SUBMISSION TO THE BELÉM MISSION TO 1.5

Call for Inputs: Enabling and Accelerating NDC Implementation

Submitted by Transition Value Partners and Anthropocene Fixed Income Institute

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1. Introduction

Transition Value Partners (TVP) and Anthropocene Fixed Income Institute (AFII) welcome the Belém Mission to 1.5 and the COP31, COP30 and COP29 Presidencies' commitment to turning climate ambition into concrete implementation. This submission focuses on a specific financial innovation that we believe represents a high-impact, market-ready tool available to operationalise Nationally Determined Contributions (NDCs) at scale.

The NDC-Linker (also known as Transition-Linker) is a performance-linked sovereign bond that addresses the implementation gap by adjusting the coupon rate payable by a government depending on whether it exceeds or fails to achieve its NDC target.[1] The structure has the potential to transform climate commitments from political aspirations into financial incentives embedded in the global sovereign debt market, which in 2025 reached an all-time high of USD 61 trillion in OECD countries and USD 12.1 trillion in non-OECD emerging markets and developing economies.[2]

2. What are NDC-Linkers and why do they matter?

An NDC-Linker is a standard sovereign bond with one critical modification being the coupon rate which is linked to the issuing country's progress against its own publicly stated climate commitments under the Paris Agreement, using data from the sovereign's NDCs and related public reporting. The NDC-Linker does not create additional reporting requirements for the sovereign and instead operationalises existing data in service of incentivising implementation.

If a government exceeds its NDC trajectory, the interest rate on the bond steps down – rewarding the government by reducing its debt servicing costs and creating a fiscal incentive to transition. If it falls behind, the interest rate steps up, increasing the sovereign's cost of borrowing. This creates a direct, market-priced incentive for governments to deliver on the commitments they have already made under the Paris Agreement and aligns incentives between investors and sovereign issuers to support an effective transition.

Critically, the proceeds from the bond are not ringfenced for specific purposes. They can be directed toward the normal spending that the sovereign deems necessary.

3. High-impact solutions for NDC implementation

(a) Converting commitments into market practice

The Paris Agreement and NDCs create political commitments but by design have no pre-coded implications for non-delivery. NDC-Linkers seek to provide a market mechanism to help fill this gap and strengthen accountability. By embedding NDC performance into the pricing of sovereign debt, the instrument creates a continuous market signal in favour of target delivery, as well as enabling countries on a credible transition pathway potentially to access debt at a lower interest rate.

This is distinct from, and complementary to, green bonds, sustainability-linked bonds and emerging transition finance frameworks. The instrument has been designed to sit within an existing medium-term note programme or as a standalone debt instrument, using data governments are already required to produce. This dramatically reduces issuer burden and increases scalability. Additionally, having one standardised metric, like inflation-linkers, enhances fungibility and tradability of the instrument.

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[1] Erlandsson, U. (2024) 'Transition Linkers', *Anthropocene Fixed Income Institute Working Paper*. Available at: https://ssrn.com/abstract=5031221.
[2] OECD (2026) 'Global Debt Report 2026: Sustaining Debt Market Resilience Under Growing Pressure'. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/03/global-debt-report-2026_59d2d627/e9d80efd-en.pdf.

The instrument aims to optimise fixed income portfolios by lowering investors' exposure to transition risk if a sovereign fails to meet its climate commitments, while simultaneously reducing the cost of capital for governments that deliver stronger climate outcomes. The underlying investment premise is that unsuccessful transitions lead to higher risk and more volatile returns. Structurally, the NDC-Linker mirrors an inflation-linked bond - a USD 4 trillion asset class - where better inflation performance translates into lower coupon rates.[3]

(b) Mobilising the fixed income market at scale

The sovereign fixed income market remains comparatively untapped as a vehicle for transition finance.[4] Most governments and major corporations rely on bond markets for financing, making fixed income a natural lever for systemic change.

Over the past 12 months, TVP and AFII have engaged with stakeholders across the capital markets – including pension funds, asset managers, banks, investment consultants, and ratings agencies – and found genuine appetite for an instrument that links mainstream sovereign fixed income to NDC outcomes. Investors have consistently expressed the view that NDC-Linkers can support:

- **Better long-term performance:** Transition-ready economies (e.g., through electrification and energy security) tend to perform better over a long period, suggesting lower sovereign risk.[5]
- **Physical risk reduction and resilience:** Exposed governments are more likely to invest in resilience, reducing future physical losses and supporting credit quality.[6]
- **Portfolio optimisation:** In high-temperature scenarios, risky assets are more volatile with weaker returns; the NDC-Linker adds downside protection for investors and a diversifying, negatively correlated exposure.[7]

4. International cooperation to accelerate implementation

(a) Embedding NDC-Linkers for NDC delivery

Realising the potential of NDC-Linkers as a scalable instrument requires coordinated multilateral action. Two priority opportunities stand out:

- **Operationalising international commitments:** The Belém Mission provides an opportunity to support NDC-linked finance as a tool for operationalising NDC commitments and to encourage Parties to explore adoption as part of national climate finance strategies. Including sovereign transition finance for NDC implementation, such as NDC-Linkers, in the Belém Mission to 1.5 would significantly lower the reputational and political barriers for pioneer issuers looking to transform commitment into implementation.
- **Securing sovereign issuance:** The Maldives government has already publicly indicated support for exploring NDC-Linkers as a delivery mechanism, as discussed in a session on financing NDC delivery at the UNFCCC Implementation Forum in Yeosu, Republic of Korea in April 2026 attended by the Maldives Finance and Environment Ministers, representatives of the European Union, Asian Development Bank, United Nations Capital Development Fund, Asia Investor Group on Climate Change, and the private sector.[8] A first issuance – or a formal announcement of intent at COP31 – would constitute a landmark signal that sovereign borrowing can be directly linked to NDC delivery, catalysing follow-on action from other governments watching for a first mover.

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[3] Jonas, D. and Erlandsson, U. (2025) 'Transition linkers in Latin America', Anthropocene Fixed Income Institute Working Paper, 5 September. Available at: https://ssrn.com/abstract=5524198.
[4] Climate Policy Initiative (2025) *Global Landscape of Climate Finance 2025*. Available at: https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2025/; Climate Bonds Initiative (2025) *Unlocking Investment for Sovereign Transition.* Available at: https://www.climatebonds.net/data-insights/publications/unlocking-investment-sovereign-transition.
[5] Americo, A., Johal, J. and Upper, C. (2023) 'The Energy Transition and Its Macroeconomic Effects', BIS Papers, No. 135, 25 May. Bank for International Settlements. Available at: https://www.bis.org/publ/bppdf/bispap135.htm
[6] BloombergNEF (2025) *Ranking Resilience: Assessing Country Climate Adaptation.* Available at: https://assets.bbhub.io/professional/sites/44/Ranking-Resilience_-Assessing-Country-Climate-Adaptation.pdf.
[7] Erlandsson, U. (2024) 'Transition Linkers', Anthropocene Fixed Income Institute Working Paper, 30 October. Available at: https://ssrn.com/abstract=5031221.
[8] Ministry of Finance and Public Enterprises, Republic of Maldives (2026) 'Press Release: The Republic of Maldives and UNFCCC Leading on Innovative NDC-Linked Financing Instrument'. Available at: https://www.finance.gov.mv/media/press-releases/press-release-the-republic-of-maldives-and-unfccc-leading-on-innovative-ndc-linked-financing-instrument.

(b) Why this moment matters

The current geopolitical environment, marked by energy price volatility, growing pressure for energy independence, and the financial consequences of continued reliance on risky fossil fuel exposure, strengthens the value proposition of NDC-Linkers. Countries transitioning away from fossil fuels reduce their exposure to commodity price shocks and can build long-term economic resilience.[9] Framing NDC delivery as a route to energy security and fiscal stability, not merely a climate obligation, broadens the potential coalition of governments willing to issue and investors willing to buy. Importantly, in a context where sovereign borrowing is at a record high, countries do not necessarily have to issue additional debt but can exchange or replace existing vanilla bonds through debt exchanges or at maturity for NDC-Linkers and potentially achieve lower coupon rates.

The NDC-Linker concept has moved from theoretical construct to market-ready instrument. A transaction-ready term sheet has been developed by market professionals and validated through extensive legal and industry engagement. Investor roundtables conducted in early 2026 confirmed genuine buy-side appetite. The conditions for a first issuance are in place. What is now required is international cooperation and political endorsement to cross the threshold from concept to issuance in service of NDC delivery.

5. Conclusion

The Belém Mission to 1.5 marks a decisive shift from ambition to implementation. NDC-Linkers offer an opportunity to create a direct, scalable, and market-aligned tool that can make that shift tangible by converting the commitments already made under the Paris Agreement into financial incentives priced by the broadest and deepest capital markets in the world.

We propose that the Belém Mission could be an opportunity to highlight NDC-Linkers as a potential high-impact solution and to recommend that Parties, multilateral institutions, and the private sector work together to explore pioneer issuances and strengthen the utilisation of NDCs as a component of financial market infrastructure.

TVP and AFII are committed to supporting this process and welcome further engagement with the Presidencies and all stakeholders working toward financing NDC implementation.

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[9] BloombergNEF (2026) New Energy Outlook 2026. Available at: https://about.bnef.com/insights/clean-energy/new-energy-outlook/#executive-summary-preview.