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Sustainability Blog

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COP30: What’s at stake and the role of the financial sector

Amid rising geopolitical and economic risks, COP30 presents a test for the continued ambition of international climate objectives.

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For the financial sector, the carbon credit market and public private sector partnership programmes for climate finance present significant investment and business opportunities, while in its function as a risk manager COP30 should serve as a reminder of the increasing risks of slow action and the relevance of climate adaptation measures.

From 10 to 21 November 2025, world leaders from government, the private sector and civil society will gather in Belém, Brazil, for the 30th UN Climate Conference (COP30).

Climate change remains one of the biggest challenges of our time. The World Meteorological Organization (WMO) predicts that global temperatures will remain near record highs, with averages between 1.2°C to 1.9°C above pre-industrial levels from 2025 to 2029. Each increase in temperature leads to more severe heatwaves, heavier rainfall events, intensified droughts, accelerated ice sheet melting, and rising sea levels. The **European Environment Agency** stated that between 1980 and 2024, weather and climate-related extreme events in the European Union (EU) resulted in estimated economic losses of around EUR 822 billion with 25% of these occurring between 2021 and 2024. According to the **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)** delayed climate action poses significant economic and financial risks, potentially leading to GDP losses ranging from 6% in Asia to 12.5% in Africa. Early and coordinated climate policy action, however, could significantly lower the cost of transitioning to a low-carbon economy, reinforcing the need for a comprehensive effort involving both public and private sectors to mitigate broader macro-financial instability.

In their role as risk managers, financial institutions should measure, monitor and manage these risks. Supervisory authorities are demanding comprehensive climate risk management with the European Banking Authority (EBA) Guidelines on ESG Risk Management and the EBA Guidelines on environmental scenario analysis.

Too slow progress

A decade after the Paris Agreement established the goal of limiting global warming to well below 2°C, ideally to 1.5°C above pre-industrial levels, and amid escalating geopolitical and economic risks, the 30th Conference of the Parties (COP30) will serve as a pivotal milestone. The **first global stocktake** of the Paris Agreement at the UN Climate Change Conference (COP28) in December 2023 showed progress: the projected temperature increase was reduced from almost 4 °C to around 2.1 to 2.8 °C. However, based on projections by the WMO, in 2024, the global average temperature was already between 1.34°C and 1.41°C above pre-industrial levels. The Paris Agreement target is based on long-term (20-year) averages meaning that this limit has not yet been permanently surpassed, even if some individual years go above 2°C, respectively 1.5°C, but the likelihood of reaching that limit is constantly decreasing.

Enhanced focus on implementation

At COP30, all signatory countries are required to present updated Nationally Determined Contributions (NDCs), laying out their emission reduction pathways by 2035. According to a **UN report**, only 64 out of 195 signatory countries have submitted updated NDCs. The submitted climate plans show merely a 17 %

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reduction in emissions compared to 2019 levels which is insufficient to limit global warming to 1.5 degrees. The **Intergovernmental Panel on Climate Change (IPCC)** calls for a 43 % reduction in greenhouse gas emissions by 2030 and a 60 % reduction by 2035 compared to 2019 levels. the scale required to meet global goals. The **UN Environmental Programme (UNEP)** has calculated that the world is heading towards a temperature increase of 2.8 if all countries were to implement their NDCs.

From a financial sector perspective, NDCs should be designed in a way that they can serve as credible investment roadmaps, offering clarity, policy stability, and measurable targets. Only then can private capital flow at the required speed and scale.

EU climate objectives currently subject to debate

Although the EU has traditionally been a leader in international climate ambition, climate policy is currently experiencing heated controversy among member states. The EU has committed to reducing emissions by 55 % by 2030 and achieving climate neutrality by 2050, but it has yet to finalise legislation for a binding target for 2040. Most recently, the EU environmental ministers agreed to commit to a reduction of CO2 emissions by 90% by 2040 compared to 1990 levels. According to the agreement up to 5% of the reduction could be covered by member states through buying international carbon certificates. Furthermore, the environment ministers proposed to postpone the beginning of the Emission Trading System 2 (ETS2) for buildings and transport by one year until 2028. The European Parliament has yet to agree to these proposed measures.

As a negotiating position for Belem, the EU wants to reduce its CO2 emissions by between 66.25% and 72.5% by 2035.

The ongoing tensions between EU member states center on how to balance industrial competitiveness, energy security, and climate ambition amidst rising geopolitical and economic risks. For COP30, the EU has set four core priorities. It aims to strengthen global efforts to cut emissions and keep the 1.5°C goal within reach, working closely with international partners. At the same time, the EU seeks meaningful progress on climate adaptation, including clearer plans and measurable targets to help countries manage the impacts of climate change. A third priority is expanding climate finance, particularly to support developing countries in both mitigation and adaptation efforts. Finally, the EU will push for a faster global energy transition by scaling up renewable energy, improving energy efficiency, and advancing a fair and orderly phase-out of fossil fuels.

China’s role in the global climate agenda

China’s role will be central to the negotiations in Belém. As the world’s largest emitter, responsible for around 30 % of global greenhouse gas emissions, the country’s policies are pivotal to the success of global climate goals. Despite high investments and remarkable progress in renewable energy, electric mobility, and green technology manufacturing, China’s current climate commitments are widely seen as insufficient.

According to EU Climate Commissioner **Wopke Hoekstra**, China’s plan to reduce emissions by 7 to 10 %

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by 2035 relative to its peak levels is “clearly disappointing” and falls far short of what is both technically feasible and environmentally necessary. The European Union argues that without stronger action from China, the global community will struggle to stay within the 1.5°C limit. China, in turn, emphasizes the principle of “common but differentiated responsibilities,” insisting that industrialized countries should take the lead in absolute reductions while supporting developing economies with finance and technology. China’s substantial investments in renewable energy clearly demonstrate its view of renewables as the future and as a key driver to enhance the competitiveness of its economy.

Climate finance - supporting the most vulnerable

A key theme of COP30 will be solidarity with countries most affected by climate change. Many poor countries face severe climate impacts like floods, heat waves and storms while lacking the financial and technological capacity to adapt. Building on the outcomes of COP29, the conference will focus on operationalizing the New Collective Quantified Goal (NCQG) on climate finance.

Under this new framework, signatory countries have agreed to mobilize at least USD 300 billion per year by 2035, with an aspirational goal of USD 1.3 trillion annually for developing countries. In addition, USD 1 trillion should be mobilised through climate investments by the private sector. With about EUR 31.7 billion in 2024 the EU and its member states are the biggest donor.

Relevant programmes present investment opportunities for the financial sector as private funding is incentivised through public sector guarantees and other instruments. About half of the public funding in 2024 went into climate adaptation measures such as green infrastructure, cultivation of resistant crops, regenerative agriculture, improvement of water storage, reduction of forest fire risk as well as protection in case of extreme weather events.

Establishing an UN-regulated global carbon market

COP30 aims to finalize the rules for an UN-supervised carbon market under Article 6.4 of the Paris Agreement, setting clear standards for credit verification, additionality, and transparency – a potential milestone for global carbon trading.

Carbon markets are trading platforms where carbon credits are purchased and sold. They allow companies to offset their greenhouse gas emissions by buying carbon credits from entities that either remove or reduce these emissions. Each carbon credit typically represents one tonne of carbon dioxide (or its equivalent in other greenhouse gases) that has been removed, reduced, or avoided. Once used, a credit becomes an offset and is no longer tradable.

While the EU Emissions Trading System is an example of a compliance carbon credit system, the international carbon trading system under the Paris Agreement is voluntary. The EU ETS uses a "cap-and-trade" principle, wherein companies receive emission allowances and must purchase additional ones if they exceed their limits. In 2021, China launched the largest ETS, covering about one-seventh of global carbon emissions.

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Challenges and the way forward

While progress has been made in standardizing processes and methodologies for utilizing carbon markets, significant concerns persist, such as double-counting of emission reductions and greenwashing risks due to weak accountability mechanisms. Successful carbon markets must ensure strong governance, transparency on impact, and socio-environmental safeguards.

To align with the temperature targets of the Paris Agreement, the **High-Level Commission on Carbon Prices** indicated that carbon credit prices should have reached between $40 and $80 per tonne by 2020, with an increase to $50-$100 per tonne by 2030. According to the **Net-Zero Asset Owner Alliance**, by 2030, a price of $147 per tonne will be necessary to achieve net-zero emissions by 2050. Currently, the average price in a major compliance market like the EU ETS1 is approximately **$70 (or €65)** as of 2024. This is above the prices on the voluntary market.

For financial institutions, the global carbon credit market represents significant opportunities through innovative green financial instruments and offsetting options for own operations and financed emissions.

Key take-away

COP30 will test whether nations can move beyond promises and deliver concrete results. For vulnerable countries, it is a matter of survival; for industrialized nations, a test of credibility; and for the financial sector, a defining opportunity to drive innovation, resilience, and sustainable growth.

Also relevant:

- Blog: Vom Emissionsausgleich zum Marktmacher: Wie Banken und Versicherungen den Carbon Market prägen
- Blog: Nature Credits – Überblick & Herausforderungen
- CSRD Benchmarking von Banken und Versicherungen
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