PRI Principles for Responsible Investment

POLICY BRIEFING

TOWARDS COP30: CLIMATE POLICY PRIORITIES

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PRI Association

Registered office: 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E:info@unpri.org

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An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. More information: www.unpri.org

ABOUT THIS BRIEFING

Building on its Climate Policy Roadmap 2024/25, this briefing sets out PRI's policy focus on climate towards COP30 in November 2025.

For more information, contact:

Gina Hanrahan	Margarita Pirovska
Senior Specialist, Climate Policy	Director of Policy
gina.hanrahan@unpri.org	margarita.pirovska@unpri.org

THE ROAD TO COP30 – POLICY PRIORITIES

2025 is an important moment for the transition to a resilient, low carbon economy. For investors, risks are evolving, with deepening geopolitical uncertainty and worsening climate impacts. In 2024, the world saw the 1.5ºC threshold breached on an annual basis for the first time, while the longer-term average sits at 1.3ºC. The carbon budget left to minimise warming to the Paris Agreement's lower temperature limit is rapidly being spent. It will now be challenging to limit longer term warming below 1.5ºC without an immediate and transformative policy response.

At the same time, the economic transition is well embedded in many sectors, and global experts consider the transition a question of speed rather than direction.[1] The Age of Electricity is upon us, albeit not yet driving reductions in energy demand fast enough to adequately displace fossil fuels.

The latest PRI reporting data shows that responsible investors continue to deepen their practices on climate change, with asset owners at the forefront. But limitations to action on climate risks and transition investments are becoming more evident. The real economy needs to move faster.

That is why policy makers must be the prime movers in tackling climate change. They need to provide clear economic incentives and regulations to shift capital to climate solutions and address flows to high emitting industries. These policy measures can support stronger global growth compared to business as usual, even in the short term, according to recent analysis by the OECD and UNDP.

COP30 will take place in Belém, Brazil in November 2025. In the run up, PRI will continue to deepen its policy engagement on climate and will use the opportunity of hosting PRI in Person in São Paolo just days beforehand to ensure the voices of responsible investors are heard by global policy makers.

Building on the PRI's Climate Policy Roadmap, key climate policy engagement priorities ahead and beyond COP30 include.

- A whole of government approach to the transition, placed at the heart of public policymaking
- Science-aligned NDCs, backed by national transition strategies and investment plans
- Clear economic transition policy to drive the energy transition and tackle deforestation
- Accelerating capital mobilisation to EMDEs
- Operationalising global carbon markets
- Strengthening synergies and managing trade-offs between climate and nature
- Advancing a just transition
- Increasing private finance for adaptation

PRI will reflect on the needs of investors and the evolving policy environment as it deepens and evolves these policy recommendations towards COP30 and beyond.

[1] Experts interviewed for the 2025 Inevitable Policy Response Transition Forecast Monitor remain optimistic about the overall transition trajectory and consider that 40% of G20 countries will meet their net zero target and 80% of G20 nations will reduce emissions by at least 80% by the 2050s.

A Whole-of-Government Approach to the Transition

A "whole-of-government" approach is needed to the transition to a net zero, climate resilient, nature-positive and more equitable economy. It needs to take account of the transition's socio-economic and environmental implications and be placed at the heart of public policy making. From a climate policy perspective, the most significant opportunity to embed this is by ensuring that the next round of NDCs (Nationally-Determined Contributions – national climate targets and plans) are ambitious, science-led, and supported by credible national transition strategies and investment plans to make them investable.

Science-Aligned Nationally Determined Contributions (NDCs)

Countries are due to submit their next NDCs for 2035 this year. While a number of countries have already announced theirs – including the UK, Japan and Brazil – most nations missed the formal February 2025 deadline. However, they must be submitted by September to form part of a global synthesis report on NDC ambition that will help to establish the context for COP30. With escalating evidence of material climate physical risk and impacts, and evidence that early action is better for economic growth and resilience, it is important that NDCs are aligned with the latest science and pathways to 1.5ºC, through early and sustained action. Well-designed NDCs play a crucial role in signalling interim targets, pathways and policies.[2] They can also provide a clear signal in a volatile external environment about how centrally governments consider climate action to future prosperity and economic stability.

Investable NDCs: National Transition Plans and Investment Plans

Supporting NDCs with detailed and investable national transition plans and policies can provide clarity about where and how governments plan to allocate and mobilise capital, what the macro-economic and social effects of the transition will be, what investment vehicles and financial derisking mechanisms are needed, and the role of public, private and blended finance in their delivery. Supporting the development of credible investment plans, pipelines and policies based on transparent sectoral decarbonisation roadmaps will be a focus of PRI's work ahead of COP30, with an emphasis on drawing lessons for investors and policymakers from the opportunities and policy environment in Brazil.

These transition strategies, plans and pipelines should seek to drive integration with adaptation, biodiversity conservation and restoration, and justice dimensions of the transition, including through National Biodiversity Strategies and Action Plans and National Adaptation Plans.

Clear Economic Transition Policy: Implementing Global Stocktake Outcomes on Energy Transition and Deforestation

NDCs and national transition plans also provide the opportunity to give clear signals on the policies that countries have or plan to introduce to implement the outcome of 2023's Global Stocktake. The stocktake included a call for action to "transition away" from fossil fuels in the energy system, double renewable energy and triple energy efficiency by 2030, accelerate action on methane emissions and phase out inefficient fossil fuel subsidies. The Global Stocktake also emphasised the need to conserve, protect and restore nature to achieve the Paris Agreement temperature limit, including

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[2] See for instance, PRI's 2024 policy brief on Implementing a 2040 Climate Target for a Competitive and Just European Green Deal.

through the halting and reversal of deforestation and forest degradation by 2030. Countries can now set out what key subsidies, incentives, regulations and carbon pricing mechanisms they will introduce to embed these goals and give policy credibility to their NDC.

Accelerating Capital Mobilisation to EMDEs

Financial flows supporting the transition to net-zero, resilient economies in EMDEs are highly relevant for responsible investors. They are crucial in shaping the future development trajectory in EMDEs and to reducing overall system-level risk. However, finance flows to EMDEs face a significant gap. While domestic mobilisation is critical, external flows would have to reach US$1.3trillion annually (ex-China) by 2035 to meet global goals, around half of which can come from private finance. This represents a 15- to18-fold increase in private investment for climate mitigation and adaptation.

Engagement on the policy environment to support the mobilisation of private capital to EMDEs will be a focus of PRI's work in 2025, with a particular emphasis on the investment landscape in COP30 host, Brazil. Necessary reforms in this area globally, outlined in PRI's Climate Policy Roadmap, include revision of the mandates of international financial institutions and scaling blended finance. It is also important to provide recognition and targeting of private finance under frameworks developed to support the scale up of finance from US$300bn to US$1.3tn by 2035 under the Baku to Belém Roadmap. More broadly, a transformational approach is required which supports alignment of all financial flows with Paris goals using all available policy levers.

Operationalising Carbon Markets

COP29 finally saw long-awaited progress on UN-backed international carbon market rules under Article 6 of the Paris Agreement. Progress was made on establishing rules for cooperation to enable trading between countries to meet national climate goals (Art 6.2) and on the operation of a centralised voluntary carbon market under a UN Supervisory Body (Art 6.4) The new rules and the Body's guidance on standards and methodologies for credits – including on issues such as the additionality of credits and how to ensure the permanence of carbon removals – will provide enhanced clarity to policy makers, investors, market developers and wider stakeholders on integrity and transparency of carbon trading. This should also boost market confidence and drive efficiency and is expected to unlock additional finance for climate action. Work to further develop national frameworks, agree guidance and develop certified pipelines continues. PRI will track the further development and operationalising of these new rules to help investors chart the evolving global carbon market and to support integrity in their design and use.

Strengthening Synergies and Managing Trade-Offs between Climate and Nature

COP30 provides a key opportunity to strengthen links between climate and nature action, through consideration of synergies and trade-offs. Policymakers should consider how climate policies and national transition strategies and plans (like NDCs) affect and can support biodiversity and leverage finance, and how climate solutions—such as carbon markets and circular business models—can also support nature restoration. Tackling deforestation through real economy transition pathways, by carefully adapting national food systems, bioenergy/bioeconomy strategies, and agricultural practices, will address one of the most significant drivers of biodiversity loss, diminishing carbon sinks, and accelerating GHG emissions. Institutional investors increasingly see nature and climate risk as interconnected and representing significant and material considerations. They are looking for economic incentives and regulations that address those risks holistically and in a coordinated fashion. PRI will reflect this need in its climate policy recommendations for COP30 and beyond, ensuring synergies and trade-offs with nature are systematically considered.

Advancing a Just Transition

Accounting for the social effects of the transition is central to fostering support, reducing inequality and managing political uncertainty. Evidence shows that public support for climate policies depends greatly on how fair they are perceived to be. By considering its socioeconomic dimensions, the protection of fundamental rights, and the needs of affected stakeholders, the transition to net zero, resilient economies can help build a model for sustainable and inclusive growth. Consistent, transparent, multilevel stakeholder dialogue and public participation, and effective grievance mechanisms, help better address social implications, protect vulnerable populations from adverse impacts, and integrate local needs and benefit-sharing into national climate policy decisions.

Over the coming period, PRI will track the developments in the UNFCCC Just Transition Work Programme, with a focus on:

- how considerations of justice, including interconnected justice (the cross-border implications of climate transition policies) should be included in climate action;
- how the transition can reduce rather than perpetuate existing inequalities
- how a whole-of-economy approach to the transition can look beyond the energy sector to other affected sectors
- how achieving a just transition can directly support the implementation of NDCs.

Increasing Finance for Adaptation

The escalating impacts of climate change underscore the urgent need for strengthened adaptation and resilience efforts, particularly in EMDEs which are disproportionately vulnerable to these effects. Physical climate risks pose direct and indirect threats to investments, potentially affecting company assets, operational costs, and entire value chains.

The Baku to Belém Roadmap can also support the scale up of finance from US$300bn to US$1.3tn by 2035 for climate action in developing countries where adaptation needs are particularly acute. Addressing barriers to private and blended investment into adaptation and resilience will be critical. Institutional investors are increasingly seeking clear economic incentives, along with harmonised standards, frameworks, and disclosures on physical climate risks and adaptation, to unlock and scale private sector finance for adaptation efforts.

PRI will reflect on the needs of investors and develop policy recommendations to help close the adaptation finance gap and advance the Global Goal on Adaptation, the Sharm-El-Sheikh Adaptation Agenda, and the UAE Framework for Global Climate Resilience established in 2023.