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Recalibrating Climate Finance

Disruption, Devolution, and Deployment

March 2026 Update

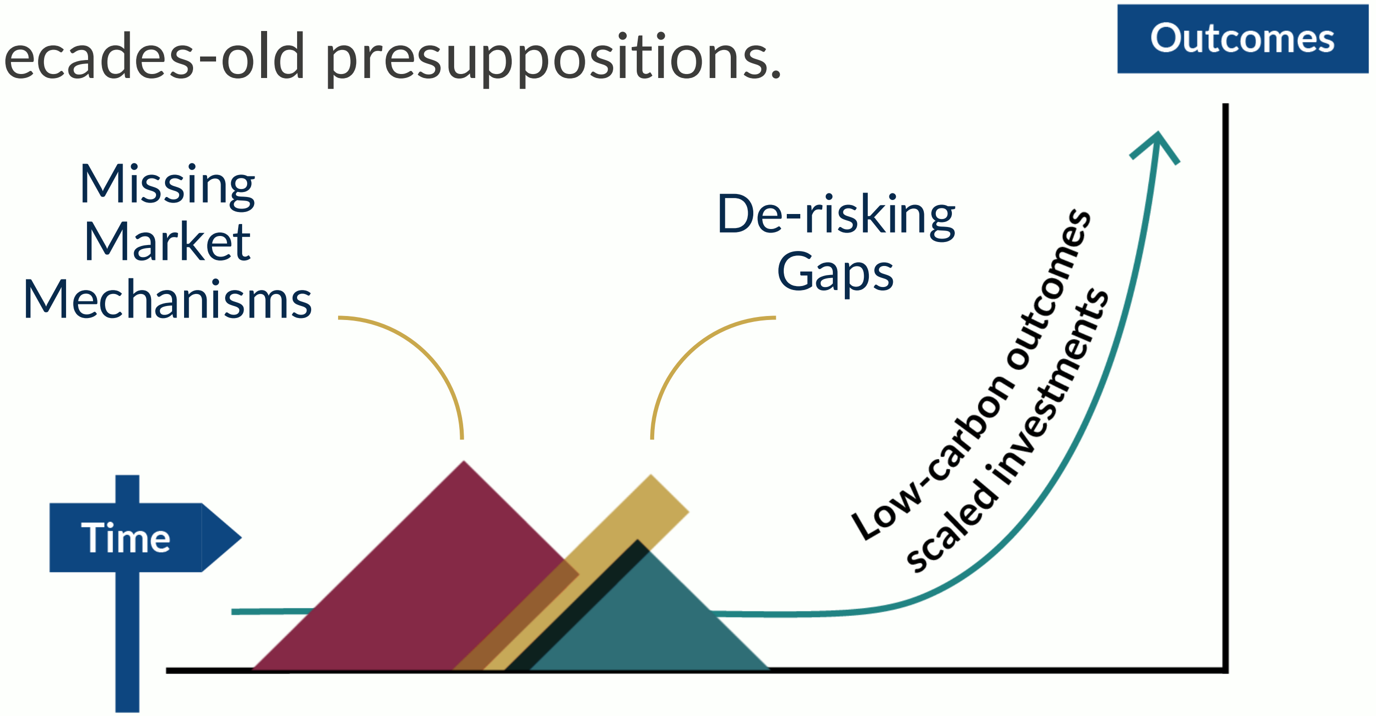
Background

In 2024, the Milken Institute Climate Finance team released a provocative PowerPoint deck designed to spur new strategies to accelerate climate finance outcomes for the coming Age of Adaptation.

Post-COP30 and with the rise of AI, here is our 2026 update.

True Then, True Now:
We Need to Build A New Outcomes Strategy

Bend the curve based on today's deployment realities, not decades-old presuppositions.



Source: Milken Institute (2024)

Surviving the Age of Adaptation

What are workable assumptions to guide effective outcomes in the next 5–10 years?

1. Forget 2050. The next decade is about managing AI boom-and-bust cycles, shifting geo-economics, China, and portfolio risk in both the private and public sectors. *Disruption is the new normal.*

2. Build from the bottom up. Regional deployment innovation needs more attention than national government get-togethers.

3. "Adaptation" is no longer just about overdue investing in nature and heat maps. It is the way to think about strategic investment and risk management.

4. Multilateral processes for solving large-scale challenges are strained. Creative interventions are advised.

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Dealing with Disruption: Strategic Intervention Theory

- There are no magic bullets for climate capital deployment. Old alliances and assumptions, such as net-zero-based frameworks, are giving way to new demand for climate resiliency and energy addition. New voices and investors are emerging from the Global South. *Let's listen to them as much as the next Bill Gates letter*.
- This shift to embed climate outcomes in regional economic development is like the ongoing transition from a fossil fuel economy to electrification. This transition will be bumpy *and take time*.
- Key to speeding it up: *implementing system change through targeted strategic interventions*.

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High-Impact Intervention Areas

Here are the three major action areas to accelerate climate outcomes.

M1 Mechanics

Less top-down political commitments; more bottom-up deal development strategies

Create a second track of effort for climate capital deployment led by asset owners, not governments.

M2 Message

Narrative matters: Risk, value creation, and opportunity abound. This is math.

Investors looking to make money need to speak up using our new investor guidance document.

M3 Money

Strategic recalibration of public funding to catalyze markets and monetize early investment in climate resilience: Shift public subsidies to predevelopment.

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Priority Finance Strategies for the Next Decade: What We Can Move Together

1. Build Better Investor-Led Narrative — 2026–2027
2. Develop a New Investors Roadmap — 2026–2027
3. Recalibrate Public Subsidies for Maximum Impact — 2026–2035
4. Crack the Code on Deal Flow Through Data Transparency — 2026–2032
5. Unpack and Understand the Insurance Crisis — 2026–2035

Top 10 Finance Strategies for the Next Decade: What We Can Move Together

2026–2035

6 Scale Carbon Markets as a Climate Finance Asset Class

7 Restructure Sovereign Debt to Scale Up Nature and Sustainability Investing

8 Create Investment and Partnership Frameworks for Sustainable Mineral Supply Chains

9 Get Real on Grid and Data Centers

10 Go Regional on Deployment Efforts

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INTERVENTION 1:

Build Better Narrative

In an era of geopolitical risk, technology disruption, rising energy demand, and extreme weather, investor interest in climate-resilience investing remains high. Why? Investors see real returns by acting early to minimize portfolio risk and invest in emerging opportunity areas.

- **Intervention:** Investors should speak out and not be shy. Climate and adaptation finance is about basic math: risk, return, and value creation.
- **Product/resource:** Milken Institute's 2026 Investor Narrative Guide
- **Gaps to fill:** As a generation of climate warriors retires, we must elevate new voices from the Global South and from finance, such as Marcel Furtado and Amy Hepburn.

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What Investors Are Saying

> "It's all about long-term systemic risk. That requires directional change in a capital allocation to address these portfolio risks. We also need to really shift more capital into adaptation."
>
> —**Hiro Mizuno**, former Chief Investment Officer, Japan Government Pension Investment Fund, and CEO, Good Steward Partners

"Narrative is really important from an investor perspective because it's part of our fiduciary responsibility. It's about managing risk and maximizing opportunity. More investors are leaning into opportunity narrative because that opportunity is prevalent, extensive, and ready to be capitalized on."

—**Amy Hepburn**, CEO, Investor Leadership Network

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> “The takeaway is that sustainability investing is here to stay to both hedge risks and create value.”

—**Richard Ditizio**, CEO, Milken Institute

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INTERVENTION 2:

A New Investor Roadmap

With countries, companies, and investors around the world pursuing ambitious energy transition and sustainable infrastructure goals, the need for new strategies to accelerate capital deployment, increase deal flow, and lower portfolio risk has never been more pressing.

- **Intervention**: Create new asset-owner alliances to drive deal flow to create a second deployment track alongside government-led strategies and the UN's COP cadence.
- **Product/resource**: Create an investor-focused view of what a *Brazil and Beyond* roadmap should emphasize at COP31.
- **Engagement opportunity**: Participate in the Milken Institute's new Portfolio Risk series by contacting miclimate@milkeninstitute.org.

INTERVENTION 3:

Retooling Public Subsidies

- There is no escaping this fact or skipping this step: Public funding, R&D, and technology subsidies are how we scale up new technologies and markets and kick-start community resilience.
- To accelerate needed energy and land transitions and address adaptation challenges, shift public spending to de-risk the future, not prop up the past.

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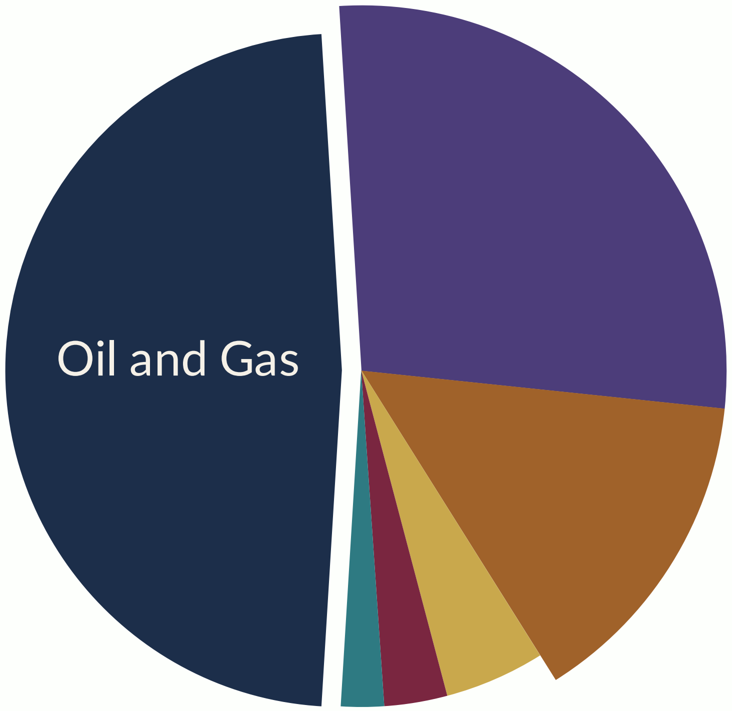
Half the Pie to Oil and Gas Annually?



- Oil and Gas Subsidies ($1000B)
- Resilience–Adaption–Natural Infrastructure ($63B)
- Annual Loss and Damages ($300B)
- Refugee Support Services ($100B)
- R&D for New Climate Tech ($43B)
- Public Climate Finance ($575B)

Source: Global Public Sector Spending, 2024; United Nations Environment Programme, State of Finance for Nature 2026

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Better Idea: Shift Subsidies to Emerging Areas Ripe for Scaling

Oil and gas, wind, solar, nuclear, and other mature technologies have had decades of public subsidies. Now that these markets are mature, it is better to shift public funding toward:

1. Resilience, adaptation, nature, and land transition
2. Clean grids and transport systems
3. Infrastructure and community resilience to extreme weather events, especially in the most vulnerable communities
4. Predevelopment and project de-risking to catalyze private-sector markets and spur the liftoff of geothermal, green hydrogen, and fusion

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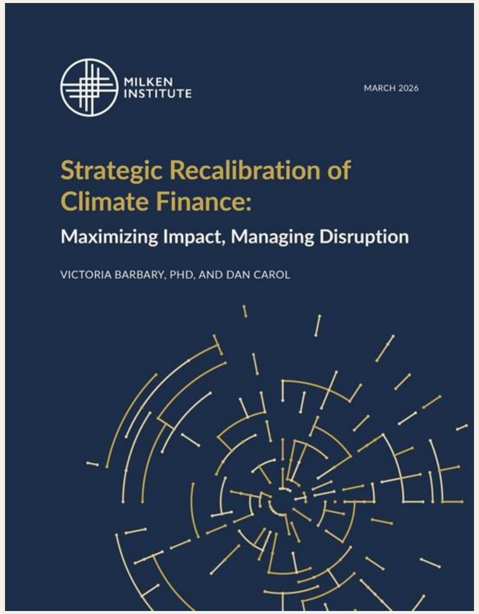
Accelerating the Baku Finance Goal

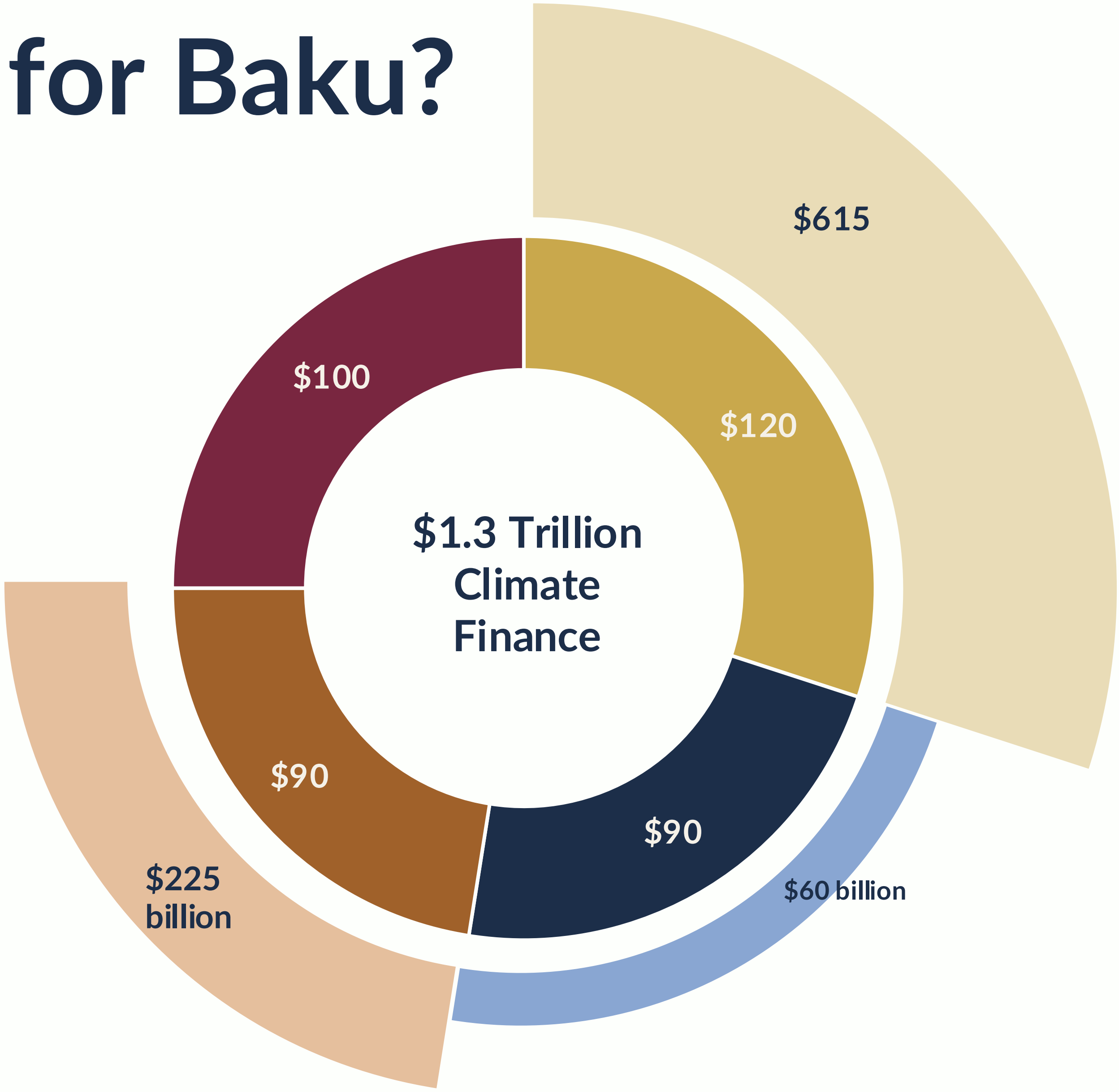
It is no secret that geo-economic disruptions are driving up energy demand and straining governments’ ability to meet public funding commitments under the Paris Agreement and the follow-on initiatives, led by Brazil at COP30, of rising importance.

Given these shifts, we believe it is important to reassess how to get the most "bang for the buck" from the New Collective Quantified Goal, known as the Baku Finance Goal, adopted at COP29 in Baku in November 2024. The Baku Goal calls for tripling the previous $100 billion target established in 2009 to $300 billion annually by 2035.



Learn more from our new Milken Institute Finance report.

A New Allocation Model for Baku?



Pillar	Public "Core" ($300 billion)	Private Mobilization Target	Total Impact ($1.3 trillion)
Mitigation	$120 billion	$615 billion	$735 billion (56%)
Adaptation	$90 billion	$60 billion	$150 billion (11.5%)
Resilience and Nature	$90 billion	$225 billion	$315 billion (24%)
Loss and Damage Fund	Voluntary/ Extra	Insurance-led	$100 billion (est) (9%)

INTERVENTION 4:

Crack the Code on Deal Flow and Data Innovation

One well-known friction point for climate capital deployment is the lack of deal standardization, which makes it difficult for institutional investors to invest in less established markets and communities.

- **Intervention:** The Institute's Community Infrastructure Center technical-assistance platform is piloting blended-finance deal development in underserved communities in the US to reduce friction and perceived investor risk.
- **Product/resource**: Create data-sharing protocols and APIs to link public and private platforms, increase transparency, and accelerate the sharing of replicable deals and use cases across private investment entities and country platforms.
- **Engagement opportunity**: Participate in the Milken Institute's Investor Roadmap workshops by contacting miclimate@milkeninstitute.org.

INTERVENTION 5:

The Insurance Crisis

A global and US insurability crisis caused by extreme weather threatens to upend real estate and housing markets and the public sector's ability to prevent and respond to disasters. Fifty-two percent of losses in 2025 were uninsured. The lack of insurance coverage is highest in developing countries, leaving them most vulnerable.

- **Intervention:** Explore innovative financing frameworks to attract greater private capital to finance community-level resilience to extreme weather events and incentivize best practices to lower the future costs of disasters.
- **Product/resource:** The Milken Institute has launched a Financial Innovations Lab series to explore solutions. The first report will be available in summer 2026.
- **Engagement opportunities:** View Milken Institute public sessions at the Future of Finance convening in March 2026 and Global Conference in May 2026.

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The Insurance Crisis

- ❑ Insured losses from global weather events were >$100B **for the sixth year in a row.**
- ❑ **Fifty-two percent of losses in 2025 were uninsured; 60 percent in 2024.**
- ❑ Insurance coverage gaps are largest in **developing countries**, leaving them most vulnerable.

	North and Central America, Caribbean	USA only	South America	APAC	Europe	Africa
Overall losses (in US$ bn)	133	118	4.2	73	11	2.9
Insured losses (in US$ bn)	93	88	<0.5	8.9	5.3	<1
Fatalities	660	370	300	13,600	90	2,500

Source: Munich Re, Swiss Re, US Chamber of Commerce Institute for Legal Reform (2026)

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INTERVENTION 6:

Carbon Markets as an Asset Class

Carbon markets are critical to drive the transition at scale.

- **Intervention:** Develop trade standardization metrics and establish a new carbon price benchmark to move from bespoke deals to real markets.
- **Product/resource:** Explore carbon border adjustment mechanisms.
- **Engagement opportunities:** View sessions at Global Conference in May 2026 and Asia Summit in October 2026.

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Carbon Border Adjustment Mechanisms

- The European Union's Carbon Border Adjustment Mechanism (CBAM) entered into force at the beginning of 2026, with reporting due in 2027 for 2026 imports.
- CBAM is designed to ensure that goods in select industries imported into Europe face a carbon cost comparable to that of domestic production.
- Priced weekly according to the EU Emissions Trading System, implementation elevates carbon pricing directly into geo-economic decision-making for public- and private-sector leaders.

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Peg to Carbon Removal Price

- We all agree that a 10–15 percent share of CO_2 emissions will need to be removed to meet Paris 2050 goals.
- Doing so will cost $1,000 per ton.
- Is the current carbon removal price the right long-term anchor against which carbon pricing mechanisms should be benchmarked?

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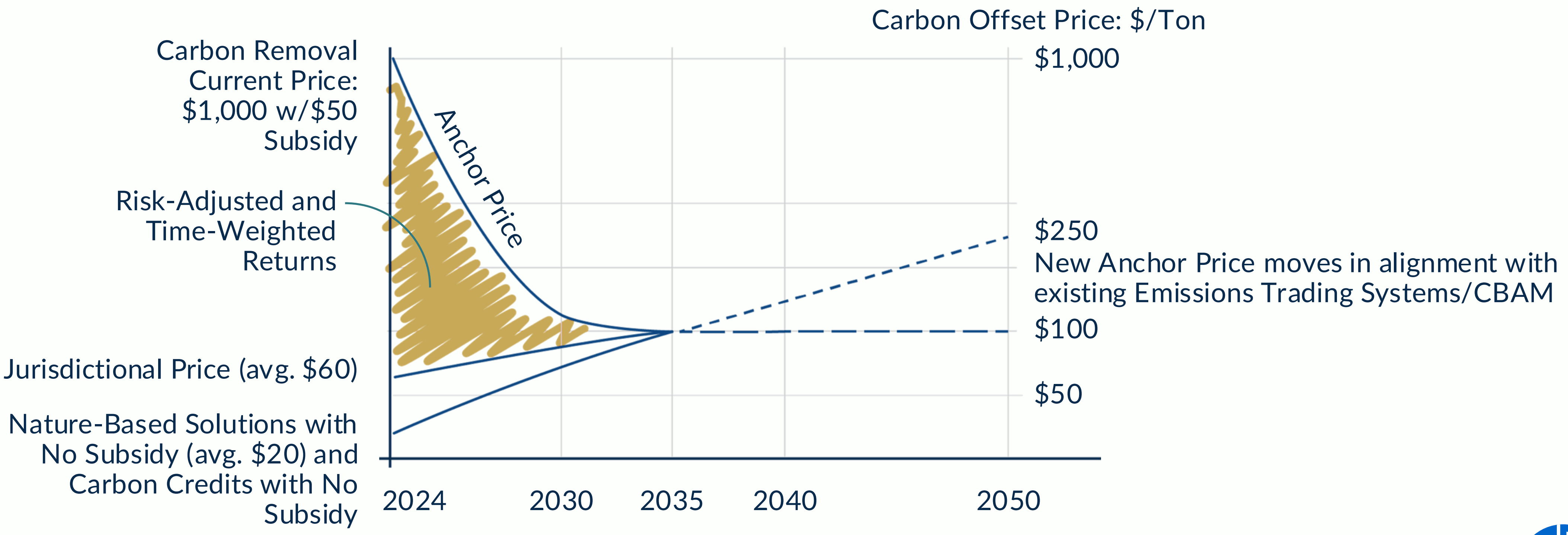
The New Math Problem: What's the FICO Score for Carbon?



Source: Milken Institute (2024)

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INTERVENTION 7:

Sovereign Debt

The sustainability of sovereign debt levels worldwide threatens governments' ability to make catalytic investments in economic development, as climate-related shocks limit growth and reduce fiscal space, constraining investment in sustainable development and the realization of conservation's market value.

- **Intervention:** Create a new pool of blended capital to be allocated exclusively to help nations restructure sovereign debt to scale up nature and sustainability investing.
- **Product/resource:** The Milken Institute Insights article "Debt and Climate Change: The New Playbook" examines the links between sovereign debt challenges and climate-related investment needs.
- **Engagement opportunity:** View sessions at the World Bank Meetings in April 2026.

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INTERVENTION 8:

Critical Minerals

Electrification and battery storage at scale cannot happen without an adequate supply of critical minerals and the diversification of regional and global sourcing.

- **Intervention:** Identify partnerships and sustainable financing frameworks suited to a new global reality and the strategic importance of secure supplies.
- **Product/resource:** Read the Financial Innovations Lab report on critical mineral supply chains and explore Milken Institute convenings.
- **Key gaps to fill:** Resources are a function of geology, and mines can take at least a decade to come online. There is a significant gap in industry-wide adoption of innovations that expedite timelines and, more importantly, improve the efficient design and use of already mined resources—whether in ore, products, or waste—to meet surging demand. Governments need to reimagine this space, as the US has begun to do.

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INTERVENTION 9:

Grid and Data Centers

We are going to need *way* more power than we thought. The latest forecast indicates that the US alone will require an additional 166 gigawatts of capacity by 2030—equivalent to 166 base stations, 1,000 MW nuclear power plants.

- **Intervention**: In addition to massive deployment of solar-storage solutions, we will need to improve grid utilization policies and incentivize load flexibility at major data centers. In other words: slow searches = brownouts.
- **Engagement opportunity**: View sessions at Global Conference in May 2026.

INTERVENTION 10:

From Global to Regional Strategies

In a world of shifting geo-economics and supply chains, the need for strategic, bottom-up, and regional approaches to climate capital deployment is clear. Brazil's leadership at COP30, promoting investment in nature and food systems as asset classes, is an excellent example of how COPs can be relevant and outcome-focused.

- **Intervention:** Link climate outcomes to local economic development and target investment to local strengths and weaknesses (e.g., lack of local developers and asset managers, missing data-sharing agreements).
- **Product/resource:** Use data to assess overall development opportunities (see Milken Institute's *Global Opportunity Index 2025*) and leverage new platforms to assess embedded climate risk.
- **Engagement opportunity:** Establish data-sharing agreements across public and private platforms.

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INTERVENTION 10:

From Global to Regional Strategies

How to Distribute $1.3 Trillion Across the Globe

Category/Region	Total Impact Share ($1.3 trillion)	Public Core ($300 billion)	Private Mobilization	Instrument Focus
Small Island and Developing States and Vulnerable 20 Countries (V20)	$130 billion	$85 billion	$45 billion	Grants, Loss and Damage Fund, and debt swaps
Southeast Asia	$310 billion	$45 billion	$265 billion	Blended equity, FX hedge
Sub-Saharan Africa	$240 billion	$70 billion	$170 billion	Concessional loans, agriculture resilience
Latin America	$220 billion	$40 billion	$180 billion	Nature credits, green bonds
South Asia	$220 billion	$40 billion	$180 billion	Utility solar and urban adaptation
Middle East and North Africa and Central Asia	$180 billion	$20 billion	$160 billion	Green hydrogen and sovereign wealth

Source: Milken Institute (2026)

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More on Our Work

- Despite growing urgency, the need for new strategies and models to accelerate climate capital deployment and advance economic resilience remains paramount. As a trusted nonprofit, nonpartisan think tank, the Milken Institute convenes local, national, and global leaders who direct investment capital and philanthropy into high-impact climate solutions and priority areas, ensuring that funding flows to where it is needed most in ways that are sustainable, scalable, and adaptable to shifting global and regional dynamics.
- Key activity areas include critical minerals, climate debt, Los Angeles wildfire recovery and insurance challenges, and AI and energy through our Geo-Economics Initiative.

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Upcoming Events

- World Bank Spring Meetings | Washington, DC | April 13–18
- Global Conference | Los Angeles | May 3–6
- London Climate Week | London | June 20–28
- UNGA/Climate Week | New York | September 20–27
- Asia Summit | Singapore | October 7–9
- Global Investors’ Symposium Mexico | Mexico City | October 28
- COP31 | Antalya | November 9–20
- Future of Health Summit | Washington, DC | November 11–13
- Middle East and Africa Summit | Abu Dhabi | December 2–4

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About This Deck-in-Progress

- To share insights and provide input, consider participating in our events or joining one of our working groups. To learn more, please contact the Milken Institute Climate team at miclimate@milkeninstitute.org.

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