

Net Zero Asset Owner Alliance – Submission to the Baku to Belém Roadmap to 1.3Tn

Call for submission: [UNFCCC Call for submissions - Baku to Belém Roadmap to 1.3Tn](#)
Deadline: 21 March 2025

(a) What are your overall expectations for the “Baku to Belém Roadmap to 1.3Tn”

The 2024 decision on the New Collective and Quantified Goal (NCQG) calls on investors, policymakers, and other actors in the climate financing space to work to scale climate finance to at least USD 1.3 trillion per year by 2035. A significant portion of this funding is expected to be mobilised from private finance.¹

The 88 members of the UN-convened Net-Zero Asset Owner Alliance (NZAOA) – a group of institutional investors with USD 9.5 trillion in assets under management (AUM) – have committed to transitioning their investment portfolios to net zero greenhouse gas (GHG) emissions by 2050, in line with their duties to manage material financial and investment risks.

Preventing the worst impacts of the planetary crisis will bring costs. However, the repercussions of delay or inaction carry a far greater price.² Individual investors’ increased adoption of investment strategies with a net-zero objective could minimize the risks and costs to returns of a whole-of economy transition. Embracing the net-zero transition also brings considerable potential positive impacts on social and nature considerations, promoting equitable access to clean energy, creating green jobs, and conserving biodiversity for future generations.

Asset owners have always maintained that achieving these commitments will depend on policy and the real economy keeping pace with scientific pathways that limit peak warming to 1.5°C. The findings of the Sixth Assessment Report of the Intergovernmental Panel on Climate Change noted that there is “sufficient global capital to close the global investment gap but there are barriers to redirecting capital to climate action and that governments, through public funding and clear signals to investors, are key in reducing these barriers.” Policymakers must be the prime movers on climate, passing meaningful legislation, introducing incentives such as effective carbon pricing, and providing policy clarity that enables private markets to act.

Private financial institutions stand ready to work with governments and all stakeholders. The market momentum behind net-zero is already evident, and the economic case for net zero remains strong. Investors have started to make progress on efforts to systemically account

¹ The [Third report of the Independent High-Level Expert Group on Climate Finance \(2024\)](#) indicates that “external finance from all sources, international public and private along with others, will need to cover \$1 trillion per year of the total investment need by 2030 and around \$1.3 trillion by 2035.”

² [Changing Course: A comprehensive investor guide to scenario-based methods for climate risk assessment, in response to the TCFD – United Nations Environment – Finance Initiative](#)

for and manage climate risk, in line with their fiduciary duties, but they cannot do this without an enabling policy environment. Support from governments can contribute to quickly improving the risk/return profiles of investments and closing gaps in the value chain.

The Baku to Belem Roadmap to 1.3 T provides a valuable opportunity to galvanize support for the implementation of detailed policy solutions, building on the substantial body of work on these issues. Bringing together public and private actors, the Roadmap has the potential to help overcome the key barriers to investment and support the mobilisation of private capital at the scale needed to meet the objectives of the Paris Agreement. The NZAOA and its members stand ready to support the Presidencies in the pursuit of this ambition.

To support the initial steps of this work, we have included a number of relevant resources in the annex of this submission. Some other specific topics are covered in the response to question (c).

(b) Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

Adaptation finance

The NCQG decision highlights that “costed needs reported in nationally determined contributions of developing country Parties are estimated at USD 5.1–6.8 trillion for up until 2030 or USD 455–584 billion per year and adaptation finance needs are estimated at USD 215–387 billion annually for up until 2030 and notes with concern the gap between climate finance flows and needs, particularly for adaptation in developing country Parties.” In addition to the critical issues faced by communities, and of high relevance to investors, the impacts of climate-related physical risks to asset owners’ returns could be significant. The best way to avoid these costs is to limit the negative impacts of climate change in the real economy. This can only be achieved through a combination of climate change mitigation and adaptation. As identified in the [Adaptation Gap Report 2024](#), adaptation financing needs to shift from reactive, incremental, project-based financing to more anticipatory, strategic and transformational adaptation.

Mobilising private finance for adaptation remains challenging, and the Alliance stands ready to engage in a constructive manner to help advance new and innovative solutions.

Going beyond the \$100 billion goal

The OECD tracking of the \$100 billion goal evidenced a limited volume of private capital mobilised by public measures (consistently around \$12-15 billion per year), with the overwhelming majority of climate finance being from public sources.

The NCQG specifically identifies private finance as a key element of the \$1.3 trillion target, recognising that to reach the scale envisaged, a significant proportion of flows are expected to be mobilised from private source. For the private and financial sectors to meaningfully contribute towards rapidly scaling up climate finance for developing countries, the

framework put in place under the Baku to Belem Roadmap would have to include design elements specifically targeting the incentives that drive private flows and should include private sector representatives and experts in its design. Financial institutions recognise the system level risks of failing to mobilise adequate finance to support mitigation and resilience in developing countries, and are prepared to work with policymakers to remove barriers to investment.

Risks in many emerging markets and developing economies remain significant, often making it difficult for financial institutions to lend or invest within their fiduciary or regulatory constraints. To increase private finance flows and private investment by corporates into both climate mitigation and adaptation in developing countries, governments need to take actions to shift incentives, remove barriers and systematically anchor perceptions of profitability in actual – rather than perceived – risks of given investments in light of their alignment, or not, with climate action. The mobilisation of private capital at scale into developing countries will only be achieved if developed country contributors, development banks, and private-sector financiers all cooperate to bring about systemic change in how private capital is deployed in climate and SDGs finance.

Implementation of the Global Stocktake (GST) Outcomes and the UAE Consensus

Many of the material actions that governments can implement to shift incentives and therefore flows have been agreed at a global level and within the UNFCCC process. In particular, the UAE Consensus on the first global stocktake includes measures to transition the global energy system that accounts for 75% of global emissions. The measures that all parties agreed to contribute to by 2030 which would triple global renewable energy capacity, double the rate of energy efficiency, phase down unabated coal power, make a just transition away from fossil fuels in energy systems, phase out fossil fuel subsidies, incentivise clean technologies and transport, halt and reverse deforestation, and tackle greenhouse gases including methane would, if implemented in full and on time, transform the incentives in the global economy to align economic activity with climate action and a just transition.

Analysis by the IEA finds that implementation of the global stocktake outcomes in full and on time would put the global energy system onto a net zero 2050 pathway, tackling key sources of emissions and therefore climate-related financial risk, whilst lowering costs for consumers. In addition, the resultant financial flows could see in excess of \$2 trillion per year flow.³ If the Roadmap sets out **clear measures for implementation of the global stocktake outcomes that are followed through and reported upon by all countries**, the year-on-year evidence of commitment to implementation would create material evidence that would shift perceptions of future profitability and therefore flows.

³ IEA (2024). From Taking Stock to Taking Action. <https://www.iea.org/reports/from-taking-stock-to-taking-action>.

NZAOA Positions

Over the past five years, the Alliance has explored a number of relevant issues in depth, including the **oil and gas sector, thermal coal, blended finance, scope 3 emissions, and carbon pricing**, all of which can be relevant for the Roadmap. Further information on this work can be found in the Annex.

(c) What country experiences, best practices and lessons learned can be shared related to barriers and enabling environments; innovative sources of finance; grants, concessional and non-debt creating instruments, and measures to create fiscal space?

Blended finance case studies

In 2024, the NZAOA supported the Sustainable Markets Initiative and Investor Leadership Network, Global Investors for Sustainable Development, and GFANZ, to develop thirteen best practice case studies on blended finance.⁴ The booklet was developed to “harness the increasing momentum for blended finance and support a number of important global initiatives that, through enhanced dialogue with the private sector, seek to mobilise the necessary capital for achieving our global sustainability objectives.” It outlined that “forging an effective and impactful ecosystem requires market-wide consensus over the key imperatives and the required actions needed to accelerate blended finance activity.”

Multilateral finance architecture

Reforming the multilateral architecture remains important to remove barriers and “disenablers” to financing climate action, including high costs of capital, limited fiscal space, unsustainable debt levels, high transaction costs and conditionalities for accessing climate finance. In recognition of this, the NZAOA has developed several papers, including its [Scaling Private Capital Mobilization: Call to Action \(2023\)](#), which recognises key impediments to significantly increasing private capital mobilization and suggests specific policy solutions to address them.

A summary of key recommendations in the papers are as follows.

- **Modernise the governance and business models of MDBs and DFIs to align with the SDGs and Paris Agreement:** Despite strong public commitments being made by numerous MDBs and DFIs to prioritise private capital mobilisation, efforts to catalyse private capital have not reached the required levels. Grant-funded technical assistance by MDBs and DFIs is needed at an early stage to secure a robust project pipeline.
- MDBs and DFIs can **play an active role in driving private capital mobilisation** and blended finance, given their experience and expertise in EMDEs, their higher risk tolerance and their official mandates

⁴ Sustainable Markets Initiative and Investor Leadership Network (2024). Blended Finance Best Practices: Case Studies and Lessons Learned. https://gisdalliance.org/sites/default/files/2024-10/Blended_Finance_Best_Practice_Case_Studies_Lessons_Learned_0.pdf.

- Develop a more collaborative approach to project preparation and development, including **engaging the private sector earlier in project lifecycles**, and enabling MDB-operated project preparation facilities to be available to the private sector;
- Increase the use of demand-driven, standard-form guarantees – which have proven effective at mobilising private investment – liaising across institutions to simplify the product offering to benefit borrowers and private counterparties.
- Developing a set of templates or archetypes, as well as **standardised frameworks for financial returns and impact** can help reduce the incubation period and transaction costs which impede broad, and faster, deployment of blended finance vehicles.
- There should be more uniformity across MDBs in assessing risk, and definitions regarding defaults and recoveries should be aligned for adequacy and consistency with rating agencies and investors.

(d) Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

As mentioned above, there is already a substantial body of ongoing work across various international multilateral forums that can serve as a foundation to build towards continuity, coherence, and momentum in achieving climate finance objectives. Past and current G20 presidencies have played a key role in pushing these issues forward: the G20 Rio de Janeiro Leader's Declaration highlighted that the G20 is well suited to address major geopolitical, socioeconomic, and climate and environmental challenges "through much needed international cooperation and political drive."

B20 Task Force on Finance and Infrastructure

Under the auspices of Brazil's 2024 G20 presidency, and with the support of the Brazilian National Confederation of Industry, the B20 Task Force on Finance and Infrastructure prepared a [policy paper](#) comprising a series of actionable recommendations focussed on accelerating private capital deployment at scale for climate investments that support long-term sustainable growth and a just transition in emerging markets and developing economies.

These recommendations spanned several key issue areas, including:

- the need to increase the quantum of catalytic finance available to co-invest with the private sector;
- the importance of public development finance institutions (MDBs, DFIs) making private capital mobilization a central objective of their operations;
- a series of policy measures aimed at achieving a consistent regulatory treatment of transactions across jurisdictions;
- recognition of the risk mitigating features of blended finance and de-risking strategies; and
- updating prudential capital requirements and external credit rating methodologies that accurately reflect the actual – rather than perceived – risks of investing in developing country economies.

The Net Zero Asset Owner Alliance (NZAOA)

The Alliance and its members are committed to supporting the real economy in its transition to a net-zero emissions world. Over the past five years, Alliance members have built momentum in investing capital towards climate solutions. Starting with climate solution investments of US\$ 87 billion in 2020, Alliance members more than quadrupled their combined climate solution investments to US\$ 380 billion in 2022 and most recently to US\$ 555 billion in 2023.

The Alliance also shows absolute emissions reduction is possible. Even with a growing membership, the Alliance has achieved a notable reduction in absolute financed GHG emissions. The Alliance sees the reductions as an important demonstration to the rest of the investment ecosystem that decarbonisation is possible, but must be pursued in the real economy.

The NZAOA has also established the knowledge, methodologies, and frameworks essential for supporting the investment ecosystem in moving toward a sustainable future. The Alliance has formed six working tracks, which have in turn have developed over 20 working groups—providing platforms for asset owners to discuss topics ranging from climate solutions to asset manager engagement. Collectively, these groups have dedicated more than 3,000 hours of discussion, producing twelve discussion papers, six calls to action, and four position papers.

Annex

NZAOA Resources

[**A Call to Action to Governments to Respond with Urgency on Systemic Climate Risk \(2024\)**](#)

Asset owners are deeply concerned about the stability of capital markets and the systemic risk that climate poses to their core business amidst recording-breaking climate disruption. This paper discusses how systemic risk can be managed by decisive urgency action by governments by committing to, and implementing, national policy reforms consistent with 1.5°C carbon budgets and development pathways.

[**Thermal Coal Position Paper \(Updated 2024\)**](#)

The burning of thermal coal for energy is the single largest contributor to man-made global temperature increase. This position paper calls on policymakers to stop planned coal projects, cancel new coal projects, and phase out all unabated existing coal-fired electricity generation, and provides strategic principles for companies to consider in developing their individual transition pathways.

[**Updated Governmental Pricing Position Paper \(2024\)**](#)

Governmental carbon pricing is a necessary part of the climate policy toolkit required to achieve net zero emissions and reach the Paris Agreement goal. This paper provides five guiding principles needed to develop effective carbon pricing policy instruments – ensuring appropriate coverage; delivering a just transition; providing a predictable price signal; and minimising competitive distortions.

[**Tackling Hidden Emissions for a Net-Zero Transition: A discussion paper on Scope 3 integration \(2024\)**](#)

On average, 75 per cent of a company's GHG emissions fall under Scope 3, making it crucial for asset owners to account for, report on, and integrate into their climate strategy. However, there are many challenges to doing so. This paper unpacks the various challenges, provides potential solutions, and offers an outlook and next steps for incorporating Scope 3 emissions consideration in portfolio decarbonisation.

[**Blended Finance Case Studies \(2024\)**](#)

This booklet showcases thirteen successful examples of blended finance vehicles that can serve as templates for accelerating the design and deployment of future instruments. Developed by the Sustainable Markets Initiative and Investor Leadership Network, with support from Global Investors for Sustainable Development, the NZAOA, and GFANZ, this publication aims to harness the increased momentum behind blended finance.

[**Unlocking Investment in Net Zero \(2023\)**](#)

This paper spells out the economic imperative for net zero and describes the steps needed to enable this path, including accelerating the pace of decarbonisation, increasing financial support for decarbonisation solutions, developing clear governmental transition plans, and creating an enabling policy environment.

[**Scaling Private Capital Mobilization: Call to Action \(2023\)**](#)

With the goal of fighting climate change and delivering on the Sustainable Development Goals (SDGs), ten organisations—representing some of the largest financial institutions—

jointly issue a Call to Action to Scale Private Capital Mobilization to heads of state, policymakers and MDB officials. The Call to Action suggests specific policy solutions to address three key impediments to significantly increasing private capital mobilization: inadequate project pipelines, risks too high relative to returns, and data limitations.

[Position on the Oil and Gas Sector \(2023\)](#)

The global economy is currently dependent on oil and natural gas as fuels and feedstocks for a variety of critical sectors. However, use of these resources significantly contributes to the climate crisis. This paper address expectations for three systematically influential stakeholder groups: companies, policymakers, and investors, to effectively transition away from oil and gas dependency.

[Call to Action on Scaling Blended Finance \(2022\)](#)

Policymakers must facilitate the scaling of blended finance structures to fund climate solutions if the world is to achieve both the Paris climate goals and the UN SDGs. In this call on policymakers the NZAOA details five asks to accelerate and scale blended finance.

[Scaling Blended Finance \(2021\)](#)

Asset owners face many obstacles to investing in climate solutions in emerging markets. The NZAOA Scaling Blended Finance discussion paper investigates these barriers, argues that blended finance vehicles can provide the necessary structures to help close the existing funding gaps in climate investment globally, and provides potential solutions for scaling blended finance globally.

External Resources

The following documents are provided for information only. The NZAOA is not responsible for and does not endorse third-party content, websites or resources included or referenced herein. The inclusion of examples or case studies does not constitute an endorsement by the NZAOA or NZAOA Signatories.

[Aviva Investors submission to the NCQG](#)

This is Aviva Investor's submission for the technical expert dialogue on the New Collective Quantified Goal (NCQG). It highlights the importance of sending signals to the private sector, recognising the need of private capital to reach the necessary scale of climate finance, and placing the NCQG in the context of the global transition and NDC ambition and delivery.

[Blended Finance Task Force | Sustainable Markets Initiative](#)

The Task Force aims to promote leadership and collaboration in the Blended Finance space, in the pursuit of tangible, scalable and lasting sustainable business and financing practices. It contains resources such as blended finance case studies and recommendations for policymakers.

[Fossil Fuel Subsidies \(International Monetary Fund\)](#)

This report highlights size and impact of fossil fuel subsidies and calls for fossil fuel reform. It suggests the following are incorporated when reforming subsidies: comprehensive energy sector reform plan, transparent and extensive communication, phased in price increases, improving the efficiency of state-owned enterprises, measures to protect the poor, and automatic pricing mechanisms.

B20 Brazil Final Communiqué: Policy Recommendations to the G20

This report developed by the Business 20 (B20) Brazil, the business representatives of G20 countries, provides policy recommendations to address global economic challenges and advance sustainable development. It covers five different topic areas, including accelerating a fair net-zero transition. Central to the recommendations in this area is the objective of closing the widening climate finance gap and harnessing the transformative potential of net-zero solutions, which requires mobilizing substantial investments from both the public and private sectors.

Making Finance Work for Climate Coalition NCQG Statement

The Making Finance Work for Climate Coalition, comprising the International Development Finance Club (IDFC), United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Investment (PRI), Finance in Common (FiC), and the Mainstreaming Climate in Financial Institutions Initiative, issued a joint statement at COP29. The statement includes recommendations for the post-2025 climate finance framework, underscoring the need for a systematic and strategic approach of climate finance to meet the goals of the Paris Agreement.