

Federated Hermes Limited - Submission to the Belém Mission to 1.5°C

Federated Hermes is a global leader in active, responsible investment management. As of March 2026, we manage over US\$900 billion across equity, fixed income, and private markets, in addition to proven liquidity management solutions. We are guided by the conviction that responsible investing is the best way to create enduring wealth, responsibly for our clients and their beneficiaries.

As has often been repeated through recent COPs, the time for talk is over and effective and coordinated systemic action is required by governments, finance and industry. Encouragingly, COP30 heralded this now 'decade of implementation'. At the same time, the financial system has matured in its approach to the climate transition, with real implementation efforts now unearthing the system barriers to a wide-sweeping, economic transition. To kickstart scalable implementation efforts, we must – collaboratively – act decisively to resolve barriers to transition investment across value chains.

There is no shortage of capital seeking credible transition opportunities. At the same time, renewable energy project developers, regenerative agriculture pioneers, and electrification innovators are primed to scale. The prize is substantial: strategic transition investments can support economic growth, economic resilience, energy and food security, and long-term stability. However, investment decisions are made at the level of specific assets, companies and projects, not at the level of aggregate ambition. In practice, creating investable solutions is a system-wide problem, where persistent uncertainty around policy direction, regulation, infrastructure, commercial models and risk allocation continue to constrain capital deployment. This creates a gap between available capital and the real economy investment flows required to deliver NDCs and NAPs, which will persist without coordinated problem-solving.

To unleash private capital and close this investment gap, collaboration between governments, regulators, local authorities, investors, and companies (or project developers) is essential. In the spirit of systems thinking and delivering a systemwide transition, this does not mean subsidy or fiscal fantasy, but instead strategic co-design and co-investment in the transition in the pursuit of core economic goals, informed by deep engagement and in harmony with industrial strategies.

Our submission seeks to provide clear, evidence-backed answers on how governments can collaborate with the private sector to scale finance behind both the transition and adaptation. It is informed by our vantage point as a global, diversified asset manager and stewardship adviser, with over US\$900bn in assets under management and over US\$2.4tn in assets under advice.¹ It is also informed by our extensive convening across the financial ecosystem, companies, and governments. For example, during COP30 and London Climate Action Week, we convened senior policymakers and private sector participants through roundtables on how to make NDCs investable, how to capture systemic adaptation investment opportunities, and how to catalyse electrification and industrial decarbonisation.

How to make NDCs and NAPs investable?

- 1. Co-create policy-backed sector transition plans.** Economy-wide signals, such as national-level emissions targets remain important, but they are insufficient on their own. Sector- and region-specific policies are needed because transition opportunities and barriers differ sharply by technology, project lifecycle, capital stack, domestic industrial structure and political economy, requiring deep collaboration to resolve them. Durable solutions also require taking a strategic view on how the transition can reconcile economic competitiveness, energy security, employment, affordability and nature outcomes. Governments should, therefore, convene industry and finance to develop granular sector transition plans that identify the most efficient and catalytic interventions for each sector's pipeline of projects. These plans should underpin national policymaking, be integrated into industrial strategies, and provide the backbone for converting NDCs into investable plans. We advocate such a co-creation approach as integral for the success of the newly established Climate Implementation Bridge, where project-specific barriers can only be resolved through concerted collaboration and agile policy remedies.

¹ As of March 2026.

2. **Use blended finance to address country and project risks.** Blended finance should recognise real and perceived country risks and de-risk private capital proportionately through well-designed risk-sharing structures, public policy provisions and granular project preparation. Development banks, multilateral finance institutions, and the private sector should co-design scalable, creditworthy products that support future-fit infrastructure. This includes investments in flexible and resilient grids and charging networks aligned with long-term national strategies for clean, competitive and resilient growth. It also increasingly includes investments in nature and ecosystem health to bolster food security, price stability, and systemic resilience. Sector transition plans can act as governance assets for the deployment of blended finance, bringing governments, development banks, corporates and private capital together to agree priorities and remove barriers to scale. Importantly, we believe that blended finance offers an attractive return for both government and private sector participants, when deployed strategically to deliver transition and adaptation projects that support economic growth, energy security, resilience, and price stability. Sustainable finance regulation continues to play a role in enabling such investment activities, although the complexity of the transition will require that such regulation is similarly agile and both recognises and rewards the nuances of a credible, resilient, and just transition.
3. **Innovate and promote systemic adaptation investment models.** It will be crucial to demonstrate early progress in scaling adaptation finance following COP30's refreshed ambitions, including through mobilising finance behind nature-based adaptation solutions. In practice, adaptation projects – like transition projects – will often require blended finance measures and agile policy solutions to scale private capital behind adaptation opportunities. However, adaptation efforts must also move beyond asset-level measures to place-based and system-level resilience enhancements, given the systemic nature of physical climate impacts already manifesting across complex, interconnected value chains. This requires collaboration to innovate and design investment models that appropriately incentivise systemic interventions, such as across value chains or landscapes, and attribute resiliency benefits to reward adaptation and nature. This insight suggests that NAPs should explore mooted solutions such as mutual models, blended supply chain finance, and public-private reinsurance and co-investment models to make system resilience measures investable.
4. **Deliver electrification through regulatory certainty.** Fast-growing emerging markets and developing economies need stable market and regulatory environments to reduce policy and economic risks. The implementation of modern economic regulation remains very challenging in low- and middle-income countries, and the state of legal and institutional development remains uneven.² In emerging markets and developing economies, electricity demand could increase by over 2 600 TWh by as early as 2030, equivalent to five times the current electricity demand of Germany, but the uncertainty surrounding these markets' regulatory environments results in chronic underinvestment in their grids.³ Independent energy regulators can help manage markets and commercial incentives for generation, storage, flexibility and grid investment, for example in Indonesia and South Korea. Embedding proactive regulatory models in NDCs and NAPs would enable countries to build grids that are resilient to rising electricity demand and physical climate impacts, while attracting the long-term capital required for electrification.
5. **Meaningfully integrate nature** – Institutional investors recognise that climate- and nature-related risks and opportunities are intrinsically intertwined. NDCs and NAPs will, therefore, only be credibly investable if they explicitly recognise and resolve for the interdependencies between climate and nature issues and solutions. Investing in nature is one of the most cost-effective strategies for climate mitigation and adaptation, as well as being fundamental for securing economic stability and resilience. Practically, integration could be facilitated through the formal COP31 negotiations directly integrating nature considerations, including connecting with the biodiversity COP17, and identifying synergistic actions, for instance through focusing on food system transformation. It also requires delivery and agreement of the roadmap on eliminating deforestation, which would bolster long-term investor confidence on these topics.

² World Economic Forum

³ IEA

6. **Introduce a place-based approach.** The built environment can play a catalytic role in accelerating the pace of implementation. The global green building market is projected to grow from approximately US\$675bn in 2026 to around US\$1.6tn by 2035, representing a compound annual growth rate of over 9%.⁴ Adopting a place-based approach can make decarbonation feasible. Rather than treating buildings as standalone assets, the focus should be on places and neighbourhoods as integrated systems utilising shared benefits and split incentives. This approach can help unlock affordable, low-carbon housing while delivering social value and energy efficiency. In mature markets, the priority is retrofitting existing stock, including tapping electrification opportunities. Nearly 75% of buildings in Europe are energy-inefficient, and over 85% of today's buildings will still be standing in 2050.⁵ In emerging markets, where populations and urbanisation are expanding rapidly, the greatest emissions impact comes from getting new buildings right first time, embedding efficiency, low-carbon materials, and resilience at the design stage. This reinforces the need for place-based, context-specific strategies, rather than uniform approaches, requiring deep and strategic collaboration between stakeholders including governments, local authorities, and investors.

⁴ Industry market analysis; World Green Building Council

⁵ European Environment Agency