Carmen Nuzzo Antonina Scheer November 27th, 2025

What makes national climate action investable?

*The COP30 summit in Brazil marked a key moment for countries to restate their climate commitments and announce new 2035 targets. Focussing on national climate plans, **Carmen Nuzzo** and **Antonina Scheer** discuss the value of evidence-based ASCOR research in informing investor-sovereign engagement and showing how governments can drive investment in climate action.*

COP30 in Belém refocused attention on national climate plans. Nationally Determined Contributions (NDCs), the climate plans countries submit under the Paris Agreement to tackle climate change, can sound remote and technical. However, they matter to anyone who has a pension, savings, or an interest in how public money is spent.

Combined with National Adaptation Plans (NAPs), they influence how much governments spend on clean energy, how they protect communities from climate impacts, and can affect how much it will cost them to borrow on capital markets. When they are clear and credible, NDCs may contribute to guiding capital towards a fair and orderly climate transition.

What exactly are NDCs, and why should investors care?

NDCs set out how a country plans to cut greenhouse gas emissions. Every Party to the Paris Agreement must prepare and submit an NDC to the UN climate body (UNFCCC), and set new targets every five years with a "ratcheting up" mechanism. These plans provide insights into the direction and ambition of national climate action.

These pledges not only shape environmental policy but can also influence broader public policy domains, including fiscal measures, subsidies, and public investment priorities. They have implications for citizens, whose taxes underwrite government commitments, and for investors.

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For sovereign bondholders, how a government intends to fund climate action may affect a country's fiscal sustainability path. Evidence is also emerging that failure to adapt to climate change may raise borrowing costs. For investors in corporate financial instruments, governments' industrial transition policies matter as they shape the business environment in which companies operate.

Therefore, the fine print of an NDC – especially how governments plan to fund their commitments – is just as important as the headline emissions reduction target.

How can investors evaluate NDCs?

NDC details can inform investor-sovereign engagement. Climate is beginning to feature more explicitly in conversations between investors and debt management offices, finance and environment ministries, regulators and central banks.

To bring greater consistency to this dialogue, the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project, curated by the TPI Global Climate Transition Centre (TPI Centre) at LSE, offers a transparent, comparable framework for evaluating governments' climate ambition, policy measures, and financing transparency.

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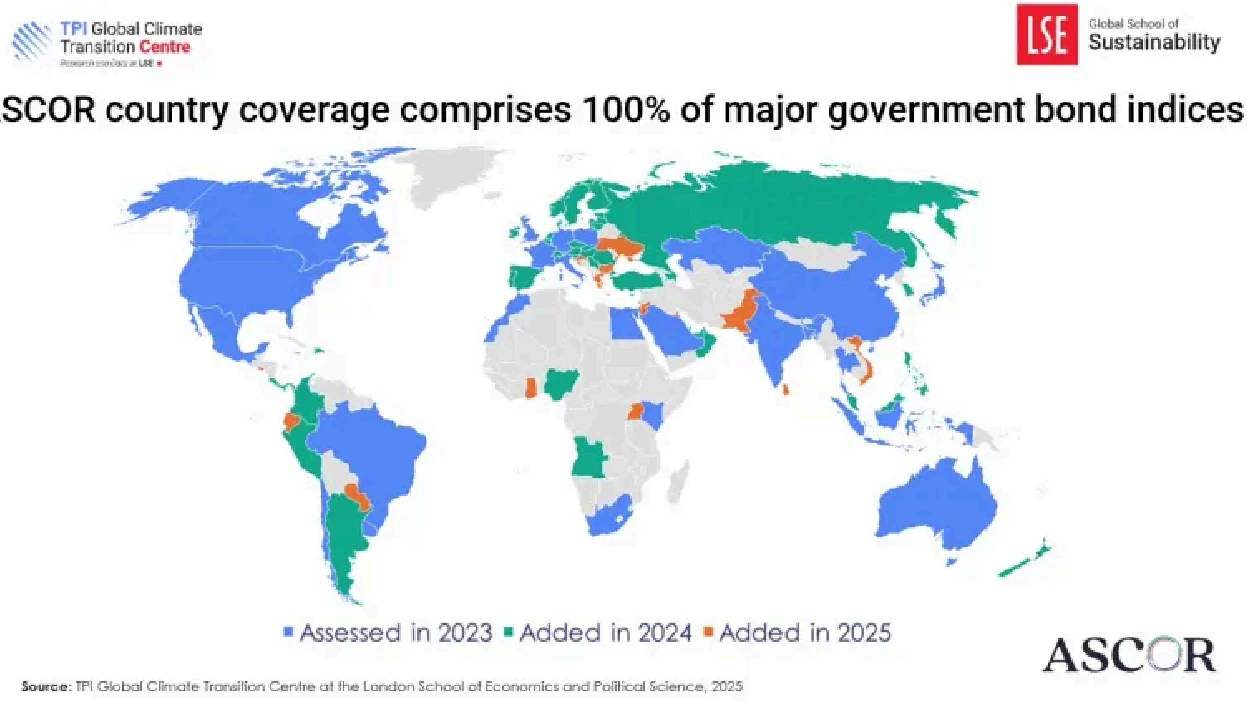
want to know when considering climate risks and opportunities

The ASCOR evidence base is now actively used by collaborative sovereign engagement initiatives, such as the one supported by the Principles for Responsible Investment (PRI) with Australia, Canada and Japan. Similarly, ING and Robeco are in the process of forming a coalition of investors to engage with governments on climate action, informed by the ASCOR framework and insights.

Because ASCOR is publicly available, it also allows governments, civil society and academics to see what investors want to know when considering climate risks and opportunities in their investment decisions.



Three ways national plans can be more "investable"

ASCOR analysis has uncovered emerging good practice on national transition planning. These findings suggest three practical priorities for governments looking to secure investment.

1. Make climate a whole-of-government issue

When NDCs are designed involving various national planning bodies and lines of ministries, beyond the environment ministry, climate goals can be embedded in budgets, regulations and industrial strategies. Climate framework laws and cross-ministerial committees can support this endeavour.

2. Translate targets into sector roadmaps

Headline targets – such as achieving net zero emissions by a certain date – become meaningful when broken down into sector pathways: for power, transport and buildings for example. Clear sector roadmaps help investors understand where policy is heading, how different technologies might fit in transition pathways, and what infrastructure is likely to be built. Guidance for governments on the development of 'sector transition plans' is emerging, for example from the UK's Net Zero Council and Transition Finance Council as well as from the French Agency for Ecological Transition, the International Transition Plan Network and the Institutional Investors Group on Climate Change (IIGCC).

3. Be transparent about costs and investment opportunities

Investors increasingly want to see not just climate ambition, but a funding strategy. For example, issuing labelled bonds, such as green or sustainability-linked bonds, can draw attention to national climate priorities. Encouragingly, the State of the Sovereign Transition 2025 report reveals that of 47 middle- and low-income countries assessed, more than half have disclosed a breakdown of the costs of their mitigation or adaptation measures.

Climate risks are now financial risks

For many governments, climate change is no longer a distant environmental issue: it is a source of credit risk.

Credit rating agencies and international financial institutions are increasingly explicit about these risks. For example, Moody's analysis, identifies many sovereigns as highly exposed to physical and transition risks and estimates an annual climate investment gap of US$2.7 trillion by 2030, with global government spending having to increase by about 1.8% of GDP annually until 2030.

Clear and credible NDCs that include realistic and transparent financing plans may help cushion near-term credit impacts of higher climate-related spending and early investment. They could also serve to reassure investors that governments understand the risks and have a strategy to manage them.

COP30: from technical documents to real-world transition

By early November 2025, over 100 countries had submitted NDCs with explicit 2035 targets, covering around 70% of global greenhouse-gas emissions (measured against 2019 levels). Most arrived well past this year's deadline, but the late surge shows that many governments did respond.

For those that have submitted, the real test now lies in the substance of their plans rather than the headlines. The fact that around half of Parties of the Paris Agreement still have not submitted a 2035 target is worrying for a global problem that can only be tackled collectively. Equally disappointing is that COP30's negotiated Belém package failed to launch the development of a roadmap away from fossil fuels, even if a 'coalition of the willing' is charging ahead led by Colombia and the Netherlands.

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For now, investors are left with a patchy picture, having to assess not only the costs and benefits of climate action, but also the risks of inaction and a potentially more abrupt, disorderly transition. For citizens, the stakes are even higher: NDCs help shape decisions about energy, transport and housing – and with them the quality of infrastructure, livelihoods, the resilience of communities, and the fairness of the transition.

International gatherings such as COP30 play an important signalling role, but declarations matter only insofar as they are followed by concrete policies, credible budgets and transparent reporting. Whether NDCs attract capital at scale and support an orderly, fair transition will depend both on governments turning commitments into investable plans and on investors being willing to reward credible climate action.

Readers can find more information on the ASCOR project and the Transition Pathway Initiative at www.transitionpathwayintiative.org. Enjoyed this post? Then sign up to our mailing list and get all our new posts straight to your inbox 📨

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