

COP30 President's Council on Economics, Finance, and Climate

At the request of COP 30 President-Designate André Corrêa do Lago, Professor José Alexandre Scheinkman invited a group of economists and experts to develop ideas that could further enrich the debate on economics, finance and climate. The summary of the proposed texts was sent as a submission to the “Report on the Baku to Belém Roadmap to 1.3 T” on September 10th, 2025. The Council operated independently, and responsibility for the analyses, conclusions, and recommendations presented here—as well as in the members’ individual papers—rests solely with the Council’s members.

The ideas reported in this document are the result of the participation in discussions and the contributions of: Juliano Assunção, Luiz Awazu Pereira, Abhijit Banerjee, Amar Bhattacharya, Patrick Bolton, Robin Burgess, Esther Duflo, Maryam Farboodi, Winston Fritsch, Michael Greenstone, Lars Hansen, Ulla Heher, Harrison Hong, Alissa Kleinnijenhuis, Moritz Kraemer, Mariana Mazzucato, Lucy Page, Rohini Pande, Avinash Persaud, José Alexandre Scheinman (Chair), Nicholas Stern, Joseph Stiglitz, Vera Songwe, Beatrice Weder di Mauro, Catherine Wolfram, Jiangmin Xu

Adaptation – Remittances

Professors Harrison Hong, José Scheinkman and Jiangmin Xu propose a framework to strengthen climate adaptation in low-income countries, focusing on the interaction between private adaptation through migration and remittances and public adaptation financed by governments.

Their research shows that extreme weather events, such as tropical cyclones and heatwaves, have significant macroeconomic and financial effects. Between 1980 and 2022, a typical extreme-weather event reduced a developing country’s GDP growth by 1%, increased its debt-to-GDP ratio by 1.4 percentage points, raised sovereign spreads by 80 basis points, and lowered credit ratings by one notch. At the same time, such events triggered migration outflows of about 100,000 people and increased remittance inflows by roughly 3%. These patterns suggest that remittances act as a main stabilizing mechanism—a form of private adaptation that mitigates financial stress and supports household welfare. However, relying solely on migration-based adaptation has social and political costs, for both sender and host countries, while public adaptation remains constrained by high debt levels and limited access to credit. The authors argue that international coordination can make both channels more effective and mutually reinforcing.

They outline two main policy avenues. First, reducing remittance transfer fees, currently between 3–6%, could strengthen developing countries’ resilience. Even a 50-basis-point cut in fees could improve sovereign bond yields in high-risk countries by 5–10 basis points. This approach would counteract the recent trend of remittance taxation, such as the new 1% U.S. remittance tax under the “Big Beautiful Bill,” and similar measures proposed elsewhere. Second, implementing “debt-for-adaptation swaps”, where external creditors accept small haircuts of 5–15 basis points to finance public adaptation, would reduce both climate vulnerability and default risk.

Overall, Hong, Scheinkman and Xu highlight that supporting adaptation in LICs benefits both developing countries and their external creditors by stabilizing growth, reducing migration pressures, and lowering sovereign risk.

Energy - Decarbonization of EMDE's power sector

Professors Patrick Bolton and Alissa Kleinnijenhuis put forward a proposal for financing the decarbonization of the power sectors in developing countries other than China. Their core argument is that global climate goals cannot be achieved without large-scale emissions reductions in these countries—since even a fully decarbonized group of advanced economies would still leave the world on track for at least 2.7°C of warming.

The proposal focuses on the power sector, responsible for nearly half of global energy-related CO₂ emissions, and the sector where replacing fossil fuels with renewable energy—primarily solar and wind—is both technologically feasible and economically viable within the next decade.

The analysis distinguishes between two types of costs. Phase-in costs cover the deployment of clean energy infrastructure, grid expansion, and short- and long-duration energy storage. Phase-out costs capture the economic impact of accelerated fossil plant retirements, including foregone cash flows and compensatory payments equivalent to five years of wages and retraining for displaced workers. The total cost of the transition is estimated at USD 465 billion per year between 2025 and 2035.

A feasible financial architecture would involve international climate finance covering 100% of the phase-out costs and 25% of phase-in investments, resulting in a total external financing requirement of USD 124 billion per year—equivalent to only 0.3% of the combined GDP of a coalition of high-income countries (excluding the United States). This underscores the affordability of targeted climate finance when weighed against its global mitigation benefits.

To guarantee an adequate supply of projects that EMDEs and LMICs be provided with expertise to build country platforms that would structure adaptation and decarbonization projects. These projects would be financed by effective mechanisms that use catalytic funds from high income countries and MDBs.

A focused coalition financing this transition could fully decarbonize developing countries power sectors, transforming climate finance into a high-impact investment in global stability and shared prosperity.

Nature – Tropical Forests

Professor Juliano Assunção and the Climate Policy Initiative/PUC-Rio team put forward a proposal to frame the forest–climate nexus, exploring how tropical forests can be more effectively integrated into the global climate agenda, building on the COP28 Global Stocktake decision that countries need to *“halt and reverse deforestation and forest*

degradation by 2030” (UNFCCC, 2023), underscoring forests as both a climate challenge and a climate solution. In addition to jurisdictional REDD+, which focuses on halting deforestation, and the Tropical Forest Forever Facility (TFFF), which rewards the standing forest, they propose a new Reversing Deforestation Mechanism (RDM) to enable large-scale forest restoration.

Tropical forests span 1.27 billion hectares, storing 593 GtCO₂, about one-third of global historical emissions. Yet deforestation persists, with over 10 million hectares lost annually, while the 180 million hectares cleared since 2001 could recapture 49 GtCO₂ if fully restored. These three dimensions—standing forests, deforestation, and restoration potential—differ across countries, underscoring the need for a comprehensive and flexible framework.

The current pipeline combines REDD+ for reducing deforestation and TFFF for conserving standing forests, but a critical gap exists in scaling forest restoration. Building on previous research by Assunção, Hansen, Munson, and Scheinkman (2025), the RDM addresses this gap through results-based jurisdictional agreements that reward net carbon removals—the balance between carbon captured through restoration and emissions from deforestation. Alongside the jurisdictional fund that receives carbon removal payments with flexible use of proceeds, a dedicated permanence fund should be established to ensure the long-term conservation of restored forests.

If implemented at full speed, the RDM could remove up to 2 GtCO₂e annually in its first five years. At US\$ 50 per ton, this would generate roughly US\$ 100 billion per year, demonstrating both the climate significance and financial potential of large-scale restoration within a fit-for-purpose forest finance architecture.

Strengthening the forest–climate nexus creates a dual opportunity: tropical forests can provide major climate mitigation through carbon removals while channeling finance to countries. Forests become a key asset for climate stability, biodiversity, and development.

Carbon markets – MARVIN

Pande, Burgess, Farboodi, and Page (2025) propose the MARVIN architecture — Measurement and Accounting of emissions, Risk mitigation, and Verification Institution — as a framework to deliver transparency, trust, and accountability in global carbon markets. MARVIN aims to integrate technological and institutional mechanisms that ensure both environmental and financial integrity, particularly by enabling cost-effective mitigation in emerging and developing economies.

A well-designed, integrated carbon market would enable the efficient allocation of limited climate funds. Such a market requires a unified system for carbon measurement, accounting, and verification. MARVIN implements standardized accounting methods to attribute emissions precisely to firms or jurisdictions and prevent double counting. It also employs remote sensing and econometric techniques to monitor emissions avoidance,

reduction, and removal (EARR) projects, while independent auditors perform third-party verification to ensure additionality and credibility.

Risk management is central to MARVIN. Exogenous risks, such as natural disasters, are pooled through insurance or auction-based instruments. Endogenous risks, like underperformance, are managed with performance-linked contracts. Regulatory risks are addressed through compliance-based market access. These mechanisms increase predictability and investor confidence while safeguarding environmental outcomes.

At the jurisdictional level, MARVIN coordinates projects with broader development objectives. When mitigation constrains local economic activity, project costs must include investments that help communities transition toward sustainable, low-emission growth. Market transaction fees finance MARVIN's operations and related research. Implementation proceeds in stages: Phase 0 establishes foundations; Phase I tests methodologies through pilot projects; and Phases II–III scale and consolidate credibility via transparent oversight.

Carbon markets - Carbon Coalition

Professor Catherine Wolfram and collaborators from the Global Climate Policy Project at Harvard and MIT (GCPP) propose a pragmatic solution to control GHG emissions: a Climate Coalition—a group of countries committed to making progress together by aligning carbon pricing, trade, and development policies.

The coalition would begin with carbon-intensive industries such as steel, aluminum, cement, and fertilizers, which account for over 20% of global emissions. Member countries would adopt a minimum carbon price floor within these sectors and apply border carbon adjustments (BCAs) on imports from non-member countries to ensure a level playing field. This design aligns environmental ambition with economic competitiveness and reduces the risk of carbon leakage.

A well-designed coalition could yield major gains: emissions reductions about seven times higher than current policy trajectories, equivalent to cutting 1.5% of global annual GHG emissions—roughly the total emissions of Canada. It could also raise US\$ 200 billion annually in revenue, mainly through domestic carbon pricing rather than border fees, while keeping industrial output losses below 2%.

Participation from low- and middle-income countries (LMICs) is essential. To encourage broad membership, the coalition would integrate incentives and support measures—including technology transfer, concessional climate finance, capacity building, and preferential market access. A share of coalition revenues could fund a multilateral trust fund hosted by a development bank to back low-carbon investments and guarantee green projects in LMICs.

Governance would emphasize transparency, robust MRV systems, and mutual recognition of national pricing mechanisms. By coordinating on carbon pricing and trade rules, the Climate Coalition offers a flexible, equitable pathway for countries to lead

global decarbonization—turning climate cooperation into an engine for growth, innovation, and shared prosperity.

Loss and Damage – A Global Climate Grand Bargain

Professors Abhijit Banerjee, Esther Duflo, and Michael Greenstone put forward a plan that links climate compensation and climate action in a fair and actionable way, addressing one of the most persistent failures in global climate cooperation: the misalignment between who causes emissions and who bears the costs.

The proposal is based on four mutually reinforcing pillars:

1. A transparent social cost calculation to assess damages owed to poor countries for current year-by-year emissions;
2. A mechanism to allocate loss and damage funds in participating countries - FAIR (Foreseeable, Automatic, Immediate, Regular) on the basis of individual transfers through universal basic income; community block grants and government insurances. Based on computations, in 2024 all this would have cost \$737 billion.
3. Eligible countries agree to put in place a carbon pricing mechanism (tax or cap and trade), graduated by income levels, following the principle of Common but differentiated responsibility.
4. Fund-raising through international taxation, and most particularly two of the taxes already implemented or in discussion in the international community: the “Pillar 2” tax of the OECD and the minimum taxation on billionaires. This could raise \$500-\$550 billion annually at first, increasing over time. Other taxes such as aviation tax or the tax on financial transactions could also be mobilized.

By linking compensation with mitigation, the proposal creates a Global Climate Grand Bargain that embeds fairness and feasibility into climate governance. It ensures that poorer countries—those most affected by climate change—receive predictable, automatic support, while wealthier countries assume responsibility through both financial transfers and carbon pricing commitments, aligning global climate action with shared prosperity.

Country Platforms to Accelerate Climate Action

Professor Mariana Mazzucato and Ulla Heher argue that country platforms hold significant promise to accelerate climate action. By mobilizing finance, expertise, and partnerships - public and private, domestic and international - and aligning them with policy and regulatory reforms in a structured, coherent way, they offer a compelling delivery model for organizing international cooperation at the country level.

Most countries remain off track to meet their climate goals, not for lack of pledges, but because they miss two key ingredients: sufficient, well-directed finance and robust delivery systems to turn plans into outcomes. The core problem is that NDCs remain

peripheral to core economic policy, when they should anchor green industrial policy and steer fiscal, financial, and regulatory choices.

Mobilizing large sums of climate finance, including from the private sector, is essential to approach the USD 1.3 trillion developing countries require. Yet the prevailing “financing-gap” approach - defaulting to blended finance and de-risking - has too often delivered disappointing results. Scarce concessional resources gravitate toward already bankable assets, leaving non-bankable public goods that are critical to the green transition underserved, while contingent public risks and fragmented implementation increase. This track record calls for redesigned financing systems. Encouragingly, innovative models are emerging which should be assessed by the extent to which they address binding constraints to mobilization and effective deployment of climate finance. New instruments must share risks and rewards more fairly, provide patient capital, and align explicitly with national climate and development priorities.

They propose a mission-oriented model for country platforms that bridge the financing tools needed to raise sufficient capital and the outcome-oriented missions anchored in NDCs. Conceived as nationally-led implementation hubs, these platforms align governance, finance, partnerships, and capacity to perform three core functions. First, they select and structure finance mobilization strategies suited to country context, including the choice and sequencing of instruments and the preparation of robust pipelines. Second, they provide directionality so that investment portfolios and terms advance structural transformation and fund system-critical public goods, rather than merely aggregating bankable projects. Third, they resolve policy choices and trade-offs across the whole of government and society, mitigating political economy frictions and building trust to sustain implementation.

Mission-oriented country platforms thus become the connective tissue between a country’s climate and development goals (the “what”) and the institutional, financial, and policy instruments needed to achieve them (the “how”). By aligning policy and finance, crowding in private investment on public terms, and channeling concessional resources into those areas that unlock system-wide change, they can turn NDC ambition into measurable outcomes for people and the economy.

Private capital mobilization

Doctors Winston Fritsch, Moritz Kraemer and Vera Songwe propose feasible blended finance structures to mitigate the risk of climate impact projects in EMDEs in order to attract private investors, and examined whether it is realistic to expect that these structures can attract foreign private capital to fund climate impact projects in EMDEs at the scale needed to reach the \$1.3 trillion envisaged in Baku.

Following a review of the challenges EMDEs face in accessing global private capital markets, they conclude that countries near or with investment-grade ratings benefit most from national solutions combined with credit enhancement schemes, while countries below investment-grade ratings or without capital market access require innovative concessional financing instruments with high-leverage potential.

The proposed solutions to attract private foreign capital across the income spectrum of EMDEs presented in the report are tailored to these varying levels of market access. Their proposal assumes a coordinated deployment of financial instruments already tested and designed with the support of governments and multilateral development banks. The proposal also suggests bespoke financial instruments to the specific risk profiles of various combinations of country risk and project risk to maximize private sector finance flows. The study concludes that it is reasonable to assume that the relatively larger investment needs of the more developed and better rated EMDEs can be met with a swift implementation of new programs emulating the Brazilian ECOInvest and the Inter-American Development Bank's Reinvest+ initiatives, essentially working at the national level to credit enhance investments and/or release capital for investments.

On the other hand, it appears implausible to the authors that the amounts needed by lower and lower-middle income countries (LLMICs) could be achieved through private market de-risking incentives alone. They argue that even using powerful de-risking structures based on multilateral Financial Intermediary Funds the resources mobilized for these countries would not go beyond \$100 billion, which is short of their estimated investment needs. Their conclusion is thus that, although credit risk-enhanced flows can make a material contribution to EMDE climate finance, we must move beyond blended finance. Given current risk perceptions in private capital markets and the funding capacity of multilateral and developed sovereigns, blended finance instruments will not suffice to bridge the financing gap of the large number of LLMICs. Therefore, to achieve the goals of the Baku to Belem Roadmap, the authors argue that UNFCCC signatories have to search for new additional public resources - from solidarity levies, new SDR issuances, the elimination of fossil fuel subsidies, compliance carbon markets, and last but not least, better domestic resource mobilization and deployment.

Financial instruments - Reinvest+

Reinvest+ is a blended finance initiative, proposed by the Inter-American development Bank (IDB), designed to mobilize large-scale institutional capital by purchasing existing, performing loans from local public and private financial institutions. The model begins by acquiring loans that are already operational and in good standing. As a condition of participation, current loan holders are required to reinvest the proceeds into new projects aligned with their country's net-zero commitments. These reinvestments are subject to ongoing monitoring and evaluation to ensure alignment with climate goals and the achievement of tangible impact.

Once acquired, the loans are bundled and enhanced with political risk and foreign exchange (FX) guarantees. These enhanced portfolios are then rated and listed for sale to institutional investors. The proceeds from these sales are reinvested in new rounds of acquisitions, allowing the mechanism to become self-sustaining within four years. In doing so, Reinvest+ aims to unlock a steady pipeline of climate-aligned investment opportunities and build trust between local project developers and global capital providers.

At its core, the initiative acts as a strategic bridge between two essential components of the climate finance ecosystem. On one side are developing countries with ambitious net-zero targets and rich local expertise in regulatory and financial environments—but limited access to capital. On the other are institutional investors managing over USD 100 trillion in assets who are eager to support sustainable development but often constrained by risk appetite, market fragmentation, and origination costs. ReInvest+ seeks to link these actors, scaling private finance toward the USD 1.3 trillion per year target for climate finance by 2035.

The market opportunity is considerable. Nearly half of global corporate debt is now in emerging markets. In Latin America and the Caribbean (LAC) alone, local financial institutions hold approximately USD 1 trillion in performing commercial bank loans—excluding corporate bonds and other credit instruments. Brazil, Mexico, Chile, Colombia, and Peru account for 80% of this lending, and more than half is denominated in local currency, rising to over 80% in Brazil. Importantly, more than half of these loans are unrelated to fossil fuel activities, and although a portion of these loans would be unrelated to carbon mitigation or adaptation, this indicates the presence of a large pool of loans eligible for acquisition under ReInvest+. Globally, an estimated USD 3 trillion in performing commercial loans are held by local financial institutions, of which USD 1.5 trillion are tied to non-fossil activities.

The initiative is already moving towards implementation. The first ReInvest+ transaction, totaling USD 1 billion, is expected to be completed before the end of Brazil's COP30 presidency in 2026. Additional operations—another USD 1 billion in the LAC region and a further USD 1 billion outside the region—are currently in preparation. The objective is not to deliver a symbolic pilot but to demonstrate scalability and replicability across geographies.

To accelerate implementation, a Request for Proposals (RFP) was launched during New York Climate Week and the United Nations General Assembly to identify potential partners. The plan and coalition of actors will be presented at the Subsidiary Bodies meeting, the Leaders Summit, and COP30. The success of ReInvest+ depends on deep cooperation between governments, local financial institutions, and international asset owners. Continued support is essential to sustain the IDB's commitment of financial, technical, and political capital in this critical phase.

Additional design recommendations strengthen the model's credibility and impact. Country Platforms should play a role in certifying that financed projects are consistent with adaptation needs and/or net-zero goals. To mitigate the risk of adverse selection, the IDB should retain the discretion to select eligible projects from among all those held by loan originators. The cost of political-risk and FX guarantees should be passed on to loan buyers, with the IDB leveraging its longstanding relationships with countries in the region to offer political-risk guarantees at a lower actuarial cost than the market could provide.