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The Acceleration Agenda

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The Road to Resilience

Review Draft

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The Milken Institute is a nonprofit, nonpartisan think tank focused on accelerating measurable progress on the path to a meaningful life. With a focus on financial, physical, mental, and environmental health, we bring together the best ideas and innovative resourcing to develop blueprints for tackling some of our most critical global issues through the lens of what's pressing now and what's coming next.

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Milken Institute Finance tackles challenges across the financial system through thought leadership, research, and insights to influence private-sector practices and public-sector policies to improve fair access, efficiency, and reliability of markets and institutions.

About the Geo-Economics Initiative

The global economy is entering a new, more volatile era shaped by a series of compounding dilemmas: intensifying geopolitical competition, an escalating climate crisis, and the development of groundbreaking technologies. The interlocking nature of these transformations makes contemporary problems harder to resolve and future crises more difficult to predict. Navigating the future of the global economy requires new ideas, institutions, and partnerships to both meet the moment and shape new opportunities.

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Introduction: From Roadmap to Agenda

The conversation about climate and sustainability has shifted significantly in the last few years, from what investors and businesses need to do to achieve 2050 science-based targets and stay under 1.5°C to how leaders must rapidly adapt to a hotter and riskier world in an era of AI, fiscal stress, and other resilience challenges.

Since the 28th UN Climate Change Conference (COP28), the Milken Institute has convened regionally diverse asset owners, investors, and sector experts to understand what it will take to accelerate the deployment of private capital to fund net-positive climate outcomes and advance the missing implementation mechanisms and resilience-based narrative able to drive this strategic shift.

This work began as an "investor roadmap." We renamed it the *Acceleration Agenda* because a roadmap describes a destination, while an agenda commits people to act. The investors we spoke to do not need more targets. They need execution and deployment strategies that are not tied to the annual COP cadence.

We began building the arguments for the *Acceleration Agenda* with three key papers: *Strategic Recalibration of Climate Finance* set out how much public and private capital is needed and where it should go.[1] *Investing in Energy* argued that energy security, strategic autonomy, and economic resilience now underpin the investment case for the energy transition.[2] And *Nature as Strategic Infrastructure* made the commercial case for treating natural systems as productive assets.[3] The *Acceleration Agenda* turns from why and how much to how: how capital can actually be moved, by whom, and in what order.

We start with the idea that private capital cannot wait for multilateral negotiations to resolve. The investment case has to stand on its own economics. Our conclusion is that it can, but only if each pool of capital plays the role it is best suited to, and if the people who manage that capital learn to work together.

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Why Now: The Investment Case Has Changed

For three decades, the case for low-carbon investment rested on the scientific and moral necessity of decarbonization. That case has not weakened. But in today's geopolitical landscape, asset owners are managing a new suite of risks to their bottom lines, rather than starting from a position of climate advocacy. The investment case now rests on more immediate imperatives that meet investors and policymakers where they are.

A More Uncertain World

The effective closure of the Strait of Hormuz for much of 2026 has turned energy security from an abstract risk into a real one. Tanker traffic through the strait collapsed by more than 90 percent, cutting off liquefied natural gas and oil supplies and disrupting fertilizer exports on which global food production depends.[4] Prices of urea, a key nitrogen fertilizer, roughly doubled within weeks.[5] For importing economies from Europe to South and East Asia, the lesson is that dependence on seaborne fossil fuels is now a strategic vulnerability.

At the same time, governments in advanced economies are absorbing competing fiscal shocks. As a result of the war started by Russia's full-scale invasion of Ukraine in February 2022, NATO members have committed to spending 5 percent of GDP on defense and security by 2035, including up to 1.5 percent on critical infrastructure and civil preparedness.[6] Many European governments are paying for this by reducing their aid budgets. Official development assistance fell by 8.5 percent in 2024 and, on preliminary data, by 23.3 percent in 2025, the largest drop on record, with a further 6.9 percent decline projected for 2026.[7]

Many capitals have responded by protecting consumers from spiking energy prices through increased fuel subsidies or reduced taxes on gasoline and domestic energy. That is politically understandable, but it locks in the dependency that made economies vulnerable in the first place. Investing in domestic generation, grids, and storage is the more durable response and the path to decarbonization, but it is also the least politically advantageous, since upgrading these assets does not provide immediate relief to consumers suffering a cost-of-living crisis. Nevertheless, the political, financial, and climate cases now point in the same direction.

The AI Power Surge

The world economy is also experiencing the early stages of a major and, likely, sustained electricity demand shock. The International Energy Agency (IEA) projects that data center electricity consumption will more than double to around 945 terawatt-hours by 2030, slightly more than Japan's total electricity consumption today, with AI the most important driver. In the US, data centers are on track to consume more electricity by 2030 than all energy-intensive manufacturing combined.[8] Goldman Sachs expects global power demand from data centers to grow by 220 percent between 2023 and 2030.[9]

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In developed economies where electricity demand had been flat for decades, this is a major disruption. The IEA warns that around 20 percent of planned data center projects could face delays because transmission infrastructure, transformer supply chains, and grid connection queues cannot keep pace, and waiting times for critical grid components have doubled in three years.[10] Abundant, affordable, reliable electricity has become a determinant of competitiveness, and grids have become the binding constraint on growth in developed and emerging markets alike.

Beyond the first-order effects of surging power demand, investors, business leaders, and policymakers must also consider the impact on communities. In the first half of 2026, local opposition blocked or delayed around 120 US data center projects worth roughly $200 billion, as communities pushed back over higher power bills, water use, and land.[11] For developers and their investors, a social license to operate is no longer a formality. To get over the line, projects need to share the benefits of new generation and grid capacity with the communities that host them. In emerging markets, the same question looks different: how to bring hard-to-reach communities that depend on natural ecosystems and commodities, and often on diesel generators for power, into the wider economy as suppliers and customers.

Physical Risk Is Now Portfolio Risk

Investors are coalescing around one word: resilience. Natural catastrophes now cost the global economy about $450 billion each year.[12] Physical risk sits within portfolio risk management, and asset owners recognize that backward-looking data no longer tell them what they will face in the future. Scenarios, qualitative information, and new AI-enabled tools need to replace both historical models and the catastrophist narratives that too often dominate the discourse.

Increasingly, investors see insurance as a risk-transfer mechanism. However, insurance is inherently short-term, as premiums reset every year. When they rise, operating costs rise, and EBITDA falls, eroding asset values. When an asset becomes uninsurable, it becomes unbankable.

Making assets more resilient may add short-term cost, but it preserves insurability, cash flow, and ultimately the asset's investability at exit. Resilience is value preservation.

The Return of Industrial Strategy

Finally, industrial strategy is now the rule, not the exception. From the US Inflation Reduction Act and CHIPS Act to the EU's Clean Industrial Deal, Japan's green transformation (GX) bonds, India's production-linked incentives, Gulf economic diversification, and, above all, China's decades-long investment in clean-energy manufacturing, governments are actively shaping where capital goes. But we are no longer in the 1970s. This new industrial policy is not about picking winners, but about supporting strategic sectors and designing support so private capital can follow and eventually take over.[13]

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Natural systems belong in this conversation too. Food security in an era of chokepoint risk, water for semiconductor fabrication, urban heat, coastal protection, and even territorial defense all have a nature-based component that is often cheaper and more adaptable than the engineered alternative.[14] Together, these forces have created the broadest coalition the transition has ever had, provided we get the messaging right.[15]

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The Problem: Capital Is Misplaced, Not Scarce

Global climate finance reached around $2 trillion in 2025, while mitigation finance alone needs an average of $7.8 trillion a year from 2025 to 2030.[16] It is tempting to read that gap as a shortage of capital. But it isn't. Global asset owners hold well over $100 trillion, but investment mandates, expertise and capacity, risk tolerance, liquidity requirements, regulation, currency exposure, and the supply of investable projects constrain them. The key to unlocking this capital is ensuring each pool of capital sits in the right layer or stage of the structure.

The problem starts with public finance. Across the board, both domestically and internationally, public-sector expenditures crowd in far too little private capital. Notwithstanding their mandates, multilateral development banks (MDBs) mobilized just 38 cents of private finance for every dollar of climate finance in 2023, and bilateral lenders about 20 cents. Although the reasons for this lack of leverage are overdetermined, it is clear that too often these institutions allocate their funding to projects, businesses, and activities that commercial return-seeking investors could bankroll on their own, functionally crowding out rather than crowding in the private sector.[17]

Governments spent around $725 billion on explicit fossil-fuel subsidies in 2024.[18] They also continue to support mature renewable technologies, such as utility-scale solar and onshore wind, that are now the cheapest source of new power in most markets. G20 governments alone provided an estimated $169 billion in public financial support for renewable energy in 2024.[19] None of this is a particularly high-leverage use of scarce public resources.

Development finance has the same problem. MDBs committed a record $137 billion in climate finance in 2024. But in high-income economies, $51.5 billion of MDB climate finance mobilized $101 billion of private capital, about $2 for every dollar. In low- and middle-income economies, $85 billion mobilized only $33 billion, about 40 cents.[20] Where risk is highest and private capital is most needed, MDBs largely lend on their own accounts and protect their credit ratings rather than share risk.

Private capital, for its part, waits for shovel-ready projects. Predevelopment—feasibility studies, permitting, engineering, and legal structuring—accounts for only 5–10 percent of a project's cost but carries the vast majority of its execution risk, and it is the least-funded stage of the entire system.[21] The same is true of the "missing middle" funding for developing new technologies: the journey from pilot to first commercial plant, where venture capital stops and infrastructure investors have not yet arrived. Because there is no green premium—buyers will not pay more simply because something is low-carbon—new technologies must compete on cost, and they need finance to reach the scale at which they can.

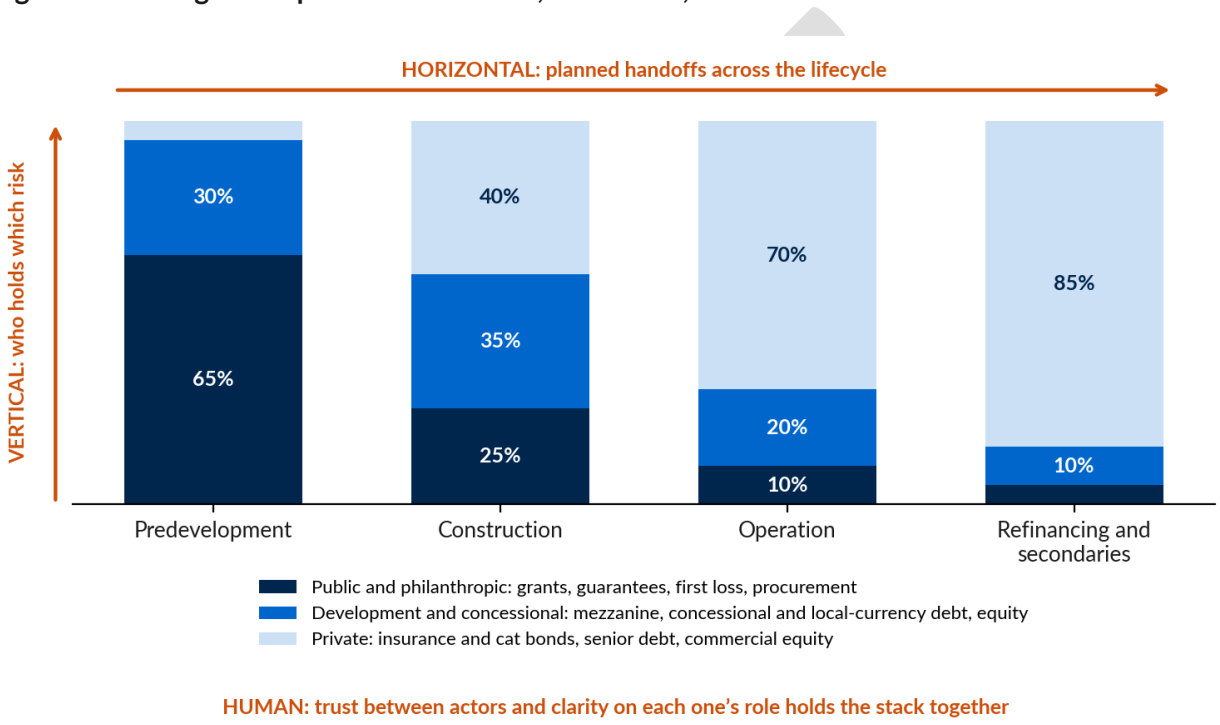
The result is a system that chases the same mature, bankable assets while the stages that create new pipeline sit empty.

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Building the Capital Stack: Vertical, Horizontal, and Human

If placement is the problem, the capital stack is the solution. A capital stack combines different instruments, return profiles, and ticket sizes in a single structure. Building it well is essential, and it has three dimensions (see Figure 1).

Figure 1. Building the Capital Stack: Vertical, Horizontal, and Human



Note: Shares are illustrative.

Source: Milken Institute (2026)

The Vertical Stack: Who Holds Which Risk

The first task is to right-size risk, return, and ticket size for each investor at any one moment. That requires dropping the language of "de-risking" in favor of "risk-sharing." There will always be risk in an investment. The question is who in the stack is best placed to take which risk, for how long, and at what point in the project's life.

At the base of the stack sit guarantees and first-loss capital from governments, MDBs, and philanthropies. Above them sits a risk layer of insurance and catastrophe bonds, which can also add an income stream and value to the underlying asset. Concessional and mezzanine debt sit in the middle, from development finance institutions (DFIs), national development banks, and family offices

prepared to trade some return for impact, with senior debt and commercial equity at the top, bought by commercial institutional investors and asset owners.

Catastrophe bonds deserve particular attention. The Swiss Re Global Cat Bond Index returned 17.3 percent in 2024, its second-best year on record, and has now exceeded 10 percent for three consecutive years.[22] Because these returns are uncorrelated with other asset classes, cat bonds offer diversification at a time when many portfolios are heavily exposed to AI, and a deeper market produces better data on physical risk.

The Horizontal Stack: Handoffs Across the Life Cycle

Climate investment is not "one and done." Projects move through predevelopment, construction, operation, refinancing, and secondary sales, and investors with different risk and return appetites will enter and exit at different points. Therefore, promoters need to plan from the outset how the blend of capital sources will change as the project matures: who takes the development risk, who takes construction risk, who buys the operating asset, and who refinances it. A stack designed only for financial close will stall at the first handoff.

The challenge is to maintain long-term investment in the stack, rather than making the structure inherently more liquid and short-term, especially in an environment where risk is heightened and investors are flocking to the safety of more liquid assets. Partners in the capital formation process need to stay the course for years but exit when another player is better positioned to take on the project's current risks.

The Human Stack: Trust and Roles

Capital moves at the speed of trust. In new markets and sectors, much of what investors call risk is unfamiliarity: with the counterparty, how it makes decisions, and how it will behave when things go wrong. Building trust lowers perceived risk, and in many emerging markets, that barrier is bigger than actual risk.

That means every actor needs to understand what the others are for. Sovereign wealth funds and philanthropies, for example, rarely work together and often misunderstand each other's roles, even though they could sit in the same stack. The same gap exists between insurers and nature developers, DFIs and pension funds, Gulf sovereign funds and African national development banks, and climate-tech founders and infrastructure investors.

In practice, the roles are distinct. Insurers play a role as risk takers as well as lenders and add most value when they are brought in at the design stage. Corporates make stacks bankable through offtake and ecosystem-service contracts. And host communities, which can grant or withhold consent, have a stake in every stack; treating them as partners rather than an obstacle protects the asset's long-term value.

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None of this requires new instruments. Asset owners do not want innovation for its own sake. Their boards and investment committees want vanilla assets they can explain to stakeholders. The task is to use what we have more intelligently, and to talk about capital stacks and partnerships rather than "blended finance," a term that now carries too much baggage.

Data as Trust Infrastructure

Trust is also horizontal. Each investor must rely on the work done before it arrived: predevelopment studies, data, and governance. Shared data, standardized documentation, and transparent deal information are, therefore, trust infrastructure. They lower due diligence costs, enable secondary markets, and let investors compare projects across borders.

The Milken Institute's Community Infrastructure Center offers one working model for building a trusted intermediary deal platform that can function across changes in policy and governments. Launched in 2022, it connects US communities that have infrastructure projects with funders and technical experts, focusing on the early-stage costs—feasibility studies, engineering, and permitting—that most often stall projects in underserved places.[23] The same approach of matching pipeline with capital and capacity through a trusted platform could be adapted for emerging markets, where country platforms and aggregation vehicles serve a similar function.

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Three Pools of Capital, Three Roles

The efficient use of public money matters as much as where development and concessional capital goes, and where private capital needs to flow. Each pool has a distinct job in the stack.

Public and Philanthropic Capital: The Base of the Stack and the Missing Middle

The starting principle, consistent with the Bridgetown Initiative, is that governments should not subsidize mature technologies, whether fossil fuels or utility-scale solar and wind.[24] Public money should go where markets will not yet go. In developed markets, that increasingly means the missing middle of climate technology: the leap from pilot to first commercial plant, which typically requires $50 million–$500 million per project. Public and philanthropic capital is well suited to this stage, provided the instrument matches the risk. Grants and equity coinvestment suit the earliest stages, guarantees and concessional debt suit first-of-a-kind plants, and public procurement and advance market commitments can create the demand that makes the whole stack bankable.

Guarantees also win on fiscal arithmetic. A grant or subsidy costs the budget its full value. A guarantee is a contingent liability, and governments need to set aside only a fraction of its value—as little as 5–10 percent under some frameworks, and well under half even in conservatively provisioned programs such as the EU's European Fund for Strategic Investments, which provisioned 35 percent.[25] Using developed economies' credit ratings rather than their constrained cash is the core of the Bridgetown guarantor model.[26]

As governments increasingly pursue industrial strategy, the task is to do it well: pick sectors and missions, not companies; preserve competition within priority sectors; coinvest with private investors so the market tests each project; and build in conditions and sunset clauses so support ends when a technology matures. Not every large project is a poor use of public money. Grids and transmission still need public planning and often public capital, and adaptation public goods such as flood defenses and early-warning systems have no revenue model at all. The test is impact, rather than project size.

Redirecting subsidies is politically hard, especially during an energy-price shock. But the case can also be made on affordability and efficiency.

Untargeted fuel subsidies are a poor way to protect the vulnerable: for every dollar spent, the poorest 20 percent of households receive just 8 cents.[27] Replacing them with targeted support and redirecting the savings into domestic generation, grids, and storage protects households now and reduces exposure to the next shock. This is not an argument for cutting support, but for redirecting it to where it does the most good. And yes, it is easier said than done.

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Development and Concessional Capital: The Risk-Taking Middle

MDBs and DFIs need to take more risk and do less direct lending, shifting toward guarantees, first-loss positions, and equity, as the Bridgetown Initiative proposes. National development banks have a particular advantage: they lend in local currency and so avoid the foreign exchange (FX) risk that kills many projects, although they need to work both sides of the balance sheet and be willing to take equity.

The center of gravity in development finance is also shifting. South–South flows have moved from the periphery to the core. China is the most important single actor in the Global South energy transition, both as the dominant supplier of solar panels, batteries, and grid equipment and as a financier. Chinese engagement in wind, solar, and waste-to-energy projects under the Belt and Road Initiative reached a record $18.3 billion in 2025, and the Beijing-headquartered Asian Infrastructure Investment Bank now directs more than two-thirds of its regular financing to climate.[28]

For many emerging markets, Chinese technology is the cheapest route to energy security. For others, particularly in developed markets, dependence on Chinese supply chains is itself a strategic concern. Investors will need to navigate both realities, and stacks that combine Chinese equipment, local capital, and Western or Gulf investors will increasingly be the norm in emerging markets.

Gulf and Asian sovereign wealth funds and strategic investors—among them Singapore's Temasek, Abu Dhabi's Mubadala, Saudi Arabia's Public Investment Fund, and Indonesia's Danantara—can anchor national platforms and give other investors the confidence to enter. Because they do not face the short-term exit pressures of private equity or the rating constraints of MDBs, they are natural cornerstone investors in the middle of the stack, provided they have a pipeline, governance standards, and clarity on what philanthropy and DFIs bring.[29]

Private Capital: The Commercial Layers

Private investors should enter at the stage that matches their mandate. They need to plan exits and refinancing from the start and stick to instruments their boards understand.

In emerging markets, the single biggest obstacle is the cost of capital. The IEA estimates that the cost of capital for utility-scale solar in emerging and developing economies outside China is more than twice that in advanced economies, and narrowing the gap by just 1 percentage point would reduce financing costs for clean energy by around $150 billion a year.[30] Much of the premium reflects currency risk and perceived country risk rather than project fundamentals, which is why FX facilities, local-currency lending, and trusted local partners matter so much.

That makes mobilizing local capital essential. African pension funds alone manage an estimated $700 billion, yet less than 3 percent is allocated to infrastructure, and most of the rest sits in government bonds.[31] Domestic asset owners earn and pay out in local currency, so they do not face the FX risk that deters international capital, and their participation signals to foreign investors that a market is investable.

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The barrier is often not regulation but confidence: trustees and board members are understandably cautious about assets they have never held. Emerging-market pension fund trustees and board members need help understanding both the benefits and the risks of deploying capital into modern infrastructure and climate solutions. Technical assistance and peer learning that build that capability are trust-building in practice, and they may be the highest-return investment in this entire agenda.

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Where the Money Should Go: Three Frontiers

Three areas stand out where the security and resilience case already creates investable opportunity and where a public dollar placed well in the stack goes furthest. New corridors of capital—friend-shoring, green energy corridors, and transcontinental supply routes—run across all three as a geographic lens rather than forming a separate category.

Grids, Storage, and the Middle of the Electric Stack

Grids are now the binding constraint on electrification and AI-driven growth. Investment is needed not only in transmission and distribution but in the less glamorous components—transformers, interconnectors, power electronics, and grid technology—that sit between raw materials and finished infrastructure, and where industrial strategy is increasingly concentrated.[32] Distributed grids and storage, from utility-scale batteries to vehicles and homes, add security of supply. Long-duration storage technologies beyond lithium-ion, such as zinc and iron-air, deserve investment with an eye on both economic competitiveness and critical-mineral supply chains. Here, public money works best through guarantees, support for regulated assets, procurement of grid components, and, in emerging markets, FX facilities.

Resilience and Nature as Infrastructure

Physical risk now drives insurability, and nature-based infrastructure can be up to 50 percent cheaper than the gray infrastructure it complements or replaces.[33] The key is to stack revenues from real offtakers—water utilities, insurers, ports, food companies, and governments that capture avoided costs—rather than relying on carbon credits alone, which no serious investor regards as a credible sole revenue stream. Insurers need to be brought in at the design stage so they can measure and monitor how natural infrastructure reduces risk and build the actuarial record the sector still lacks.[34] Public money fits best as first-loss capital, alongside catastrophe bonds, parametric cover, and ecosystem-service offtake contracts.

Predevelopment, the Missing Middle, and Aggregation

This is where the system offers the highest leverage, and where ticket sizes are too small for asset owners. Public money belongs in predevelopment facilities, in scale-up capital for first-of-a-kind technologies (mainly in developed markets), and in aggregation vehicles and country platforms that bundle smaller projects to institutional scale (mainly in emerging markets).

A fourth, smaller allocation should be reserved for public-goods adaptation, such as flood defenses and early-warning systems. It mobilizes little private capital, but adaptation investments can return $10 or more in benefits for every dollar spent, and developing countries' adaptation needs could exceed $310 billion a year by 2035.[35] Keeping this allocation visible protects the most vulnerable,

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especially small island developing states (SIDS) and the Vulnerable Twenty (V20), from having public money drift toward reducing the risk for private capital in high-growth markets.

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What Better-Placed Public Money Could Unlock

In *Strategic Recalibration of Climate Finance*, we deliberately assumed no change in public support for mature technologies.[36] Here we relax that assumption and ask a simple question: if governments redirected a modest share of that support into the three frontiers and placed it well in the capital stack, how much private investment would follow? These are five-year estimates built on observed multipliers. They are far less heroic than 30-year estimates of what the climate requires.

We model reallocations of $100 billion, $300 billion, and $500 billion, cumulative over five years, or $20 billion–$100 billion a year. The resource pool is public support for mature energy technologies: about $725 billion a year of explicit fossil-fuel subsidies plus roughly $169 billion of G20 support for renewables.[37] The three scenarios thus equal about 2, 7, and 11 percent of that pool. We split the money 35 percent to developed markets and 65 percent to emerging markets, broadly where most explicit fossil-fuel subsidies sit. Across frontiers, 35 percent goes to grids and storage, 25 percent to resilience and nature, 25 percent to predevelopment and the missing middle, and 15 percent to public-goods adaptation.

Each frontier carries a range of multipliers—private capital mobilized per public dollar—drawn from the observed performance of guarantee, blended-finance, and project-preparation programs, compared with 0.38x under business as usual (see Table 1).

Table 1. Five-Year Private Capital Mobilized by Reallocation Scenario ($ billions)

Public money reallocated	Business as usual (0.38x)	Low	Mid	High	Blended multiplier
$100B	38	390	730	1,070	3.9x–10.7x
$300B	114	1,170	2,190	3,210	3.9x–10.7x
$500B	190	1,950	3,650	5,350	3.9x–10.7x

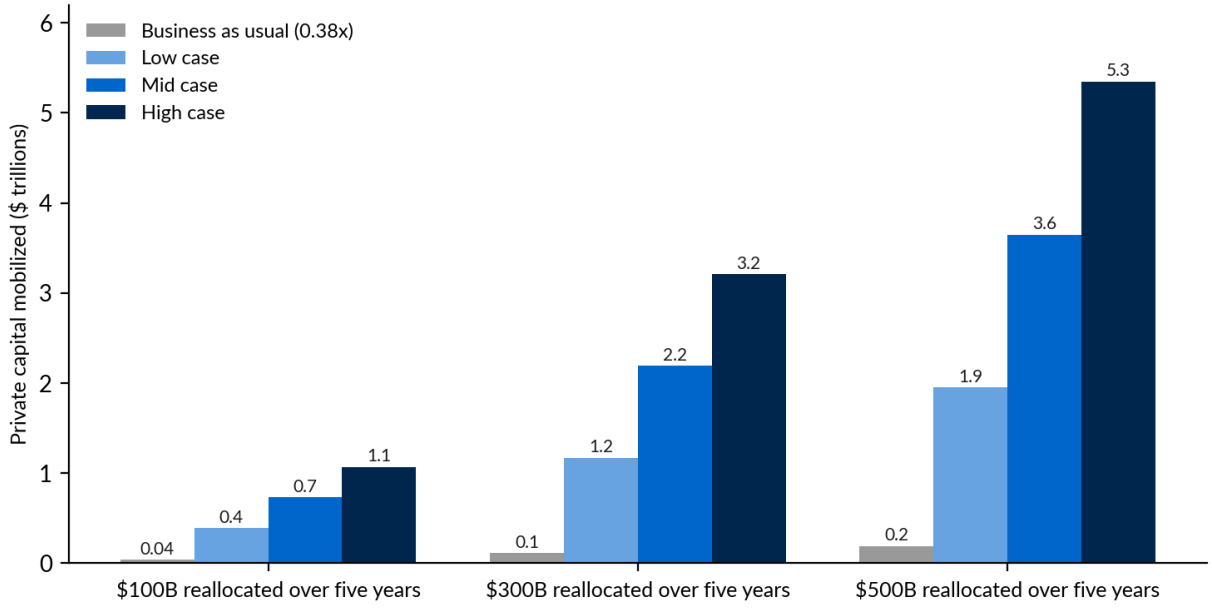
Note: Private capital only; add the public amount for total investment.

Source: Milken Institute (2026)

Reallocating $300 billion over five years, about 7 percent of support for mature technologies, and placing it well in the stack would mobilize $1.2 trillion–$3.2 trillion of private capital, compared with $114 billion if it were spent the way public money is spent today (see Figure 2). The difference comes from where the money sits, not how much there is.

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Figure 2. Same Money, Different Placement: Private Capital Mobilized over Five Years



Source: Milken Institute (2026)

What This Means for the Baku to Belém Goal

The Baku to Belém goal of $1.3 trillion a year applies to developing countries, so the fair comparison is with the emerging-market share of our results.[38] Over five years, that goal implies about $6.5 trillion. Because $1.3 trillion is a target for 2035 rather than today's annual requirement, this is a demanding benchmark. Against that, we apply the same multipliers in both regions, and emerging markets may fall short of them.

In the $300 billion scenario, total emerging-market investment (public and private) reaches $1.0 trillion–$2.3 trillion, or 15–35 percent of the goal. In the $500 billion scenario, it reaches $1.6 trillion–$3.8 trillion, or 25–58 percent. The developed-market share, worth up to a further $2 trillion in the $500 billion scenario, belongs to the security and competitiveness story rather than to climate finance for the Global South.

In other words, better use of public money alone could take us up to three-fifths of the way. That is from a single lever.

Reforming development finance is the second: raising the MDB mobilization ratio in low- and middle-income economies from about 0.4x to 1x would add roughly $50 billion a year at 2024 volumes.[39] Mobilizing capital from asset owners, including the hundreds of billions of dollars held by emerging-market pension funds, is the third. The money is there. What is missing is placement and trust.

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What This Means for Asset Owners

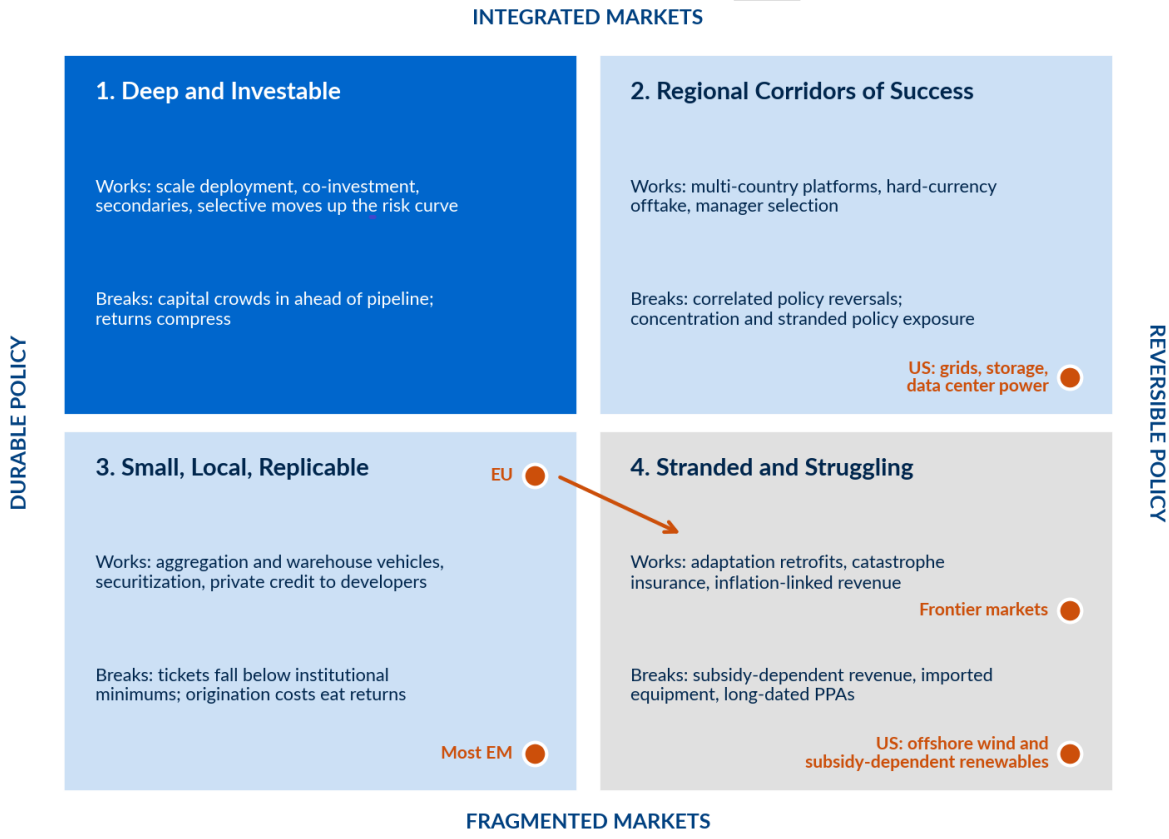
For asset owners, these scenarios are not about how governments should budget, but what happens if they do. In every scenario, public money sits at the base of the stack—guarantees, first-loss positions, predevelopment, and FX facilities—so the private capital it mobilizes belongs in the layers above: senior debt, core equity, and the refinancing of operating assets, which match long-dated liabilities. Most of the private capital mobilized in our mid case flows to grids and storage and to predevelopment and aggregation, which is where new pipeline is most likely to appear first. And the scale of reallocation is itself a signal worth watching: as the next section sets out, it is what moves markets along the durable-policy axis, from “Stranded and Struggling” toward “Deep and Investable.”

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Investing Under Uncertainty

The reallocation scenarios answer the policymaker's question of how much and where. Investors face a different question: what works in each possible world? Our framework crosses two uncertainties: whether policy support is durable or reversible, and whether markets for capital, equipment, data, and standards are integrated or fragmented (see Figure 3). The two analyses are linked because the scale and design of public reallocation is what moves the world along the durable-policy axis.

Figure 3. Four Scenarios for Climate-Resilient Infrastructure



Note: Orange markers show proposed base cases for the next 12 months; the arrow shows the EU's direction of travel.

Source: Milken Institute (2026)

In a world of durable policy and integrated markets, which is consistent with our $500 billion scenario, the result is "Deep and Investable." Asset owners can deploy capital at scale, coinvest with confidence, and tap functioning secondary markets. That gives them room to make selective moves up the risk curve. The danger is that capital crowds in ahead of bankable pipeline, compressing returns and underpricing construction risk. We are not in this world.

Where markets stay integrated but policy is reversible, we get "Regional Corridors of Success," where multi-country platforms with mobile teams, hard-currency offtake, and careful manager selection succeed, but correlated policy reversals, concentration, and stranded policy exposure undermine the gains.

Where policy is durable but markets fragment through trade restrictions, local-content rules, and diverging standards, the world becomes "Small, Local, Replicable." As projects are smaller and localized, investors need to use aggregation platforms to bundle them until they are large enough to securitize or lend to developers directly through private credit. The risk is that individual tickets fall below institutional minimums, and origination costs eat into returns. Reversible policy combined with fragmented markets, which is consistent with business as usual, leaves assets "Stranded and Struggling." Although adaptation retrofits, catastrophe insurance, distressed entry, and inflation-linked revenue can still produce returns, business models that depend on development equity, subsidies, imported equipment, or long-dated power purchase agreements are most exposed to policy reversals and trade disruption.

For the next 12 months, the US straddles the second and fourth scenarios. Policy has proved reversible: the One Big Beautiful Bill Act accelerated the phase-out of federal clean energy tax credits, and the administration has bought back a dozen offshore wind leases for about $3.9 billion.[40] Markets are also fragmenting, with tariffs on imported components and tighter restrictions on Chinese supply chains. For offshore wind and other subsidy-dependent renewables, the result is "Stranded and Struggling." Yet clean energy investment is proving resilient where demand does not depend on policy: US clean energy investment reached $75 billion in the second quarter of 2026, the second-highest quarter on record, driven largely by household purchases, including residential battery storage.[41]

Europe sits in the third scenario. Its climate policy has softened—the 2040 target now allows international carbon credits to meet part of the goal, and the launch of ETS2, the EU's second emissions trading system, has been delayed to 2028—but its direction remains set in law.[42] However, its markets are fragmenting under the "Made in Europe" local-content rules proposed in the Industrial Accelerator Act, and the risk is a drift toward the fourth scenario.[43]

Most emerging markets also sit in the third scenario, and frontier markets in the fourth. Industrial strategy drives both axes, shaping whether support is programmatic or swings with electoral cycles, and whether markets integrate or fragment. Asia is perhaps the exception. Durable industrial policy and deepening regional integration put much of the region closer to the first scenario despite trade tensions fragmenting its links to the West.

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Recommendations

Three Suggestions for Global Policymakers

First, stop funding what is mature and fund what is not. In developed markets, that means redirecting support for mature technologies to scale up new ones through guarantees, coinvestment, and public procurement, and designing industrial strategy with built-in competition and sunset clauses. In emerging markets, it means replacing untargeted fuel subsidies with targeted support for households, redirecting the savings toward domestic generation and grids—a security gain as well as a fiscal one—and funding predevelopment and FX facilities.

Second, make concessional capital take risk, and build the trust around it. Developed-market governments, as shareholders of MDBs and DFIs, should push those institutions toward guarantees, first-loss positions, and equity, with published mobilization targets, in line with the Bridgetown Initiative's guarantor model. Emerging-market governments should use national development banks and sovereign funds as local anchors, build country platforms and aggregation vehicles that give international investors trusted counterparts, and modernize pension regulation so that domestic pension funds can invest in local infrastructure.

Third, make policy durable and markets bankable. Developed markets need to reform permitting, grid connection, and equipment supply chains. Government support needs to be programmatic, so it survives electoral cycles, and physical-risk data and insurance backstops need to be improved. Emerging economies need to reform power markets so that offtake is bankable, expand parametric insurance, and ring-fence grant-based adaptation finance for SIDS and the V20.

Three Considerations for Investors

First, underwrite physical risk forward, not backward. Price assets against forward-looking climate scenarios rather than historical loss data and make insurability a condition of investment. The cost-benefit analysis of investing in resilience needs to be more comprehensive, combining the benefit of avoided losses with the value of not needing to reserve additional capital to account for physical risk. Put differently, treat resilience spending and community engagement as protection of cash flow and exit value, not as a cost: assets with local support are permitted faster, challenged less, and hold their value longer.

Second, take the layer of the stack that fits your liabilities, and build the relationships behind it. Sovereign wealth funds and strategic investors, with long horizons and few near-term liabilities, can act as cornerstone investors in national platforms and aggregation vehicles and take construction and mezzanine risk that others cannot hold. Pension funds should take senior debt and core equity in regulated or contracted operating assets, and refinance projects as they mature. Insurers can work both sides of the balance sheet: as long-term lenders, and as risk takers brought in at the design stage through catastrophe bonds and parametric cover. Endowments, foundations, and family offices,

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whose mandates are more flexible, are best placed to back predevelopment and missing-middle scale-up alongside philanthropy.

Agree on the exit or refinancing route before you commit, share risk with development and concessional partners rather than asking them to absorb it, and favor vanilla instruments your board can explain.

Third, go where the market is underpriced: grids, storage, and the middle of the electric stack, where regulated or contracted revenues suit long-dated liabilities; resilience and nature backed by real offtake rather than carbon-only revenue; and catastrophe bonds as a diversifier. In emerging markets, coinvest alongside domestic pension funds, which carry no currency mismatch and signal that a market is investable, and support the technical assistance and peer learning that help their trustees invest with confidence. Follow industrial strategy, but hedge against policy reversal.

Three Things Portfolio Companies Need to Embrace

First, be insurable. Build resilience into assets and bring insurers in at the design stage. Insurability drives bankability and protects EBITDA.

Second, compete without a green premium. Demonstrate value across security, autonomy, and cost; secure real offtake; manage exposure to critical minerals and fragile supply chains; and be creative about raising early capital, whether through proofs of concept with offtakers or partnerships with family offices.

Third, earn a social license to operate. The backlash against data center construction is a warning, and investors increasingly see community support as a source of long-term value rather than a cost of doing business. Engage communities early, connect hard-to-reach communities to markets as suppliers and customers, and work with governments to prepare the workforce for a warmer climate and an AI-enabled economy.

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Conclusion: The Road to Resilience

The capital the world needs already exists. What is missing is the right placement and the trust that lets different kinds of investors share risk and a new resilience narrative based on managing key risks to public budgets and private portfolios. Our scenarios show that redirecting even a small share of what governments spend on mature technologies, and placing it carefully in the capital stack, could mobilize trillions of dollars of private capital over five years. Reforming development finance and unlocking capital from domestic asset owners in emerging markets can do the rest.

We measure success by dollars deployed: rising private mobilization ratios, especially in low- and middle-income economies; growing allocations by domestic pension funds to local infrastructure; and, ultimately, more resilient communities. Climate is the outcome we are working toward. Security, autonomy, resilience, and competitiveness are the reasons capital will get there. The task now is to build the stacks, and the trust, that facilitate the transformation.

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