ESG Update

COP31 review: Stalled on key issues

A record-long summit highlights the growing challenge of climate consensus

COP31 concluded yesterday as the longest UN climate summit on record, ending without agreement on an overarching political deal (the Antalya Pact) and exposing divisions over fossil fuels, climate finance and transition pathways. Despite difficulties in achieving broader political consensus reflected a fragmented landscape, negotiators secured progress on issues as adaptation, electrification and just transition. In our view, this shifts investor attention toward infrastructure deployment and adaptation trends, rather than breakthroughs through multilateral negotiations.

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Behind the scenes. COP31 reflected a more fragmented global environment, shaped by geopolitical tensions, fiscal and energy-security pressures, climate-finance disputes, and a shift from target-setting toward the more complex task of implementation. Together, these dynamics highlight how climate action is becoming harder to coordinate at the multilateral level.

What fell short. COP31 delivered limited progress on:

(i) Fossil fuels remain the key fault line. Negotiators failed to build on fossil-fuel phase-out language first agreed at COP28, with the outcome omitting explicit references to oil, gas and coal. The outcome exposed persistent disagreements over the responsibilities and pace of the transition. For investors, the outcome points to a longer and more uneven transition, reinforcing the importance of capital discipline, technology and regulatory visibility in transition investments;

(ii) Climate finance remains a structural challenge. While negotiators advanced specific initiatives on climate finance and adaptation funding, differences over financing commitments, funding scale and burden-sharing remained largely unresolved. The discussions reinforced the importance of financing availability for accelerating climate action, particularly through blended-finance structures, development banks and private-capital mobilization, especially in EMs; and

(iii) Limited progress on a post-1.5°C framework. COP31 took place amid growing recognition that global warming is likely to exceed the 1.5°C threshold, yet negotiators made little progress in defining how climate governance should evolve in that scenario. As a result, questions around priorities, adaptation needs and future policy frameworks remain unresolved ahead of COP32.

Areas of progress. COP31 achieved advances in implementation-related areas, including:

(i) Adaptation continues moving up the agenda. Adaptation continued to move higher on the policy agenda as countries face the growing economic costs of climate-related events. Discussions reinforced the need for greater resilience investments and adaptation financing, supporting opportunities across infrastructure, utilities, water and climate-resilient assets; and

(ii) Electrification and infrastructure emerge as common ground. Expanding power systems and enabling infrastructure[1] gained traction as areas of common interest, reflecting the link between energy security, economic development and decarbonization. Voluntary commitments to increase electrification reflected investment needs associated with modernizing power systems.

Our view in a nutshell. COP31 ended without an overarching political agreement, highlighting the growing difficulty of achieving multilateral consensus amid geopolitical fragmentation, fiscal pressures and competing economic priorities. However, the summit was not without progress, with advances in specific areas such as adaptation, climate finance and just transition. For investors, the key takeaway is that opportunities are increasingly likely to emerge from implementation and capital deployment rather than new international commitments.

See next page for further details on COP31 highlights and investor implications

Source: XP Research. [1]storage, transmission and grid modernization.

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Key figures

Figure 1: COP31 scorecard with areas of progress, setbacks and investment implications

Topic	Progress vs. previous COPs	Main takeaways for investors
Fossil fuels phase out	(-)	Rather than signaling a reversal of the energy transition, the outcome points to a longer and more uneven transition pathway, where energy security, affordability and reliability increasingly shape policy and investment decisions. For investors, this broadens the opportunity set beyond pure-play decarbonization themes, reinforcing the importance of assessing technology competitiveness, capital discipline and regulatory visibility across both transition-enabling and conventional energy assets.
Climate finance	(-)	Persistent financing gaps remain a key constraint on decarbonization efforts, particularly in emerging markets. For investors, this reinforces the growing importance of blended-finance structures, development banks and private capital in mobilizing investment at scale.
Post-1.5°C governance	(-)	The lack of a framework for a post-1.5°C world increases policy uncertainty around future transition pathways and capital allocation priorities. For investors, this reinforces the importance of scenario-based analysis and policy monitoring across a wider range of transition outcomes.
Climate adaptation	(+)	Climate adaptation is moving higher on the global climate agenda as physical climate risks become more visible and economically relevant. For investors, this reinforces the importance of assessing companies' exposure to physical risks, adaptation strategies and ability to benefit from rising demand for resilience-related products and services.
Electrification and enabling infrastructure	(+)	Electrification and power infrastructure remain among the clearest investment enablers of the energy transition, benefiting from relatively broad support across regions and technologies. The continued focus on grid modernization, transmission expansion, energy storage and system flexibility reinforces long-term investment opportunities as power systems adapt to rising electricity demand, renewable integration and energy-security needs.

Figure 2: COP31 in key numbers

Headline numbers	Label	Why it matters
198	**Governments represented**	Near-universal participation reinforces COP's role as the central forum for international climate cooperation despite increasingly complex negotiations.
1 of 7	**Attendance of G7 leadership considering head of government**	Limited engagement from major developed economies highlighted weaker political momentum and a more fragmented climate agenda.
~40%	**Share of global emissions represented by leaders' present**	Many of the world's largest emitters did not send their top political leaders, underscoring challenges in securing high-level alignment on climate priorities.
49 hours of overtime	**Duration of negotiations**	Extended negotiations illustrate the increasing difficulty of reaching consensus on climate policy among countries with diverging economic and energy priorities.
1.5°C	**Temperature threshold increasingly at risk**	Discussions increasingly reflected the likelihood of exceeding 1.5°C, while countries failed to establish a common framework for a post-1.5°C world.

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