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Investment Briefing

COP31 ends without a headline agreement, but momentum continues through voluntary climate initiatives

The 31st UN Climate Change Conference of Parties (COP31) closed in Antalya, Türkiye, on Sunday 22 November, two days later than planned, and without a final agreement.

In this briefing, Alex Quant discusses key outcomes, what they mean for investors and the actions investors should consider.

COP is the annual UN summit at which the parties to the 2015 Paris Agreement review progress and negotiate next steps on climate change.

Delegations from nearly 200 countries attended but expectations going into the conference were modest. In advance of the conference, Climate Action Tracker published their latest update, finding that collective climate action has stalled for a fifth consecutive year, with current policies pointing to warming of around 2.7°C by 2100, slightly higher than its estimate last year. It expects long-term warming to pass 1.5°C around 2030. The UN's review of the latest national plans (Nationally Determined Contributions) suggests global emissions will be only around 6% below 2019 levels by 2035, or 9% if all pledges are delivered, well short of the reduction scientists consider necessary to limit warming to 1.5°C.

Key outcomes and commitments

- The final draft of the agreement made no explicit commitment to transitioning away from fossil fuels and was opposed by the EU and a group of European, Latin American, African, and Pacific countries.
- There were some positives as a number of voluntary initiatives were launched, including targets to increase electricity to 35% of final energy consumption - a key step in reducing demand for fossil fuels.
- Brazil launched a voluntary Roadmap to support countries with their transition away from fossil fuels.
- The US did not send an official delegation for the second year running, but a large number of American politicians did attend to speak about how progress can be made without strong support from the Government.

The lack of a final agreement at COP31 is disappointing but highlights the need for climate action at a local as well as international level.

While multilateral agreements play a valuable role in setting direction and building consensus, progress is increasingly being supported by national policies, regional initiatives and voluntary coalitions of governments, investors and businesses.



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Summary of key outcomes and commitments from COP31

1. Failure to adopt the Antalya Pact

- Early drafts called for accelerated action on the transition away from fossil fuels, alongside the phase out of fossil fuel subsidies. However, this wording was removed following objections from some oil producing countries such as Saudi Arabia and Russia.
- The EU, Panama, and the Marshall Islands, among others, said they could not support an agreement on that basis, while other parties raised concerns that the text placed too much reliance on carbon capture and storage technologies.
- Three years on from the COP28 commitment to transition away from fossil fuels there is still no agreed international framework for implementing it.

2. No agreement on how adaptation finance commitment should be delivered in practice

- Last year at COP30, countries agreed to at least triple adaptation finance by 2035, but did not specify the baseline from which this should be measured or how progress would be assessed. Developing countries have argued for greater clarity, given the growing costs of adapting to climate change.
- A proposal for a dedicated agenda item on adaptation finance was rejected at the start of COP31, and discussions on setting a quantitative target failed to reach consensus. As a result, there is still no agreement on how the adaptation finance target should delivered in practice.

3. Electrification initiatives launched outside the formal negotiations

- Outside the formal negotiations, the COP31 presidency launched several voluntary initiatives aimed at accelerating electrification, including '35 by 35', a target for electricity to account for 35% of final energy consumption by 2035, plus a 25% reduction in the energy intensity of buildings. More than 70 countries backed the electrification target. The initiatives signal ongoing momentum behind electrification as a key pathway for reducing emissions and improving energy efficiency.

4. Brazil's fossil fuel Roadmap presented outside the negotiations

- At COP30, Brazil committed to developing a Roadmap for transitioning away from fossil fuels outside the formal UN negotiating process. This led to the creation of the 'International Conference on Transitioning Away from Fossil Fuels', which met for the first time in April 2026, convening 57 countries.
- The Roadmap was presented at COP31 and encourages countries to assess their own dependence on fossil fuels and capacity to transition, and provides a set of actions through 2033 to enable governments to accelerate implementation according to their country needs.

5. Other non-binding initiatives were agreed outside formal negotiations

- More than $480 million of new philanthropic funding was announced to support reductions in methane and other short lived climate pollutants, alongside new international partnerships such as the UK-Nigeria methane initiative, focused on monitoring, leak detection and reducing gas flaring. As well as $85million for the Tropical Forest Forever Facility, a new wildfire initiative, and $30million for coral reef conservation.

6. Limited progress on Loss and Damage

- The Loss and Damage Fund (agreed at COP27) received 176 funding requests from 119 developing countries, totaling around $2.8 billion. Only $342 million has been allocated.

Looking ahead to COP32

Ethiopia will host COP32 in Addis Ababa in 2027. With key questions remaining on shifting away from fossil fuels, adaptation finance, support for developing countries and the just transition left unresolved at COP31, climate finance is likely to remain a major focus of next year's negotiations.

Many commentators are calling for a review of the COP process, including doing away with a cover text, and shifting the focus towards supporting action on commitments already made, rather than trying to reach international agreement on new pledges.

Implications for investment markets

- **Physical risks to increase:** Global warming well above 1.5°C now appears to be the central case. Physical risks are expected to increase, with long-dated and real assets most exposed. Investors should consider whether these risks are being factored in by their managers.
- **Transition set to be more disruptive:** With the UN process stalling, more climate policy is being set at local level, increasingly driven by energy security arguments as well as environmental arguments. In our view, this makes the transition harder to predict, and differences in regulation between regions may widen in terms of stringency and timing.
- **Opportunities:** The clean energy economy continues at pace, and the gap in adaptation finance remains large. There may be potential opportunities in resilient infrastructure and adaptation solutions, so that integrating such solutions into portfolios could offer significant value.

Actions for investors

1. Assess your managers to understand how physical risk is assessed and managed.
2. Consider whether stewardship priorities remain aligned with evolving climate challenges. As policy progress becomes more fragmented, effective stewardship will be increasingly important in encouraging companies to enhance resilience planning through credible transition plans.
3. Consider whether there is scope for sustainable or impact allocations focused on adaptation and resilience, using XPS's sustainable and impact fund designations.
4. Keep climate risk on the trustee agenda, and arrange training to ensure you are aware of latest trends in climate policy and investment best practice.

Find out more

For further information, please get in touch with Alex Quant or speak to your usual XPS Group contact.



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