable energy, resilient infrastructure, and sustainable agriculture projects.
- **Blended finance growth:** Blended finance is expected to play a central role in achieving the NCQG, providing a way to de-risk investments in EMDEs. Financial institutions will increasingly collaborate with multilateral development banks (MDBs), governments and philanthropic donors to create innovative financing mechanisms that enhance project bankability.
- **Transformation and innovation:** The global financial system will need to transform to meet sustainability and transition needs. Private finance will need to innovate products and services in collaboration with all parts of the financial system, including MDBs, donors and public-sector funding. This transformation is key to leveraging public-sector funding effectively and identifying commercial opportunities across various sectors, including climate adaptation and infrastructure projects.

2 Raising global ambition on Nationally Determined Contributions (NDCs)

Several countries, including the UK and Brazil, have significantly raised their NDCs, demonstrating heightened ambition in emissions reduction to meet global climate goals. The UK has pledged an 81% reduction by 2035 and aims for a fully clean power sector by 2030, positioning itself as a leader in accelerating the transition to net zero. Brazil has also committed to substantial emissions cuts and increased investments in renewable energy and reforestation efforts.

Why this matters

Enhanced NDCs are crucial for accelerating global momentum toward achieving the Paris Agreement goals. By setting bold targets, the UK and Brazil encourage other nations to strengthen their climate commitments, fostering a collaborative approach that can drive significant progress in reducing global emissions. Such leadership sets a critical standard for action, especially as countries prepare for future rounds of NDC revisions.

What this means for financial services

- **Enhanced policy signals:** Stronger NDCs and climate commitments, coupled with sector-level transition plans, are likely to lead to regulatory adjustments that incentivize financial institutions to align their portfolios with net-zero goals. This presents both risks and opportunities: institutions with climate-aligned investments may benefit from supportive policies, while those lagging in climate strategy could face increased regulatory and reputational risks.

- **Global financial market impact:** As financial hubs deepen their climate commitments, there will likely be increased demand for green and transition finance solutions globally. This shift could spur innovation in sustainable finance and strengthen international collaboration on green investment, creating a ripple effect across financial markets.

3 Article 6 and carbon markets

Parties agreed and approved the implementation of the Article 6.4 mechanism, which provides a framework for an international centralized carbon market. This allows both countries and companies to trade emissions reduction credits. While operationalization has been approved, practical elements, including pricing mechanisms and governance structures, remain to be finalized. This work is expected to continue through 2025.

Article 6.2 also progressed on country-to-country trading, and how carbon credits can be authorized and tracked, which could play an important role in more ambitious NDC commitments.

Why this matters

This development aligns global efforts under a common framework, creating a unified carbon market and reducing risks of fragmentation and greenwashing. It aims to elevate integrity standards and establish global benchmarks, ensuring effective and trustworthy climate action. Enhancing market transparency and integrity is crucial for building trust among stakeholders, which is essential for attracting investment and ensuring the credibility of carbon credits.

What this means for financial services

- **Investment opportunities:** A transparent carbon market could unlock new investment avenues in carbon credits, renewable energy and emission-reduction projects, aligning with net-zero investment strategies.
- **Risk mitigation:** A consistent approach and pricing in carbon markets would allow financial institutions to better price carbon risk in high-emitting sectors, enhancing ESG integration and risk assessment.
- **Potential higher costs for removals:** The mechanism could drive transaction costs higher, recognizing increased demand, and costs linked to the development of credible, high-quality credits. This underscores the importance of prioritizing emissions reduction activities before addressing residual emissions.

4 Operationalization of the Article 6.4 mechanism of the 2015 Paris Agreement

For the first time, insurance has been formally recognized as a critical component of discussions around climate transition finance. The UN-led Forum for Insurance Transition to Net Zero (FIT), chaired by the UN Environment Programme (UNEP), launched its inaugural "Closing the Gap" report, recommending key elements for insurance-specific transition plan guidance, considering the sector's unique role in managing climate risks and aligning portfolios with net-zero goals.

Why this matters

Insurance is foundational to the capital stack and essential for unlocking the US$19t in investment capital already committed to financing the climate transition through to 2030. With more than US$10t of this requiring insurance coverage, the FIT aims to advance net-zero insurance metrics, develop transition plans and foster collaboration across sectors. Insurance plays an economy-enabling role by improving the availability of insurance and finance for transition projects and technologies, supporting effective risk management and investment certainty.

What this means for financial services

- **Risk management and capital mobilization:** Insurers' roles as risk managers, risk carriers and investors are pivotal in de-risking finance.
- **Enhanced frameworks and standards:** The FIT will develop frameworks for net-zero insurance metrics and voluntary targets, providing financial institutions with clearer guidelines and benchmarks for sustainable investments.
- **Collaboration and innovation:** The initiative encourages collaboration among insurers, regulators and other stakeholders, promoting the development of innovative insurance solutions and taxonomies that support the net-zero transition.
- **Strategic integration:** Financial institutions will need to integrate these developments into their business models and strategies, leveraging insurance to mitigate risks and seize opportunities.

5 Mobilizing blended finance safely and at pace

Several blended finance initiatives launched at COP29 aim to set a blueprint for future climate finance mechanisms. These include the US$1b Green Investment Partnership under the Financing Asia's Transition Partnership (FAST-P), which focuses on accelerating green investments across Asia, and the finalized US$1.48b Canadian-led GAIA platform, targeting climate adaptation and mitigation projects across up to 25 emerging markets.

Why this matters

These initiatives leverage blended finance to mobilize significant capital for sustainable infrastructure, effectively blending concessional, commercial and grant capital to address risks and mobilize investment. By combining public and private funds, these structures bridge the investment gap and enhance the viability of green projects. For example, GAIA's allocation emphasizes resilience, with 70% dedicated to adaptation and 30% to mitigation in critical areas like water, renewable energy and transport. GAIA specifically targets the most climate-vulnerable regions, such as Least Developed Countries (LDCs) and Small Island Developing States (SIDS), showcasing the role of blended finance in addressing equity gaps in climate adaptation finance.

What this means for financial services

- **Risk-reduced green investments:** Blended finance structures like FAST-P and GAIA attract private investors by mitigating risks, encouraging more capital flow into sustainable projects.
- **Regional and sectoral opportunities:** While GAIA's primary focus is on LDCs and SIDS, FAST-P offers distinct opportunities in Asia for sustainable urban development, low-carbon infrastructure, and renewable energy. The Asian market presents unique opportunities for blended finance, particularly in sectors like renewable energy and sustainable urban development, broadening the investment appeal for institutions with diverse portfolios.
- **Emerging markets and developing economies:** The GAIA platform opens new avenues for investment in these regions, which is crucial for achieving global sustainability targets.

6 Harmonizing climate reporting frameworks

The IFRS Foundation, European Financial Reporting Advisory Group (EFRAG), Carbon Disclosure Project (CDP) and ISSB have made significant progress at COP29 in aligning global climate-related disclosure frameworks. Key achievements include finalizing guidance for interoperability between the ISSB's IFRS Sustainability Disclosure Standards and EFRAG's European Sustainability Reporting Standards (ESRS), which will streamline reporting and reduce duplication for organizations working across multiple jurisdictions. These initiatives also incorporate digital tagging to enhance usability and comparability of sustainability data, addressing long-standing challenges in the market.

Why this matters

Harmonizing disclosure frameworks is essential for providing consistent, high-quality data. According to the 2024 EY Climate Action Barometer launched this week, while the coverage of climate-related disclosures has improved significantly – rising to 94% – the quality of these disclosures remains a concern, with an average quality score of only 54%. This gap underscores the need for robust frameworks that ensure not just compliance but also meaningful reporting. Simplifying reporting processes helps companies meet regulatory requirements more easily. Enhanced interoperability and digital tools not only simplify compliance but also ensure that financial institutions and investors receive actionable insights to drive net-zero alignment and inform global investment decisions.

What this means for financial services

- **Streamlined reporting and accelerated integration:** The alignment of EFRAG and CDP and between IFRS and ISSB frameworks significantly reduces the reporting burden, enabling financial institutions to embed sustainability reporting into their operations more efficiently. Clearer frameworks address challenges in coordinating data collection across divisions and standards, supporting faster operationalization and compliance.
- **Improved data quality and decision-making:** Standardized disclosures enhance data comparability and quality, enabling financial institutions to align portfolios with sustainability benchmarks, manage risks more reliably and meet growing investor demands for consistent climate-impact reporting. High-quality data is critical for informed decision-making and for achieving net-zero targets.
- **Global consistency and regulatory alignment:** The harmonization of frameworks fosters global comparability, reducing discrepancies in sustainability disclosures across jurisdictions. This ensures more reliable sustainability assessments, streamlines compliance processes and enhances the ability to assess climate risks and opportunities globally.

7 Global standards for climate transition

Transition planning in the private sector continues to gain prominence, highlighted by the launch of the International Transition Planning Network (ITPN) alongside the FIT's inaugural report. The ITPN serves as a collaborative platform that unites governments, regulators, private firms, experts and civil society to drive alignment on transition planning norms. This initiative aims to develop consistent and transparent guidelines to enhance climate accountability across industries.

Why this matters

These initiatives represent a significant step toward achieving global consistency in transition plans, ensuring comparability and accountability as companies formulate their climate strategies. By providing tailored guidance, the ITPN empowers financial institutions to adopt robust, sector-specific transition frameworks that support investment in climate-resilient assets and facilitate a more coordinated, transparent path toward net zero.

What this means for financial services

- **Enhanced accountability:** Consistency of transition norms enables greater comparability across sectors, supporting more informed investment decisions.
- **Sector-specific guidance:** For insurance companies, the FIT guidance allows for improved climate risk assessments in underwriting and investment.
- **Increased transparency:** With unified norms, firms can communicate transition efforts more clearly to stakeholders, aligning with global climate expectations.

Next steps for the C-suite

Chief Executive Officer (CEO)

- Champion strategic positioning for climate leadership: Lead the alignment of corporate strategy with ambitious NDCs and the NCQG, actively positioning the company within emerging sustainable finance and transition plan frameworks.
- Seize blended finance opportunities for growth: Actively consider participation in blended finance structures like FAST-P and GAIA to secure a favorable risk-return profile in climate-finance initiatives. This approach can unlock strategic growth in high-impact sectors and reinforce the company's long-term sustainability commitments.
- Expand your ecosystem: Prioritize engagement with government and multilateral stakeholders to stay ahead of shifts in climate-finance requirements and reporting standards. Cultivate and orchestrate broader external ecosystem partnerships across your value chain to accelerate sustainability progress and upsides.

Chief Financial Officer (CFO)

- Embed carbon pricing into financial planning: Integrate evolving carbon market mechanisms into financial projections, particularly for high-emitting assets, to account for potential price volatility and regulatory shifts.
- Optimize compliance and reporting efficiency: Leverage the harmonization of global reporting standards to streamline sustainability reporting, potentially reducing compliance costs and improving transparency for investors. This optimization must be done without any compromise to controls and governance to allow alignment with new ISA 5000 auditing requirements.
- Rethink business models: Push management to identify opportunities for growth and value creation to drive a bold program of sustainable business transformation. Aligning strategic value creation and commercial strategy with the firm's transition plans will be key.

Chief Risk Officer (CRO)

- Strengthen climate risk frameworks: Adapt risk models to account for the heightened regulatory and market shifts in high-emission sectors due to NDC enhancements and the Article 6.4 mechanism. This includes embedding transition risk assessments and developing scenario analysis capabilities.
- Leverage blended finance for risk-adjusted returns: Explore blended finance initiatives that reduce investment risk in EMDEs, enabling sustainable growth while managing exposure. Collaborate with cross-functional teams to evaluate these opportunities with a clear focus on energy transition technologies and regional climate adaptation projects.
- Rethink governance: Embrace representative stakeholder engagement to truly give the full range of voices a seat at the board table.

Chief Sustainability Officer (CSO)

- Deepen engagement in developing markets: With NCQG targeting increased climate finance for emerging markets, prioritize partnerships and projects in these regions, focusing on climate resilience and sustainable infrastructure.
- Step up your role as a challenger: Evaluate alignment with national climate goals to maximize impact and demonstrate leadership in climate action. Urge management to embrace sustainability as a true business imperative and utilize policy and technology developments to accelerate progress.
- Align reporting with global standards: Drive alignment with CDP, EFRAG, IFRS and ISSB standards to ensure robust, comparable disclosures that meet evolving expectations from stakeholders and regulators. This will also position the organization to meet stakeholder demands for high-quality and consistent sustainability data.

Conclusion: the road to COP30

The operationalization of Article 6.4, the raising of NDC ambitions, the agreement on the NCQG and the formal recognition of the insurance sector all signal a transformative shift toward more robust and integrated climate finance mechanisms. These developments present both challenges and opportunities for financial institutions, necessitating strategic alignment, innovative financing solutions and enhanced risk-management frameworks.

Looking ahead, the financial services sector must continue to evolve and adapt to the rapidly changing landscape of climate action and sustainability. Harmonizing climate reporting frameworks and establishing a platform for consistent climate transition planning will be crucial for ensuring transparency, accountability and comparability across the industry. Financial institutions should leverage these advancements to enhance sustainability integration within their operations, drive sustainable investment and support the global transition to a net-zero economy.

The proximity of COP16 to COP29 has elevated the theme of integration between climate and nature, making it more prominent than ever. Nature-positive net-zero plans are essential for guiding policy, investment, financial flows and business actions. Updated NDCs for climate action and National Biodiversity Strategies and Action Plans (NBSAPs) are expected by 2025, with COP30 in Belém, Brazil (November 2025) expected to build unprecedented levels of integration between the nature and climate agendas.

As COP29 concludes, the third of the Rio Conventions – Combatting Desertification and Drought (CCD16) – begins in Riyadh, Saudi Arabia. Key priorities will include funding mechanisms to support land restoration and resilience, land rights and the role of business, reflecting the broader agendas of COP16 and COP29.

The parallels between the issues raised at COP16 and COP29 will not be lost on delegates, particularly those from the business and finance sectors. While the aggregate impact of business action holds immense potential, it currently falls short of what is needed. The opportunities and risks ahead are unprecedented, and it is imperative that the financial sector rises to the challenge.

Find out more

- Nature Risk Barometer 2024 | EY - US
- EY Climate Action Barometer | EY - Global
- How bold action can accelerate the world's multiple energy transitions | EY - Global

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