Recalibrating the Energy Transition and Climate Finance Through Geopolitical Volatility

PREPARED BY EURASIA GROUP & LSEG

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Executive summary

As geopolitical volatility rises, new pathways and strategic rationales for the energy transition and climate finance are emerging, driven by national interests and economic objectives. Climate action is not winding down—it is entering a new phase.

International cooperation on climate is politically challenging. Beyond more technical negotiation points, significant new momentum through the Paris Agreement is likely to encounter obstacles for years to come. But as domestic policy priorities such as security, competitiveness, and resilience come to the fore, the energy transition and climate finance are continuing to move forward, now in large part outside of the multilateral process.

China and Europe are at the forefront of this shift. Although both remain committed to international dialogue on climate, national ambitions are core to their low-carbon agendas.

For China—already the world's leading provider of most green technologies—today's global political landscape is strengthening the competitive basis to accelerate its energy transition and green technology breakthroughs. For Europe, the imperative of reducing fuel import vulnerabilities and enhancing economic growth continues to provide an impetus for decarbonization.

With green supply chains spreading globally and clean technology prices falling, the energy transition is growing in appeal around the world. Emerging markets are a proof point, with many now turning to renewable energy for economic rather than political reasons.

At the same time, the costs of climate impacts are rising and the Paris Agreement goal of limiting global temperature rises to 1.5° Celsius looks increasingly hard to reach. These factors are creating further incentives for both public and private investment in *adaptation*. Metrics such as bond issuances for adaptation uses are starting to reflect this trend. In what Eurasia Group terms a 'G-Zero world', in which no single country or group of countries is both willing and able to drive a global agenda or provide global public goods, the strategic case for investment in physical resilience only deepens.

As this new era unfolds, organizations will need to combine a nuanced understanding of global political factors with robust data insights to understand where risks and opportunities lie. The energy transition and climate finance are recalibrating, offering new avenues for long-term growth.

Introduction: The energy transition and climate finance adapt to a new geopolitical era

In a changing international landscape, the global energy transition is taking on a new shape and speed. Earlier conceptions of the global energy transition envisaged that developed markets would take the first strides in decarbonization. Emerging markets would then follow, with the help of concessional finance, technology transfer, and policy sharing from developed markets.[1] The final text of the Paris Agreement reflected this general understanding.

Today, a different story is unfolding. In a world of geopolitical fracture and heightened competition, many countries' focus is turning away from multilateral agreements and toward national security and economic policy priorities. Voters and candidates in recent major elections around the world have prioritized issues such as the cost of living over climate and the energy transition. This new environment, in which no single power or group of countries is both willing and able to set a global agenda (what Eurasia Group refers to as the G-Zero world), undermines coordination in many areas of collective concern—including but not limited to climate.[2]

At the same time, the changing US stance on energy and climate issues, including a second departure from the Paris Agreement, is affecting many aspects of multilateral climate policy momentum. But the energy transition is far from over. In fact, the forces that are destabilizing collective commitments on climate are also driving real-world momentum for the energy transition in new ways.

As countries look to gain a foothold in strategic sectors, boost their economic competitiveness, and offset physical climate risks, investment in green technology and adaptation provides a route to long-term resilience and growth. These factors combine to mark a new period in the global energy transition and climate finance.

This report outlines how geopolitics is recalibrating the energy transition, and it examines the shifting dynamics for climate across the political, economic, and physical domains. In this new landscape, investors and companies will need to look beyond the headlines and combine geopolitical analysis with robust data insights to uncover the opportunities of the energy transition's next phase.

Stress-testing the Paris Agreement

The US's second departure from the Paris Agreement adds to existing political challenges for climate multilateralism. While no other country has left the treaty to date, there appears to be limited appetite among other large economies to step into a new explicit political leadership role. Without the US, key sticking points such as climate finance will face even steeper challenges. More technical aspects of the Paris Agreement—such as carbon markets—are more likely to continue moving forward and will keep the treaty relevant. But ultimately, in a G-Zero world, the UN climate process is unlikely to act as the central driver of energy transition momentum.

The Paris Agreement faces ongoing political challenges

Over the last ten years, the framework and procedures established by the Paris Agreement have provided a political baseline for the energy transition and climate finance. But the multilateral policy environment in 2025 is markedly different than it was in 2015.

The US's second departure from the Paris Agreement and the constrained political outlook for issues such as concessional finance mobilization will push the UN Conference of the Parties (COP) process to adopt a new tone in coming years. Although no other parties to the Paris Agreement have indicated a serious intent to follow the US, large economies that remain part of the COP process appear unlikely to take on a new leadership mandate.

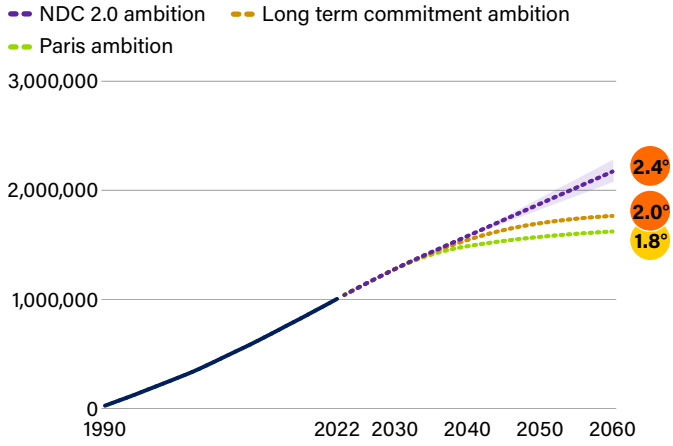
1 Per the World Bank, concessional finance is "below market rate finance provided by major financial institutions, such as development banks and multilateral funds, to developing countries to accelerate development objectives."

2 Eurasia Group, "Top Risk #1: The G-Zero wins," Top Risks 2025

The EU is not backing away from its sustainability policies, and China remains firmly committed to climate multilateralism (as President Xi Jinping confirmed in public remarks in April).[3] But neither of these economies have indicated a clear desire to fill the growing leadership void in the COP process as it enters this new phase. Much of their contributions to climate momentum are now found outside of the Paris Agreement (please see the second section of this report for more detail).

At the same time, country-level commitments under the Paris Agreement—or nationally determined contributions (NDCs)—continue to fall short of the Paris Agreement's initial aspirations. LSEG data shows that under existing 2030 emissions commitments ("NDC 2.0" commitments), global temperature rises are on track for 2.4° Celsius by the end of the century, significantly higher than the Paris target of 1.5° (please see graphic at left).

Projected cumulative emissions from the G20 under NDC 3.0 scenario will take the world beyond 1.5°C of warming *(MtCO2e*)*

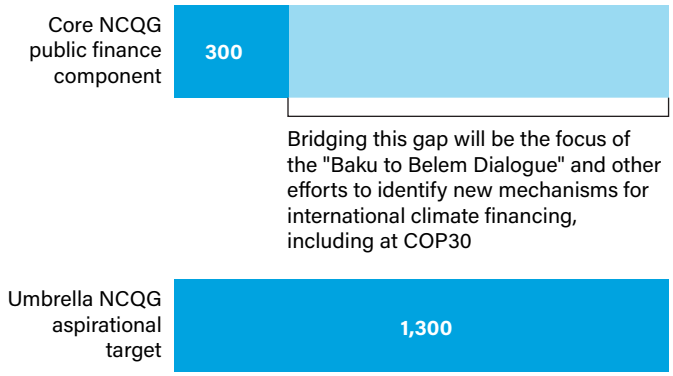


*Million tons of CO2 equivalent
Source: LSEG Net Zero Atlas[4]

In more ambitious scenarios (the "Paris ambition" scenario), global temperature rises *could* be kept below 2°, but this outcome would require much faster decarbonization plans. Without clearer ambition from developed markets—including the US—emerging markets may be more hesitant to make those commitments. Many countries have not yet submitted their 2035 NDCs, and there have not been clear indications that forthcoming NDCs will reflect greater ambition or offer stronger reassurance to emerging markets.

Limitations on concessional and blended finance persist

New collective quantified goal (NCQG) for annual climate finance provided by developed markets to emerging markets by 2035 *($ Billion)*



Note: the NCQG target was agreed at the conclusion of COP29
Source: Eurasia Group

No component of multilateral climate action is more subject to political barriers than *public finance provision*. Historically, industrialized countries have not met their public climate funding commitments to emerging markets, previously coming up short of their $100 billion commitment first made in 2009. Now, these countries face additional financing headwinds owing to energy security concerns, political opposition to development spending, and the reality of meeting the costs of their own climate commitments.

The US's exit from the Paris Agreement deepens the challenge. At COP29 last November, industrialized countries pledged to mobilize $300 billion in climate finance for emerging markets by 2035. A "Baku to Belem

3 Ministry of Foreign Affairs of China, "Xi Jinping Delivers Remarks at the Leaders Meeting on Climate and the Just Transition" (April 2025)

4 LSEG, COP29 Net Zero Atlas (October 2024)

Dialogue" was also established to identify pathways for scaling that $300 billion target to $1.3 *trillion*—largely using new financial mechanisms (please see graphic above). But the US withdrawal will make the difficult task of delivering on the $300 billion even tougher—much less $1.3 trillion.

With limited support for concessional finance, countries are likely to leverage their contributions with blended finance. This combination of concessional finance with commercial investments is common through development finance institutions, and increasingly through philanthropic funders that have more risk capacity.

But blended finance is unlikely to fill the larger public climate finance gap. In 2023, total blended finance deals for climate uses reached $11.6 billion: That is significant but only a small tally in the wider equation.[5] Much of blended finance is minimally concessional, meaning it will take more risk than pure commercial capital, while still seeking to minimize its losses. To mobilize more than a *trillion* dollars (the goal of the Baku to Belem dialogue), vastly more concessional finance with greater risk tolerance would be needed.

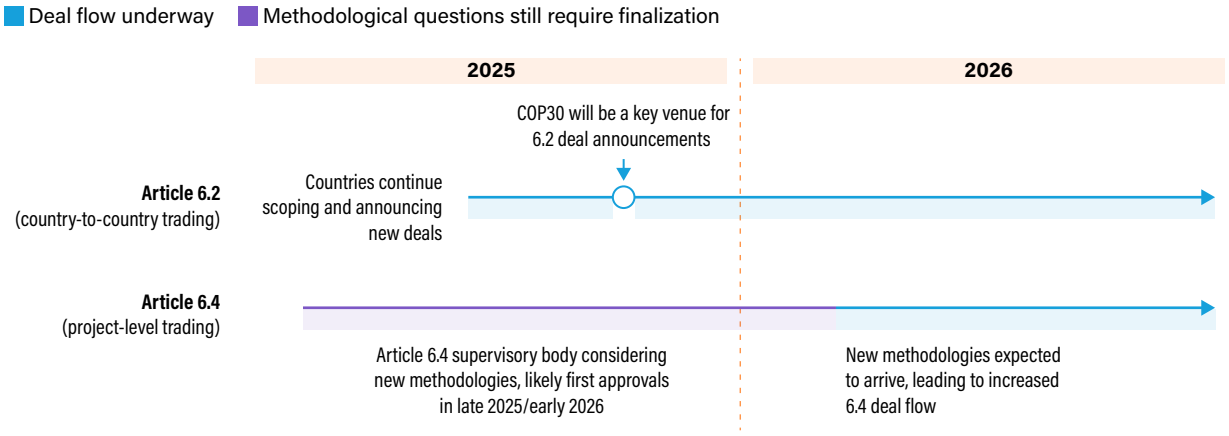
The multilateral development banks will also encounter difficulties in filling these financing gaps. The US maintains substantial ownership stakes in most of these banks, but it indicated during the World Bank-IMF spring meetings in April that emphasizing climate objectives may represent mission creep for these institutions.[6] Washington is now conducting a review of the banks, with results expected in August—the responses from each bank will need to balance the administration's requests with the priorities of a very diverse group of shareholders.

Progress on technical aspects of Paris Agreement helps to preserve momentum

One aspect of the Paris Agreement framework likely to achieve progress in the coming years is the development of carbon markets.

The finalization of rules for UN-sanctioned "Article 6" carbon markets at COP29, including Article 6.2 for country-to-country trading and Article 6.4 for project-based trading, could be a step change for the market. For Article 6.2, bilateral projects between countries are already underway, with leading purchasers such as Singapore, Switzerland, and Norway pushing deals forward. A wide range of emerging markets are now developing domestic policy frameworks to attract these types of deals, reflecting the growing interest in this space. For Article 6.4, the first entirely *new* project methodologies have not yet been finalized but probably will be in late 2025 or 2026 (please see graphic below).

Near-term outlook for Article 6 transactions: Article 6.2 projects further along than Article 6.4



Source: Eurasia Group

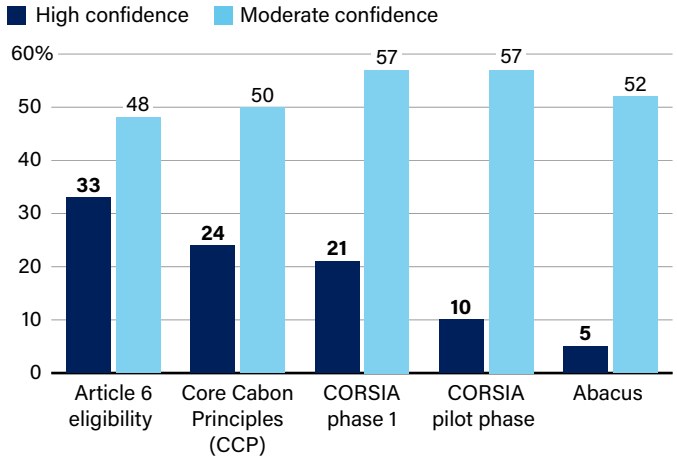
5 Convergence Blended Finance, "The State of Blended Finance 2024," (2024)

6 US Department of the Treasury, "Treasury Secretary Scott Bessent Remarks before the Institute of International Finance" (April 2025)

LSEG's 2024 Voluntary Carbon Markets Survey indicated that, of all quality labels currently available in carbon markets, Article 6 labels will likely generate the best perception among market participants in terms of project quality, potentially helping address longstanding challenges with reputational risks (please see graphic below). In addition, much of the conversation about which carbon credits are likely to display the highest levels of "integrity" in the voluntary market has already consolidated around the terms laid out in Article 6. Many of the separate integrity initiatives plan to ensure that eligible credits are also Article 6-compliant.

VCM Survey 2024: Rate current quality labels as indicators of project efficacy

Share of respondents (%)



Source: LSEG Carbon Research[7]

Addressing reputational risks with more multilateral oversight could help Article 6 projects command higher prices. The potential for a "Paris premium" along these lines is a key reason why so many emerging markets are working on domestic regulatory regimes to attract Article 6 projects.

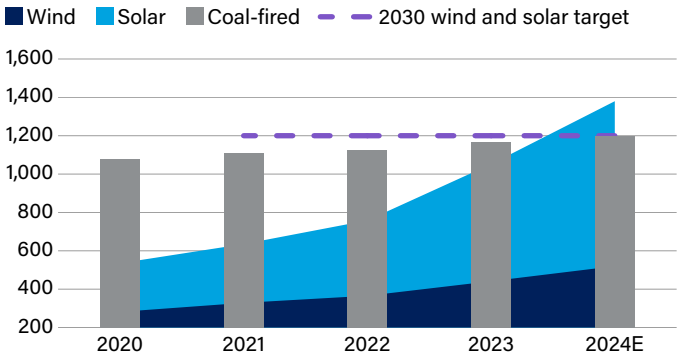
Given the limits on other sources of concessional finance from developed markets, carbon markets are likely to become a more relevant source of climate finance in general. Implementation of such technical elements of the Paris Agreement will help the COP process maintain relevance. But ultimately, given the deep political challenges, sources of momentum for the energy transition and climate finance *outside* the Paris Agreement are likely to play a growing role.

Accelerating the energy transition in a G-Zero World

There are a range of pathways for the global energy transition to continue even as multilateral enthusiasm declines. The role of technology costs, economic competitiveness, and the desire to attract new supply chains will be decisive for many markets. Geopolitics are affecting the shape and speed of the transition but are not sending it into reverse.

Domestic policy in China and Europe will be a tailwind for the global energy transition

China's solar and wind total capacity surpassing coal and its 2030 target *(GW)*



Source: China NEA, Electricity Council, LSEG[8]

In a G-Zero world, where countries prioritize national interests, some tailwinds for the global energy transition will persist. Even as multilateral enthusiasm wanes, domestic policy imperatives in key markets will drive forward the energy transition.

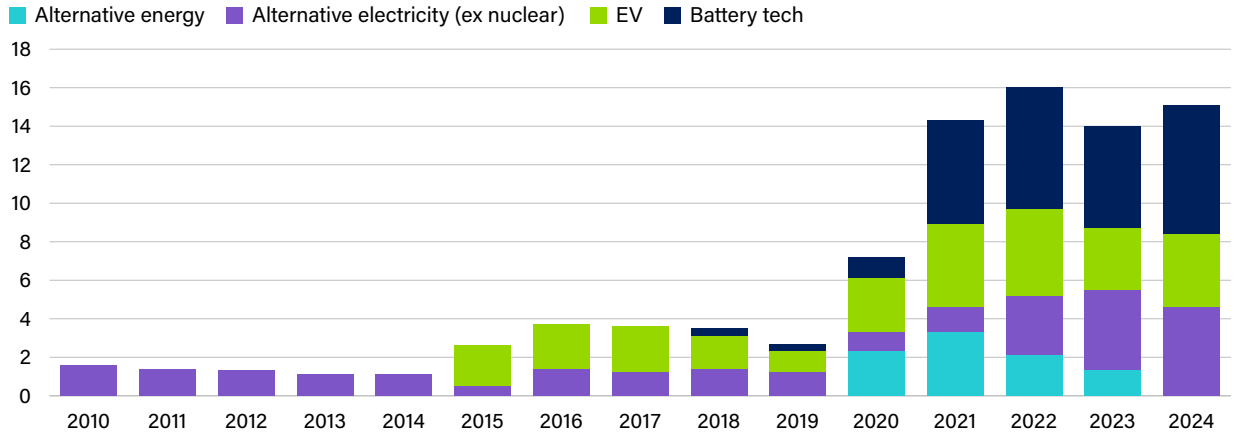
Perhaps the most important contributor in this context will be China. Both the world's largest emitter and the world's largest consumer of energy, China remains committed to the energy transition, and its domestic energy policy agenda is unlikely to be dislodged by geopolitics.

7 LSEG Carbon Research, All I want for Christmas is Article 6 and...$1.3 trillion (December 2024)

8 LSEG Commodities Research, Roundup of China's Accelerating Energy Transition (November 2024)

Commercial considerations are key to China's approach. After years of industrial policy support and technological innovation, Chinese manufacturers now dominate the development of most green technologies including solar, batteries, and electric vehicles (EVs). In the FTSE China A50 Index, green companies have risen from less than 3% of total weight in 2015 to more than 15% in 2024 (please see graphic below). Global investment in clean energy reached $2.2 trillion in 2024 (twice the size of total investments in oil, natural gas, and coal), with solar investments driving the largest share of low-emissions power generation projects.[9]

Green companies rise as share of FTSE China A50 Index *(weight in FTSE China A50 Index)*



Source: LSEG[10]

In recent years, the domestic environment for new green production investments in China has kicked into even higher gear. Domestic solar manufacturing capacity reportedly exceeded more than 1,000 gigawatts (GW) per year in 2023—more than double total global solar demand in 2023.[11] Overcapacity challenges are also endemic in China's battery, EV, and electrolyzer industries. This makes it more difficult for any non-Chinese producers to compete but underscores the strength of Beijing's domestic policy support for these industries.

Equally important for the global energy transition is the fact that China's ambition to *export* these technologies is deepening. This includes exports to a growing number of emerging markets, as well as efforts to pursue new overseas collaborations for production bases outside China. Regions such as the Gulf and Southeast Asia are already attracting increased capital from Chinese green manufacturers seeking to expand global market access through local investments. As Eurasia Group and LSEG noted in a recent white paper, markets in these regions—often considered "middle powers"—are well-positioned in strategic sectors to draw further investment and enhance economic competitiveness.[12]

As these projects mature, they will improve local green manufacturing capacity in more markets, creating new political constituents for green technologies. New production bases and joint ventures will also open more opportunities for local partners to export green technologies to other markets. This trend will enhance the long-term supply chain resilience of green technologies, even as political headwinds endure.

Beyond China, another important tailwind for the global energy transition will be Europe's commitment to supporting the development of its domestic green industries. Despite some debate over green policies and increased focus on competitiveness, there remains relatively broad support across the continent for the energy transition. The "REPower EU" policy to cope with the loss of most Russian gas imports in 2022 has since been augmented by the "Clean Industrial Deal" in 2025. This policy aims to use decarbonization to improve security of energy supply and lower energy costs through reduced fossil fuel import reliance.

9 International Energy Agency, "World Energy Investment 2025" (June 2025)

10 FSTE Russell (an LSEG business), Five Facts You Didn't Know About the FTSE China A50 Index (November 2024)

11 Reuters, "Solar giant illuminates China's overcapacity bind" (July 2024)

12 Eurasia Group & LSEG, Rewiring Global Trade for Resilience and Growth (April 2025)

Similar policies are in place in the UK, and there are efforts to enhance coordination with the EU. Europe's overall focus is to ramp up electrification of power through enhanced renewable, nuclear, and low-carbon gas generation capacity, the rollout of electricity storage systems, and expanded European transmission lines.

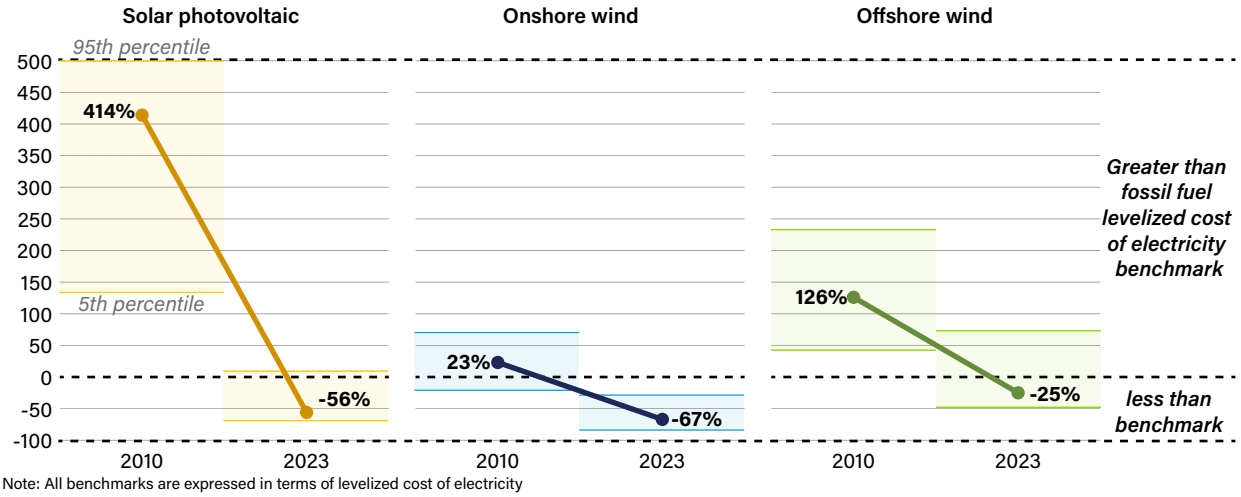
The EU will continue to advance its Carbon Border Adjustment Mechanism (CBAM), which remains an integral part of the bloc's decarbonization policy architecture, even as it modifies some aspects of CBAM implementation as part of its upcoming omnibus package. The CBAM will raise revenue and address international competitiveness for trade-exposed industries. It will also encourage more markets around the world to adopt carbon markets of their own. The European Commission has held firm on its 90% emissions reduction target by 2040—which, because of the CBAM and other policies such as the Corporate Sustainability Due Diligence Directive, will have implications beyond Europe. Recent efforts to link the UK and EU emissions trading systems are one prescient example.

This domestic policy focus on the energy transition in both China and Europe will persist regardless of further geopolitical volatility. Both markets will play a key role in pushing the global energy transition forward, even if this leadership is not explicitly through the Paris Agreement.

Compounding clean energy price reduction opens more markets for renewable adoption

In its 2025 Top Risks report, Eurasia Group forecasted that the global energy transition would *not* be put into reverse by geopolitics.[13] This is because, for many markets (particularly outside the US), the most decisive near-term impetus for the energy transition is *technology costs* rather than climate policy. Reductions in green technology costs have accelerated dramatically in recent years, expediting the economic rationale for the transition (please see graphic below).

Change in cost benchmarks of solar and wind electricity generation compared to fossil fuels, 2010-2023 *(Global weighted average compared to fossil fuel benchmark)*



Note: All benchmarks are expressed in terms of levelized cost of electricity

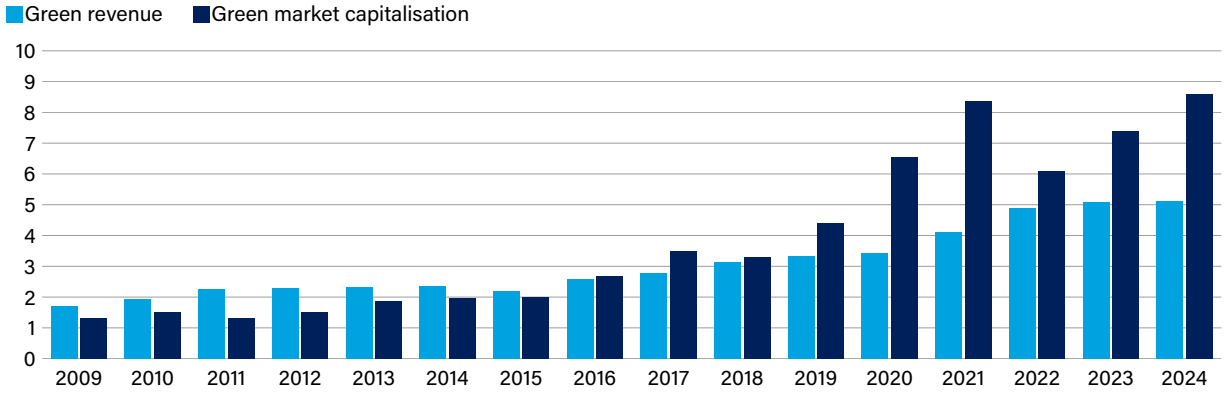
Source: IRENA

The cost-effectiveness of green technologies is now spurring demand for renewables among a group of emerging markets that were not previously expected to be leaders in timely renewable energy deployment (particularly considering the headwinds to the Paris Agreement described above). LSEG data indicate that the global green economy continues to show significant growth (please see graphic below). Consistent with Eurasia Group and LSEG's view that global trade is being "rewired," green trade relationships are discovering new patterns.[14]

13 Eurasia Group, Red Herrings: "Global energy transition stalls," Top Risks 2025

14 Eurasia Group & LSEG, Rewiring Global Trade for Resilience and Growth (April 2025)

Global green economy continues to demonstrate strength *($ trillion)*



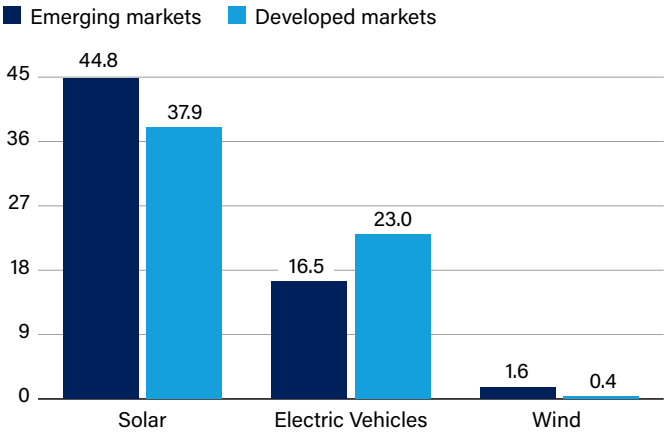
LSEG Green Revenues data as of April 2025. LSEG free float market capitalisation data as of April 2025

Source: LSEG[15]

In 2024, for example, Pakistan imported almost 20 GW of Chinese solar products—equal to almost one-third of Pakistan's prior installed national power capacity of about 50 GW, and three times more than Canada's *total* installed solar capacity.[16] The core reason that Pakistan purchased such a vast amount of Chinese solar was not concessional finance availability or domestic policy actions. It was because households and businesses saw the low costs of new solar assets as attractive near-term options to satisfy their energy demand.

Emerging markets already command a strong share of 2024 Chinese green exports

2024 Chinese exports ($ billion)



Source: Comtrade, Centre for Research on Energy and Clean Air, Eurasia Group.

An emerging market's ability to increase green technology purchases on this scale *without* a concrete political decision is a key indicator for the future of the global energy transition. Already, emerging markets account for a bigger share of Chinese solar exports than developed markets (please see graphic at left), and many are ready to bolster their deployments of renewable energy, regardless of progress on the Paris Agreement.[17]

Global trade rewiring and commodities volatility will bring disorder to the energy transition

As more countries stake a claim to the future development of green supply chains, one aspect of this ecosystem that will continue to pose a headwind to all non-Chinese producers is critical minerals and other commodity inputs. While policymakers' focus on this issue has intensified in recent years, concrete steps to scale up non-Chinese supply chains in critical minerals and other energy transition input materials remain limited.

Chinese green firms continue to benefit from reliable and low-cost access to these inputs, providing them with more certainty for long-term planning. Prices for many minerals and metals are now too low and volatile to justify massive new investments on a strictly market rationale, particularly for non-Chinese producers. Lithium prices, for example, have declined considerably after spiking in 2022, driven in large part by expanded Chinese production (please see graphic below).

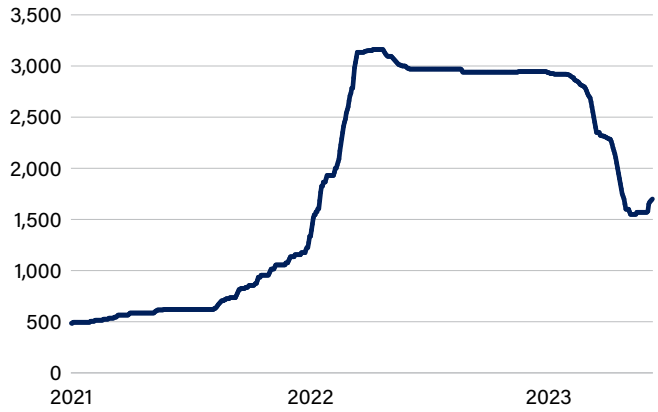
15 LSEG, Investing in the Green Economy 2025: Navigating Volatility and Disruption (May 2025)

16 Renewables First, "Pakistan Electricity Review 2025" (2025)

17 Dialogue Earth, "Why China's clean energy need not fear US tariffs" (January 2025)

Lithium prices retreat after 2022 spike

(SMM lithium metal price (battery grade), yuan per metric ton, thousands)



Source: LSEG Datastream

Given the durability of China's political commitment to the downstream technology uses of these materials, non-Chinese producers will continue to struggle to match Chinese production. As a result, there will likely be an ongoing role for Chinese firms to supply input materials for green technologies, even if global green technology supply chains orient away from Chinese manufacturers.

Although geopolitical divisions will act as a destabilizing force, the drive for low-cost power and economic resilience will provide further momentum for the energy transition. It may be less orderly than the Paris Agreement had envisaged, but it is by no means grinding to a halt.

Adapting climate finance to growing physical risks

With climate mitigation efforts through the Paris Agreement faltering, physical climate risks are on the rise. Both the public and private sectors are increasingly turning their attention to adaptation funding as a means of securing economic resilience in the G-Zero world. Multilateral cooperation on adaptation faces challenges, but the investment case for national governments and private organizations is strengthening.

Physical climate damages expediting financial risks and focus on adaptation

Despite the economic drivers of the energy transition, the Paris goal of limiting global temperature rises to 1.5° Celsius appears far from reach. The immediacy of physical climate risks is growing, with insured losses from natural catastrophes at almost $150 billion in 2024, up from a ten-year average of less than $110 billion.[18] The impact of physical risks on financial stability also continues to raise concerns, including from the Financial Stability Board.[19] Against this backdrop, the public and private sectors are focusing on *adaptation*.

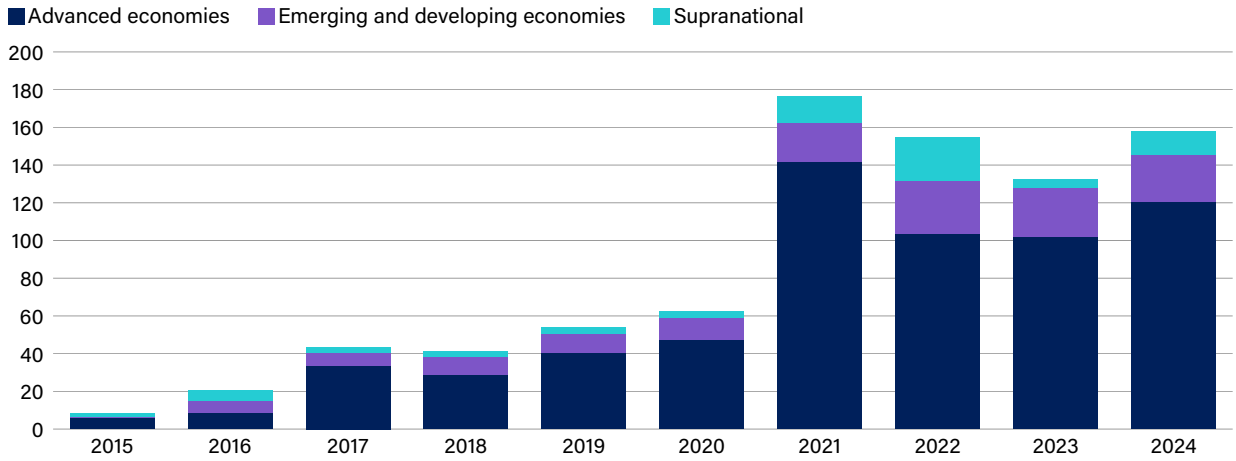
For policymakers, physical climate risks are already a priority. LSEG data shows that among public green bond issuances, adaptation projects are increasing as a focus area for green bonds, particularly since 2020 (please see graphic below). While these issuances have so far been largely concentrated in developed markets, there will be opportunities for more governments to raise capital for adaptation. The cost savings of preemptive adaptation investments (rather than post-disruption costs) are likely to drive adaptation investments as physical risks become clearer.

As weather events become more significant, there will be more uninsurable assets globally, affecting financial systems where insurance is used. In emerging markets where insurance is less prevalent, those costs will be borne by domestic governments and international aid, which are already stretched thin given fiscal demands and geopolitical tensions. These costs will keep climate issues high on the radar of the financial community and policymakers.

18 Swiss Re Institute, "Insured losses on trend to USD 145 billion in 2025" (April 2025)

19 Financial Stability Board, "Assessment of Climate-related Vulnerabilities" (January 2025)

Adaptation-related green bond issuances surge after 2020 *($ billion)*

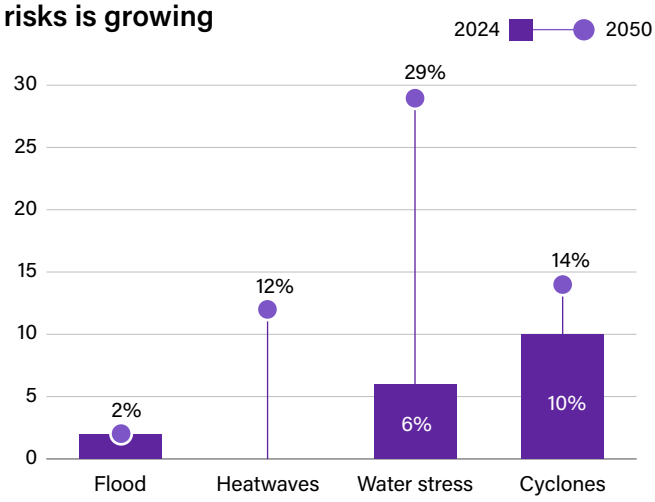


Data captures all green bonds that include adaptation-related projects as eligible use of proceeds.

Source: LSEG[20]

The fallout of worsening physical risks will be particularly damaging for cities, which are already home to a majority of the global population and GDP. LSEG analysis shows that the most severely affected cities will be in the Middle East and Southeast Asia, with five cities—Singapore, Surabaya, Dubai, Riyadh, and Jeddah—confronting both water stress and heatwaves in the coming years (please see graphic at left).

Proportion of major cities facing physical climate risks is growing



Note: Share of cities based on analysis of 49 major cities in G20 countries.

Source: LSEG[21]

Whereas actions to address the steepening costs of extreme weather events are still nascent (and many of the perennial challenges to adaptation investments will persist), national and subnational governments are beginning to prepare by creating early warning systems, adaptation plans, and hazard-resilient infrastructure. The drive to boost economic resilience and competitiveness in the G-Zero world only adds to the rationale for governments to protect their economies from physical climate risks.

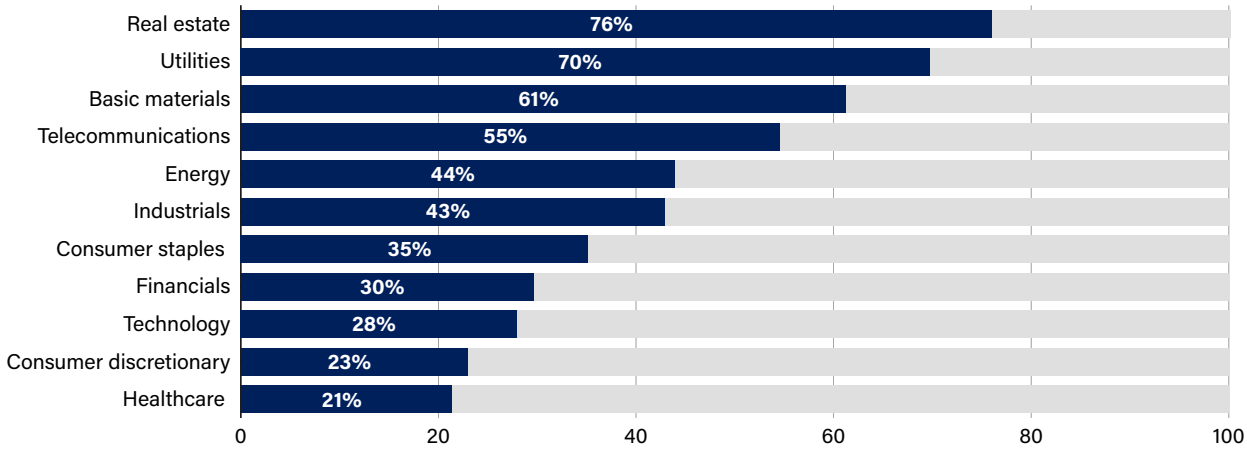
Private sector actors underscore the opportunities for adaptation investments

Although the public sector has historically driven most adaptation projects (and will continue to do so), the private sector is getting increasingly involved. LSEG data shows that in 2023 and 2024, 34% of companies in the FTSE All World Index referenced adaptation measures in their corporate disclosures. Of those companies, real estate firms and utilities were most proactive in raising adaptation concerns, with more than 70% of covered companies referencing adaptation measures (please see graphic below).

20 LSEG, Investing in the Green Economy 2025: Navigating Volatility and Disruption (May 2025)

21 LSEG, COP29 Net Zero Atlas (October 2024)

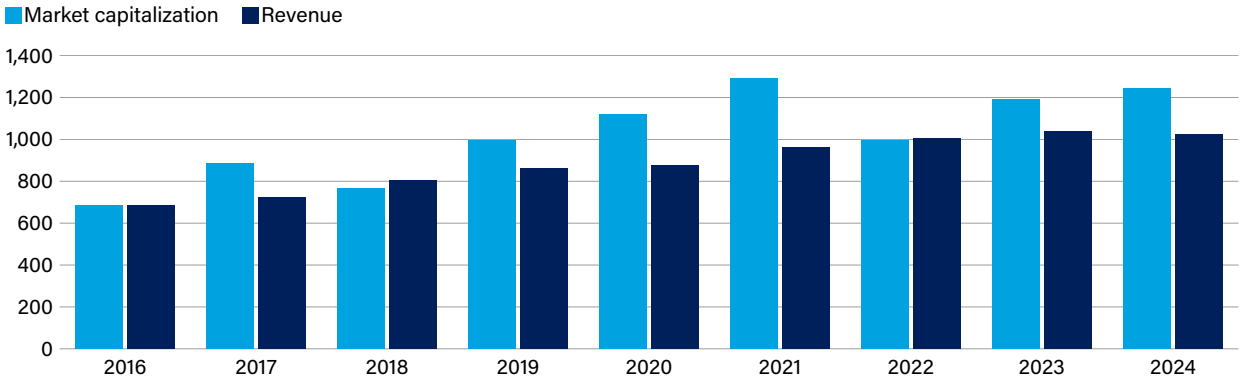
Share of FTSE all world constituents citing adaptation measures in their corporate disclosures, by ICB Industry



Source: LSEG[22]

Revenue generation linked to adaptation solutions is also growing, particularly through sectors including green buildings, water infrastructure, and waste management (please see graphic below). More private sector focus on adaptation solutions will be an important enabler of *public* spending on adaptation priorities in the medium and long term. Enhanced private sector capabilities in adaptation-related projects may likewise improve emerging markets' ability to finance adaptation projects.

Private sector adaptation solutions from firms covered by LSEG Green Revenue Classification System *($ billion)*



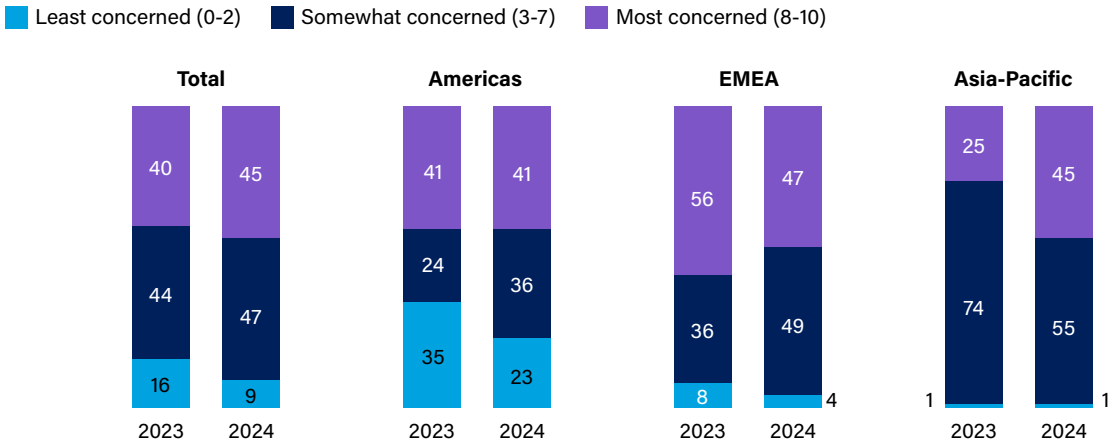
Source: LSEG[23]

One of the structural factors that will likely spur more private sector interest in adaptation is the enduring interest of *asset owners* in sustainable investing. Recent LSEG survey data indicate that among asset owners with more than $10 billion in assets under management, more than 85% are including sustainability metrics as part of their investment strategies. And as physical climate risks intensify, asset owners are becoming more concerned about climate risks (please see graphic below). This asset owner focus will keep the broader financial ecosystem geared toward delivering new solutions for both adaptation and mitigation.

22 LSEG, Investing in the Green Economy 2025: Navigating Volatility and Disruption (May 2025) (Based on LSEG Climate data – the disclosure on adaptation measures is less standardized compared to climate risk assessment where the latter has been improved by the adoption of standards and frameworks such as TCFD and ISSB)

23 LSEG, Investing in the Green Economy 2025: Navigating Volatility and Disruption (May 2025)

Asset owner concerns about climate risks are growing *(%)*



Source: FTSE Russel (an LSEG business)[24]

The politics of physical risks will remain fraught

Although physical risks will probably incentivize further investment in adaptation, this trend is not without political challenges, particularly when it comes to overseas adaptation funding.

Since COP27 in 2023, multilateral climate negotiations have worked to establish the Loss & Damage (L&D) Fund to respond to climate disasters in the most vulnerable markets. While the L&D Fund received its first official capitalization at COP28 in 2024, its total size remains small: less than $1 billion as of April.[25]

Even compared to other elements of the public climate finance ecosystem, the L&D fund will face more acute challenges from the US's departure and underwhelming public concessional finance delivery writ large. With fiscal space likely to remain constrained across most L&D donor countries in the short and medium term, advocates are unlikely to be able to rally political support for a dramatic scaling up of L&D pledges at future COPs.

Still, adaptation finance will remain a relevant issue on the multilateral climate finance agenda, particularly after the Global Goal on Adaptation was finalized at COP28 in 2023. More work for adaptation targets will be required at COP30, including the culmination of the UAE-Belem roadmap on adaptation finance indicators.

24 LSEG, 8th Annual Sustainable Investment Asset Owner Survey (September 2024)

25 United Nations Framework Convention on Climate Change, "Pledges to the Fund for responding to Loss and Damage" (April 2025)

Conclusion

In an era of geopolitical fracture, multilateral climate cooperation faces fraught challenges. But this world of heightened competition also creates new avenues to advance the energy transition and climate finance, driven by national interests and economic objectives. Both developed and emerging markets have incentives to invest in green technology and climate adaptation to enhance their competitiveness and resilience. That trend is here to stay, despite the political headwinds facing the Paris Agreement and the COP process.

As the energy transition and climate finance take on a new shape and focus, organizations will need to combine a nuanced understanding of geopolitics with robust and diverse data insights to understand the opportunities and risks involved. This process is not taking the orderly form that was first envisaged, and strategically positioning for success requires examination of a broad range of factors—from political dynamics and policy commitments to economic incentives and market shifts.

This report highlights two key areas of momentum: green technology and adaptation finance. But as the geopolitical landscape continues to change, further opportunities are likely to emerge. The energy transition and climate finance are recalibrating, and in this shifting landscape, decision-makers should look beyond the headlines to capture long-term growth.

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This report is based on the opinions of Eurasia Group analysts and various in-country specialists. Eurasia Group is a private research and consulting firm that maintains no affiliations with governments or political parties.

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