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ICAS Blue Carbon & Climate Change Program

Quarterly

Quarter 3 - 2025

ICAS Blue Carbon & Climate Change Program

The ICAS Blue Carbon and Climate Change (BCCC) Program explores new policy pathways for sustainably developing the blue carbon economy and combating climate change.

The goal of this program is to establish a platform for academic exchange between experts around the world to produce tangible policy recommendations for countries to follow together. Most prominently, the program endeavors to find new pathways for multilateral engagement and mediation in areas of competition to promote mutually beneficial cooperation on climate change where possible.

The BCCC Quarterly Team

Research & Editing by Zhangchen Wang	Research Assistant
Research & Editing by Yunchao Mao	Part-time Research Assistant Intern
Editing by Rían Knighton	Communications and Program Coordinator
Advising by Nong Hong	Head of BCCC Program Executive Director, ICAS

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ICAS BLUE CARBON & CLIMATE CHANGE QUARTERLY

BCCC

July - September 2025

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This Season's Global Climate Affairs

Issues & Updates on Blue Carbon

Government Designs Zoning Map for Rehabilitation Mangrove
Friday, September 19
Source: *Antara*
[Indonesia]

Indonesia's Ministry of Environment is developing a zoning map to guide the rehabilitation of 600,000 hectares of mangroves by 2029. The map will categorize areas based on salinity, pH, and other environmental factors to ensure suitable planting zones, covering both forest and non-forest lands. The rehabilitation began in 2025 under the Mangroves for Coastal Resilience (M4CR) Program, targeting over 41,000 hectares by 2027 across four provinces.

Romanian Project Creates Seagrass Meadows, Artificial Reefs in The Black Sea
Thursday, September 18
Source: *Romania Insider*
[Romania]

Romania has launched a large-scale coastal restoration initiative in the Black Sea, planting over 20 hectares of seagrass meadows and seaweed, and building artificial reefs to fight erosion, restore biodiversity, and capture carbon. The EU co-financed project is 80% complete and aims to cover 700,000 square meters of seabed and build 13 reefs by 2027. It is considered a model for blue carbon ecosystem restoration in Eastern Europe.

Govt Prepares 17 Locations for Blue Carbon Reserve Areas
Thursday, September 11
Source: *Antara*
[Indonesia]

Indonesia is preparing 17 coastal sites as national blue carbon reserves to protect marine ecosystems and boost carbon trading and community welfare. The initiative prioritizes restoration in Central and East Java and explores carbon-free island models in Bangka Belitung. Blue carbon development will also encompass other national strategic areas in coastal city agglomerations such as Greater Jakarta. However, regulatory gaps on seagrass carbon measurement remain a challenge.

New Ireland Province, Take Ownership in Protecting Blue Carbon Ecosystems
Tuesday, September 9
Source: *Post-Courier*
[Papua New Guinea]

Four coastal communities in Papua New Guinea's New Ireland Province have launched site-specific plans to protect seagrass and mangrove ecosystems under the Management of Blue Carbon Ecosystems in Pacific Island Countries (MACBLUE) project. These locally-led plans, supported by the Secretariat of the Pacific Regional Environment Programme and Wildlife Conservation Society Papua New Guinea, aim to enhance blue carbon conservation while bolstering food security and income opportunities.

UK Nature Envoy Visits Philippines to Boost Climate Partnership

Wednesday, September 3
Source: *British Embassy Manila*
[The United Kingdom, The Philippines]

The UK launched its COAST Facility and Innovation Grant Fund in the Philippines to support local blue economy projects. The program aims to advance nature-based coastal solutions, especially blue carbon ecosystems, to help mitigate climate change while boosting coastal livelihoods. This effort was highlighted during a high-level forum that emphasized the role of blue ecosystems in both climate action and economic development.

Malaysia to Develop Blue Carbon Credit Trading Platform with Sabah

Wednesday, August 27
Source: *The Sun*
[Malaysia]

Malaysia's federal government will collaborate with Sabah authorities to develop blue carbon credit policies and trading platforms, aiming to tap into the state's vast mangrove reserves. These efforts are part of a broader push to integrate climate mitigation, marine biodiversity, and economic development under a blue economy hub in Sabah.

Caribbean, Latin America Build Blueprint for Blue Carbon Markets

Friday, August 15
Source: *Curacao Chronicle*
[Colombia]

Colombia's marine sciences institute hosted the International Blue Carbon and Wetlands Conference from August 12–14 in Santa Marta. The meeting focused on advancing mangroves and wetlands into market-ready blue carbon assets, and highlighted both grassroots restoration projects and the need for robust science to attract investment and unlock the carbon finance potential of the region.

Belize Launches Blue Carbon Pilot to Advance Climate Solutions and Marine Conservation

Wednesday, August 6
Source: *Blue Economy News*
[Belize]

Belize has launched its first blue carbon pilot project in partnership with Brightwater Climate, aiming to issue high-quality blue carbon credits from Turneffe Atoll. The project focuses on restoring mangroves and seagrasses, enhancing biodiversity, and supporting local communities, and it will also establish a robust monitoring framework to ensure environmental and economic impact.

Pakistan's Mangrove Forests Generate Millions in Carbon Credits, Offer $50m Annual Potential: Minister

Saturday, July 26
Source: *Profit*
[Pakistan]

According to the Federal Minister for Maritime Affairs' recent statement, Pakistan's Delta Blue Carbon (DBC) project, spanning 350,000 hectares of mangroves in Sindh's Indus Delta, has already generated $40 million in carbon credit sales and is expected to bring in billions more in the coming decades. As South Asia's largest arid mangrove forest, it plays a vital role in climate mitigation. Additionally, Balochistan's smaller mangrove area also holds comparable per-hectare carbon potential.

Sierra Leone : $2.5M for Mangrove Conservation

Friday, July 18
Source: *Africa News Agency*
[Sierra Leone]

FSD Africa Investments has committed $2.5 million to support the "Blue" project, a nature-based project in Sierra Leone focused on restoring 94,000 hectares of mangroves. Announced by UK Secretary of State David Lammy on July 2, 2025, the funding aims to advance climate resilience and biodiversity conservation in the region.

Seagrass, Science, and Solidarity: Southeast Asia's Blueprint for Blue Carbon

Thursday, July 10
Source: *UNDP*
[Indonesia]

The "Regional Training Workshop on Standardized Methodologies for Seagrass and Peatland Blue Carbon Profiling", was held in Sanur, Bali, from 23 to 28 June. The workshop was hosted by UNDP Indonesia, and is part of a larger regional initiative "Amplifying Blue Economy Growth through Enhanced Blue Carbon and Finance Profiling" implemented by UNDP under the auspices of the ASEAN Coordinating Task Force on Blue Economy with funding from the Government of Japan. It is an action call for unity in science, conservation, and climate action over blue carbon.

Environmental Protection

Green Shield Shows Why Climate Protection Needs Security Partnerships

What is Happening

- In July 2025, Operation Green Shield was launched under the coordination of the UAE's Ministry of Interior through the International Initiative of Law Enforcement for Climate (I2LEC). Over a two-week period, more than 1,500 officers from Brazil, Colombia, Ecuador, and Peru carried out over 350 field operations across the Amazon Basin. (*Emirates News Agency*, July 8)
- The campaign led to the arrest of 94 individuals and the seizure of illicit assets valued at more than US$64 million. Authorities confiscated 310 tonnes of illegally extracted minerals, 3,800 cubic metres of timber, 39,000 gallons of smuggled fuel, over 2,100 live animals, and 6,350 dead specimens, while also dismantling several organized crime groups including networks tied to Colombia's Clan del Golfo. (*Fox 4*, July 8)
- Authorities reported that raids and arrests were carried out simultaneously across a broad stretch of the Amazon, including the Sarare Indigenous Land in Brazil's Mato Grosso state, El Cenepa Province in Peru's Amazonas region, and Amapá state in northern Brazil. In Colombia, operations extended to at least 22 departments, while in Ecuador law enforcement targeted locations from Carchi Province, home to the Awa Indigenous people, to Loja, Zamora, Santo Domingo, and beyond. (*Associated Press*, July 10)
- The crackdown targeted a broad spectrum of environmental crimes, including illegal mining, wildlife trafficking, logging, and fuel smuggling, across remote and ecologically sensitive parts of the Amazon Basin. Operations were carried out in Brazil's Mato Grosso state, multiple Colombian provinces such as Putumayo, Guaviare, and Chocó, as well as regions in Peru and Ecuador. The campaign relied on satellite-based geolocation and real-time data tools to coordinate across borders. (*Euronews*, July 11)
- Officials emphasized that the raids struck at crimes with direct environmental consequences: illegal mining and trafficking that poison rivers with mercury, strip land from Indigenous communities, and drive species extinction. By dismantling these networks and recovering thousands of animals, the operation was framed as not only law enforcement but also a measure to safeguard biodiversity, cultural heritage, and the Amazon's role in the global climate system. (*Environmental Health News*, July 14)
- Coordinated from a UAE-led command center in Bogotá, Operation Green Shield brought together more than 50 agencies, and it is supported by private sector and civil society participation. The campaign relied heavily on ArcGIS geospatial software, enabling officers to share live locations and reports despite limited connectivity in remote forests. Experts linked the surge in illegal gold mining to global market shifts, noting a 26% rise in gold prices in early 2025 that intensified pressures across the Amazon. Authorities also acknowledged differences in legal frameworks among countries and stressed the need for permanent state presence, social investment, and alternative livelihoods to prevent criminal groups from simply relocating after enforcement actions. (*Mongabay*, Aug 6)

Why it Matters

Operation Green Shield matters not only for the immediate arrests and seizures it produced but also for what it reveals about the evolving nexus between organized crime, environmental degradation, and global climate security. Environmental crime in the Amazon Basin is not just a series of isolated illegal acts, but an entrenched system of illicit economies that thrive on weak governance, porous borders, and high international demand for resources like gold, timber, and exotic wildlife. The joint campaign made clear that piecemeal national enforcement is insufficient; only cross-border collaboration can match the mobility and scale of criminal networks that operate "as if borders don't exist." This lesson points to the urgent need for more institutionalized mechanisms of cooperation in the future to generate lasting deterrence against organized crime and the environmental destruction it fuels.

The involvement of the UAE also highlights the growing trend of framing environmental protection as a matter of international security and diplomacy. By positioning itself as a convener, the UAE demonstrated how states outside the region can shape global climate governance by targeting the illicit economies that drive deforestation and biodiversity loss. This raises the prospect of more climate-related enforcement partnerships emerging, as these countries often have resources and capacity but few avenues to fully exercise their capacity and influence. Nevertheless, this model of partnership also raises questions about sustainability: without steady funding and political will within Amazonian states, reliance on external leadership could limit local ownership and weaken accountability.

For local communities, the stakes are equally high. Indigenous territories are often the frontlines of both environmental destruction and law enforcement. Green Shield's presence offered temporary relief from the predations of criminal groups, and in some cases, communities welcomed the operations as protection for ancestral lands. Yet at the same time, land defenders in the Amazon continue to face threats, violence, and even killings when they resist illegal mining or logging. The operation exposed how communities are caught between criminal coercion on one side and the slow, inconsistent support of state authorities on the other. Therefore, in order to better protect the environment in the long run, enforcement must be paired with social investment, health services, education, and economic alternatives that reduce the vulnerability of communities to illicit economies.

From a climate perspective, the significance of Green Shield lies in the ecosystems it sought to defend. The Amazon rainforest is one of the planet's most vital carbon sinks, a regulator of rainfall across South America, and a linchpin of global biodiversity. Illegal mining and deforestation accelerate forest degradation, release carbon emissions, and edge the biome closer to an irreversible tipping point where vast tracts of rainforest could shift into savannah. By disrupting some of these destructive activities, the operation provided a glimpse of what coordinated action can achieve in slowing the forces driving climate instability. From now on, governments need to transform these episodic crackdowns into durable governance capacity and embed environmental crime within national and international climate strategies.

More on Environmental Protection:

- **Peru:** Peru's Ministry of the Environment established the Medio Putumayo Algodón Regional Conservation Area in Loreto, protecting 283,595 hectares of Amazon forest across three districts. The area safeguards seven ecosystems, preserves over half of Loreto's carbon stock, and supports around 5,000 people in 16 Indigenous communities. Loreto, which covers 28% of Peru's territory, now has four protected areas in the Putumayo region. (*Mongabay*, September 18)

- **Canada**: The Ontario government is providing CA$435,829 to the River Institute for restoration projects along the St. Lawrence River near Cornwall and Akwesasne, part of a $7.3 million provincial investment in 63 initiatives across the Great Lakes. The projects aim to improve water quality, restore habitats, strengthen fisheries, and educate communities, with activities including algae monitoring, pollution mapping, and climate change awareness. (Ontario, September 18)
- **The United Kingdom**: Northern Ireland launched its first peatland strategy, aiming to restore all semi-natural peatlands to functioning ecosystems by 2040 through 26 planned actions. The strategy proposes restricting peat sales, creating a peatland register, and introducing a wildfire strategy. (*BBC*, September 17)
- **China**: China approved the creation of a national nature reserve at Scarborough Shoal in the South China Sea, a disputed area also claimed by the Philippines. According to China, the zone aims to protect the shoal's ecosystem. The decision follows heightened tensions between China and the Philippines near the shoal. (*South China Morning Post*, September 10)
- **Global**: UN-led negotiations in Geneva to finalize a treaty on plastics pollution collapsed without agreement after sharp divisions over production limits. A bloc of 80–100 countries, including the EU and many developing nations, supported enforceable global action, while fossil fuel producers opposed restrictions, with the U.S. leaning toward the latter. Talks will continue at the UN Environment Assembly in Kenya in December, but for now plastic waste and related health risks will continue to grow unchecked. (*Inside Climate News*, August 15)
- **The United Kingdom:** *Natural England* reported that its £13 million species recovery programme has helped 150 species to rebound through relocation, captive breeding, and habitat expansion. Chair Tony Juniper said the results prove targeted action can reverse nature decline but warned that broader collective effort, funding, and reduced pollution are urgently needed. The UK remains one of the world's most nature-depleted countries due to centuries of industrialization and intensive farming. (*The Guardian*, August 13)
- **Colombia:** Colombia's environment ministry reported deforestation surged 43% in 2024, with 113,608 hectares lost, mostly in the Amazon region. Officials cited drought-driven fires, livestock expansion, illegal road building, and coca cultivation as key drivers. The rise reversed 2023's record low deforestation levels. (*Reuters*, July 31)
- **Brazil**: Brazil's Chamber of Deputies passed a bill easing environmental licensing. The law allows projects to be approved by online form submission and grants special licenses for "strategic" infrastructure, potentially impacting conservation areas and Indigenous lands. Environment Minister Marina Silva warns it dismantles crucial protections and favors extractive industries. (*Mongabay*, July 17)

- **Vatican**: The Vatican introduced a new liturgy for the Mass focused on environmental stewardship, first celebrated by Pope Leo XIV at Castel Gandolfo. Inspired by Pope Francis's writings on climate change, the "Mass for the Care of Creation" includes prayers, readings, and hymns that emphasize humanity's duty to protect the Earth. Pope Leo highlighted natural disasters linked to human excesses and pledged to make care for creation a central theme of his papacy. (*npr*, July 10)

Climate Policy & Diplomacy

COP30 Preparations Face Uncertainty as Major Players Delay and Small States Struggle

What is Happening

- The Trump administration has completed the process of dissolving the State Department's Office of Global Change in July, which effectively ended the U.S.'s official climate diplomacy presence ahead of COP30. This move could severely hinder U.S. participation in shaping global climate policy. Critics warn that the absence of U.S. leadership may lower global ambition and erode trust among developing nations, and create a power vacuum that may benefit China geopolitically. (*CNN*, July 29)
- The UN climate bureau hosted emergency talks amid the soaring accommodation costs of COP30. Developing and even some wealthy countries expressed concern that limited hotel capacity and skyrocketing prices in Belém, Brazil, where this year's COP conference is hosted, could restrict delegation participation. Some countries could be forced to trim their participation because of the cost. Brazil pledged to provide extra beds and cap affordable rates to address the challenge. (*Reuters*, July 29)
- At their July 2025 summit in Beijing, China and the EU issued a joint statement reaffirming their commitment to the Paris Agreement and pledging to submit updated economy-wide 2035 NDCs ahead of COP30. The statement emphasizes mutual leadership in advancing a just global transition, renewable energy access, and climate adaptation. Both parties also committed to supporting Brazil's COP30 presidency and strengthening bilateral cooperation on clean energy, carbon markets, and methane control. UN Secretary-General Guterres welcomed the move and urged all G20 countries to follow suit. (International Institute for Sustainable Development, July 30)
- A promised meeting to provide updates on logistic challenges has now been postponed without a new date, while countries continue to raise alarm over sky-high hotel prices and limited availability in Belém. A government letter to delegations insisted that the summit would not be relocated and claimed there were 53,000 beds available, but the prohibitively high accommodation cost suggests otherwise. Critics warn the logistical mess may derail inclusivity and legitimacy at COP30. (*Bloomberg*, August 13)
- Brazil has issued an urgent call for countries to submit updated nationally determined contribution plans ahead of a UN synthesis report that will assess global progress. As of mid-August, only 28 countries have submitted their plans, with major emitters like China and the EU still pending. Brazil's COP30 president emphasized the importance of the plans in delivering shared vision and cooperation, warning that weak submissions will require more corrective action at COP30. (*The*

Guardian, August 19)

- Brazil's COP30 organizers have urged businesses to attend the summit in Belém, warning against retreating from climate action and stressed the essentialness of the private sector amid global uncertainty and political backlash, including Donald Trump's renewed attacks on green policies and regulatory instability. Several major banks have exited climate alliances, and some tech firms have deprioritized emissions targets in favor of energy-intensive AI projects. (Sky News, August 29)
- ASEAN environment ministers aligned their climate goals during a three-day summit in Langkawi, Malaysia, ahead of COP30. The meeting emphasized regional climate cooperation, haze reduction, and scaling up climate finance strategies in line with the COP30 Action Agenda. (Carbon Credits, September 4)
- EU member states remain deadlocked over their new climate targets ahead of the UN's September deadline, and a leaked draft shows that key figures are still missing. The delay raises concerns about the bloc's next nationally determined contribution for 2035 and a more weakened global momentum. (The Guardian, September 8)

Why it Matters

As COP30 approaches, the state of global climate diplomacy is marked by more serious warning signs than promising signals. On the one hand, momentum is under pressure. The United States, the world's largest economy and second-largest emitter, has effectively exited the COP30 process under Trump's leadership by shutting down the State Department's climate diplomacy office. The move removes important institutional leadership from global negotiations and directly discourages private sector participation, especially from U.S. firms that once viewed COP as a critical forum for business-driven climate solutions. This episode also reinforces the longstanding truth that corporate engagement in climate action depends heavily on stable and supportive government policy. Commercial incentives falter and climate ambitions regress without government encouragement.

Some other key players are also falling behind. Both China and the European Union, among a list of many other countries, have still yet to submit updated 2035 nationally determined contributions (NDCs). This delay raises concern about global commitment levels as COP30 approaches. Nevertheless, the justification could be that countries are holding back to refine targets to ensure that their NDCs are both feasible and credible. China and the EU have already issued a joint statement to reaffirm their commitment to the Paris Agreement, and they pledged to submit updated economy-wide 2035 NDCs ahead of COP30. Additionally, ASEAN countries have also convened in preparation and expressed strong alignment with COP30 goals, signaling that most countries, especially developing countries, do intend to show up informed and prepared.

Yet a different kind of inequality threatens to undercut participation altogether—financial and logistical access. Soaring accommodation costs in Belém, Brazil, where COP30 will be held, risk excluding smaller and poorer countries from meaningful presence. It's not just a matter of delegation size; it's about ensuring that the voices of climate-vulnerable countries are heard in the very forums where their future is being debated. That these countries may be priced out of attendance is both a logistical and symbolic failure. It once again highlights how climate inequality extends beyond technology and finance to basic access, which is exactly an issue that urgently demands attention if COP30 is to uphold legitimacy and inclusivity.

Still, there are reasons for optimism. Joint statements between major economies like China and the EU show a continued will to lead. The host country Brazil is working to stabilize costs and has actively encouraged both business and multilateral engagement. The broader challenge for COP30 is to translate this mix of urgency and ambition into concrete agreements. In a fragmented world, COP remains one of the few arenas where governments, businesses, scientists, and civil society meet face-to-face to coordinate climate progress.

BBNJ Treaty Finally Reaches Ratification Threshold

What is Happening

- In the run-up to the treaty's entry into force, Ireland confirmed plans to ratify the BBNJ Treaty. With 143 signatories and 57 ratifications at the time, the milestone of 60 ratifications was expected imminently. Irish officials framed the agreement as both a reinforcement of the multilateral system and a vital framework to confront threats from pollution, climate change, and unsustainable human activity. Minister for Climate, Energy, and the Environment Darragh O'Brien emphasized Ireland's commitment to advancing marine conservation and delivering on global biodiversity targets through the new treaty. (*Oceanographic*, September 18)
- The ratifications by Morocco and Sierra Leone brought the High Seas Treaty, formally known as the Agreement under the United Nations Convention on the Law of the Sea on the Conservation and Sustainable Use of Marine Biological Diversity of Areas beyond National Jurisdiction (BBNJ Agreement), past the 60-party threshold needed for entry into force. The treaty now enters the 120-day countdown for the accord to enter into force in early 2026. (*The New York Times*, September 19)
- The treaty is the first global legal framework to safeguard biodiversity in international waters, enables countries to designate marine protected areas and regulate activities such as deep-sea mining and geoengineering. It also creates mechanisms for technology sharing, funding, and scientific cooperation, and is considered key to meeting the "30x30" pledge to protect 30% of the planet's land and sea by 2030. While hailed as a landmark for ocean governance, the treaty's effectiveness remains uncertain as major powers including the U.S., China, Russia, and Japan have yet to ratify. (*Associated Press*, September 19)
- In the UK, the government introduced its ratification bill to Parliament earlier in September, signaling political support just ahead of the milestone. British and international environmental groups hailed the achievement. The UK's engagement reflects both its legislative follow-through and its alignment with global advocacy pushing to designate 30% of the ocean as protected areas by 2030. (BBC, September 19)
- UN Secretary-General António Guterres hailed the milestone as a "historic achievement for the ocean and for multilateralism," calling the treaty a lifeline in confronting the crises of climate change, biodiversity loss, and pollution. UNEP Executive Director Inger Andersen emphasized that "our ocean is the foundation of our very existence," framing the agreement as essential to safeguarding

humanity's future. (*UN News*, September 20)

- The entry into force of the BBNJ Treaty also spotlighted Africa's role in global ocean governance. Although only 14 of 69 African states have ratified, the continent played a visible part in negotiations and provided the decisive ratifications by Sierra Leone and Morocco that pushed the treaty past the 60-party threshold. African negotiators framed the treaty around fairness, equity, and capacity building, linking ocean stewardship to the principle of the "common heritage of humankind." Leaders stressed that Africa's engagement ensures its voices are embedded in high seas governance, particularly in securing just benefit-sharing from marine genetic resources and strengthening science and enforcement capacity. (Institute for Security Studies, September 24)
- With the BBNJ Treaty set to enter into force in January 2026, attention is turning to where its new secretariat will be based. Belgium is lobbying to host it in Brussels, pitching the city's diplomatic role, accessibility, and expertise in marine sciences. Meanwhile, Chile has emerged as a strong rival, with President Gabriel Boric emphasizing the country's extensive coastline, record in marine protection, and leadership on deep-sea mining restrictions. (*Belga News Agency*, September 25)
- The BBNJ Treaty also explicitly recognizes indigenous knowledge and requires free, prior and informed consent for the use of resources linked to that knowledge. The treaty highlights how cultural stewardship and conservation go hand in hand. Advocates stress that when indigenous communities participate directly in protecting sacred waters and ancestral routes, biodiversity outcomes are often stronger and more enduring. (*Radio France Internationale*, September 28)

Why it Matters

While rooted in the law of the sea, the BBNJ Agreement, or High Sea Treaty represents a major development in international environmental law. For the first time, there will be a legally binding global framework to conserve and sustainably manage marine biodiversity in areas beyond national jurisdiction, which cover nearly two-thirds of the ocean and half the planet's surface. The agreement establishes a set of core mechanisms in which countries can designate marine protected areas on the high seas, subject potentially destructive activities such as deep-sea mining and geoengineering to international scrutiny, and require environmental impact assessments for projects in these fragile ecosystems. It also creates rules for sharing the benefits of marine genetic resources, and ensures that developing countries receive support through capacity building, technology transfer, and scientific cooperation.

Equally important is the fact that the treaty's success was not the achievement of one or two states but the result of a genuinely collective effort. Morocco and Sierra Leone's ratifications pushed the agreement over the formal threshold, but dozens of countries helped build the momentum. The European Union and its member states ratified jointly, ensuring early numerical strength. Small island developing states such as Palau and Seychelles were among the first movers, motivated by their dependence on healthy oceans. Together, this wide coalition demonstrated that even amid a difficult geopolitical environment, countries across regions can act in concert to deliver a shared outcome for the global commons. The milestone was reached not because of symbolic last signatures alone, but because a large number of states were willing to align national processes with a collective international goal.

Nevertheless, the treaty's entry into force does not end the challenges ahead. Some of the world's largest maritime powers—including the United States, China, Russia, and Japan—have not yet ratified. Their absence could limit the reach and effectiveness of the treaty, particularly in regulating high seas fishing, shipping, and potential deep-sea mining. Questions also remain about implementation: how the new Conference of the Parties will coordinate with existing organizations such as regional fisheries management bodies or the International Seabed Authority, how benefit-sharing arrangements for marine genetic resources will be funded and monitored, and how enforcement will be carried out in vast ocean areas where state capacity is limited. The good news is that several of these countries that are yet to ratify have already signaled political support or active involvement in negotiations, suggesting that broader participation is likely to grow over time.

Still, the BBNJ Treaty offers hope that biodiversity beyond national borders can be protected before irreversible damage occurs, and that international cooperation can deliver meaningful progress against climate change, ecosystem loss, and pollution. Its success will depend on whether the spirit of collective effort that secured its ratification can be sustained through implementation.

More on Climate Policy & Diplomacy:

- **The United States**: The Trump administration's plan to overturn the EPA's 2009 endangerment finding—the legal foundation for all major U.S. climate regulations—has triggered a Senate probe into corporate lobbying from suspect big oil companies. The Senate Environment and Public Works Committee launched an investigation that seeks to uncover behind-the-scenes efforts to influence the EPA's move. (*The Guardian*, September 16)
- **Germany**: Germany will end fixed feed-in tariffs for new renewable projects and shift to market-based support mechanisms. The move aims to cut subsidy costs, currently €16 billion annually, while maintaining the goal of 80% renewable electricity by 2030. The plan also calls for major grid and storage investments, flexible hydrogen-ready backup capacity, and reforms to lower energy costs. (*Reuters*, September 15)
- **The United Kingdom:** Nigel Farage's Reform Party is reportedly receiving guidance from the Heartland Institute, a Trump-aligned U.S.-based think tank known for denying climate science. At a recent party event, Heartland representatives called net-zero policies a government control tactic and dismissed global warming, raising concerns about Reform UK's potential shift toward anti-climate rhetoric. (*Politico*, September 11)
- **Global**: The International Court of Justice declared in an advisory opinion that countries have clear legal duties under international law to prevent environmental harm and combat climate change. Violations may trigger legal liability, including possible reparations. The court also recognized the climate crisis as a human rights issue, affirming that a clean and sustainable environment is essential to the enjoyment of fundamental rights. (*Inside Climate News*, September 10)
- **European Union**: EU member states are debating the role of imported carbon credits in achieving the bloc's proposed 2040 climate goal of cutting net emissions by 90% from 1990 levels. The European Commission wants to allow credits from 2036, capped at 3% of baseline emissions, while countries like Poland are pushing for a higher 10% cap and an earlier start in 2031. (*Bloomberg*, September 9)

- **Canada**: Prime Minister Mark Carney suspended a 2026 mandate requiring 20% of passenger vehicle sales to be zero-emission, citing financial pressure on automakers from U.S. President Trump's new tariffs. Carney said the delay was needed to ease liquidity and production challenges in the sector. (*Associated Press*, September 5)

- **The United States:** The Trump administration has threatened tariffs, visa restrictions, and port levies against countries that support a UN International Maritime Organization (IMO) deal to cut shipping emissions. The draft agreement, backed by 63 states, would impose fees on vessels exceeding carbon standards, but Washington withdrew from talks and is pressuring allies like the Netherlands to oppose adoption at the October IMO session. (*Reuters*, September 3)

- **The United Nations**: The UN urged nearly 200 countries to submit updated Nationally Determined Contributions (NDCs) by September, calling them the "cornerstone" of global climate action. UN climate chief Simon Stiell warned stronger commitments are needed as climate impacts intensify and the U.S. withdraws from international climate cooperation. (*Reuters*, September 3)

- **Ethiopia:** Ethiopia formally launched its bid to host COP32 in 2027 in Addis Ababa, competing with Nigeria's proposal for Lagos. President Taye Atske Selassie said Ethiopia has the facilities and connectivity to host the summit, which would give Africa a key platform to press for stronger climate finance and clean energy support. Ethiopia has banned imports of non-electric vehicles and generates all electricity from renewables. It aims to reach net-zero emissions by 2050. (*Reuters*, September 3)

- **The United States:** More than 85 climate experts issued a review condemning the Trump administration's "Climate Working Group" report as error-filled and biased, accusing it of cherry-picking data to downplay well-established climate risks. (*DeSmog*, September 2)

- **China**: China announced it will tighten its carbon trading system by introducing absolute emissions caps in selected industries by 2027. The nationwide emissions trading scheme will cover major emitting sectors such as steel, cement, aluminium, and aviation, with both free and paid carbon allowances. The plan also opens the market to banks and financial institutions to boost liquidity and position carbon trading as a central tool for China's decarbonization goals. (*Reuters*, August 26)

- **Brazil**: COP30 president André Corrêa do Lago warned of deep divisions over how countries should respond to an upcoming UN review of national emissions plans (NDCs). He called for frank dialogue and urged governments to submit updated 2035 targets. He said COP30 must deliver a political response to weak NDCs. (*Climate Home News*, August 19)

- **The United States**: Chris Frey, former EPA research chief under President Biden, filed a formal request urging the Department of Energy to correct a climate science report used by the Trump administration to justify ending greenhouse gas regulations. He argued the report's development violated multiple federal laws safeguarding scientific integrity. He challenged its credibility and legitimacy. (*Politico*, August 18)

- **China & Brazil**: In phone talks with Brazilian President Lula da Silva, Chinese President Xi Jinping called for joint efforts to ensure the success of the upcoming UN Climate Change Conference in Belem, Brazil. Both leaders emphasized strengthening cooperation on global challenges and aligning strategies to promote sustainability and multilateral climate action. (*Xinhua*, August 12)

- **The United Kingdom**: A landmark advisory opinion by the International Court of Justice (ICJ) ruled that countries can be held accountable for climate change harm, including from historic emissions, and could face legal action if they fail to develop ambitious climate plans. While non-binding, the opinion affirms that both signatories and non-signatories to the Paris Agreement are bound by broader international obligations to protect the environment, and may be liable for climate-related damages. (*BBC*, July 23)

- **The United States**: Climate and Community Institute estimates that Trump's $1 trillion Pentagon budget for 2026 will add 26 megatons of greenhouse gas emissions. This increase equals the annual emissions of 68 gas power plants, pushing the Pentagon's total carbon footprint to 178 megatons. Analysts warn the surge will cause about $47 billion in global economic damages. (*The Guardian*, July 17)

- **United Arab Emirates & China**: A UAE delegation led by Climate Change and Environment Minister Amna bint Abdullah Al Dahak visited China from July 7–10 to deepen cooperation on climate action, sustainable agriculture, and food security. The UAE highlighted plans to integrate Chinese agricultural technologies into its National Food Security Strategy 2051. (*Xinhua*, July 14)

- **Germany**: German Chancellor Friedrich Merz warned in the Bundestag that an early German climate neutrality would not directly reduce global disasters, given Germany's small share of global emissions. He nevertheless reaffirmed support for the Paris Agreement and the government's goal of reaching climate neutrality by 2045. (*Frankfurter Rundschau*, July 10)

- **The United States**: The U.S. Department of Energy has hired three scientists known for disputing the mainstream scientific consensus on climate change. The hires are reportedly linked to efforts of the Trump administration to challenge the 2009 "endangerment finding," a foundational legal ruling that classifies greenhouse gases as harmful to public health, which underpins key federal climate regulations. (*The New York Times*, July 8)

- **European Union:** Eighteen EU member states have urged the European Commission to soften the bloc's new anti-deforestation law, set to take effect in December 2025. The law mandates full traceability and proof that goods such as soy, beef, and palm oil sold in the EU did not contribute to deforestation. Countries argue that the due diligence requirements are excessive and may burden producers, triggering industry relocation. (*Reuters*, July 7)

- **India**: Indian Prime Minister Modi announced that under India's upcoming BRICS presidency, the group will adopt the theme "Building Resilience and Innovation for Cooperation and Sustainability." He reaffirmed India's commitment to climate justice as a moral duty, emphasizing the link between environmental and public health. Modi also called for greater confidence and self-reliance among developing countries. (*Business Standard*, July 7)

- **European Union**: The European Commission proposed a 2040 climate target to cut emissions by up to 90%. The new target allows limited use of international carbon credits—letting EU countries partially meet targets by funding emission reductions abroad. This flexibility, aimed at easing government resistance, has drawn criticism for potentially weakening domestic decarbonization. (*Politico*, July 2)

Clean Energy & Technology

It Doesn't Have to be an Either or for the European Auto Industry

What is Happening

- Chinese automakers experienced a record-high share of 10.6% in the European EV market in June since the anti-dumping tariffs were imposed in 2024. BYD was leading the surge with a 143% jump in EV sales in the first half of the year. Companies are expanding local production and adjusting strategies to bypass EU duties by shifting away from pure EV models and cautious pricing. Chinese automakers also set records in June for total auto registrations and hybrid market share. (*Bloomberg*, August 1)
- The European Commission approved a €645 million grant through its Connecting Europe Facility to support the Bornholm Energy Island project in the Baltic Sea. The project is formalized in Berlin by Denmark's Energinet and Germany's 50Hertz, and will establish a cross-border offshore renewable energy hub that connects a 3GW wind farm near Bornholm to both countries' grids, delivering up to 2 GW of power to Germany and 1.2 GW to Denmark starting in the 2030s. (*Reuters*, September 4)
- BMW CEO Oliver Zipse criticized the EU's plan to ban new combustion-engine cars by 2035, arguing that it ignores emissions across the entire supply chain but focusing only on tailpipe emissions. He called for "technological neutrality" from the EU so that diesel, gasoline, plug-in hybrids, EVs, and hydrogen vehicles could all remain viable options after 2035, and urged regulators to impose decarbonization targets on fuel companies like Shell and BP, not just carmakers. (*Politico*, September 5)
- A new Transport & Environment report projects that all European carmakers except Mercedes-Benz are on track to meet the EU's 2025-2027 carbon emission targets, due to increased EV sales forecast driven by falling battery costs and wider charging infrastructure. However, T&E warned that weakening 2030-2035 targets could stall progress and allow China to widen its lead. Mercedes is forecast to keep lagging due to its focus on internal combustion models but may avoid fines by pooling emissions with Volvo and Polestar. (*Reuters*, September 8)
- China's oil demand is expected to peak in 2027. Rapid growth in electric vehicle adoption and LNG use in heavy trucks are cutting into gasoline use. However, the production of petrochemicals would continue to demand oil until at least 2050. (*Reuters*, September 8)
- Chinese carmaker BYD announced that it will begin producing electric vehicles in Europe within two to three years to sidestep EU tariffs on Chinese-made EVs. One new factory is set to open this year in Hungary and another in Turkey by 2026. The company plans to expand its European lineup with three to four new plug-in hybrid models in the next six months, and aims to launch its luxury Yangwang brand in Europe by 2027. (*Reuters*, September 8)
- Austria lost its legal challenge against the EU's decision to label nuclear energy and natural gas as "climate-friendly" investments. The EU's General Court ruled that the European Commission was within its rights to classify these sectors as contributing to climate change mitigation under certain conditions. (*Reuters*, September 10)

- Volkswagen is temporarily halting production at its Zwickau EV factory for a week starting Oct. 6 and cutting hours at its Emden plant due to weaker-than-expected demand for its electric models, particularly the Audi Q4 e-tron. The slowdown reflects softer regional EV growth, U.S. tariffs, and EU policy uncertainty, leaving VW with excess capacity despite last year's restructuring deal that secured jobs at both plants. (*Bloomberg*, September 25)
- German Chancellor Friedrich Merz urged the EU to scrap its 2035 ban on new combustion-engine cars and allow hybrid drives and technologies like range extenders, arguing for a more flexible path to climate neutrality. Speaking ahead of key EU meetings, Merz said the current rules risk alienating consumers and hurting Germany's auto sector, which is already strained by U.S. trade tensions and competition from China, and emphasized letting industry choose the best technological route to cut emissions. (*Bloomberg*, September 26)
- Mercedes-Benz is cutting its CO_2 emissions by 40% in its new electric CLA model by using low-carbon aluminium from Norwegian producer Norsk Hydro. The aluminium emits only 3 kg of CO2 per kilogram compared with the global average of 16.7 kg, and is produced using renewable energy and consists of 25% recycled scrap. Mercedes executives said paying a premium for such materials aligns with growing consumer demand for sustainable products. (*Reuters*, September 29)

Why it Matters

The European Union's objective is clear: it seeks to decarbonize its economy, and the transportation sector is one of the most important areas of focus. The centerpiece of this effort is the EU's decision to ban the sale of new combustion-engine vehicles by 2035. The move is ambitious and symbolically powerful, but it has provoked strong reactions from major car manufacturers, particularly in Germany, who have lobbied to weaken or delay the measure. Europe's auto industry is a vital pillar of its economy and a major employer and is now facing a defining moment, in which the EU must carefully balance its climate goals with the economic realities facing the sector.

The 2035 ban is arguably too ambitious and risks backfiring. If it fails or is rolled back, it could do more harm than good to Europe's long-term decarbonization effort. European carmakers remain hesitant to leave their current status quo and fully embrace alternatives to the internal combustion engine (ICE), but they need credible incentives and support to accelerate this transition. Abruptly forcing the industry into an EV-only future before it has developed sufficient capacity may result in severe economic disruption without guaranteeing the desired environmental outcomes.

The current state of Europe's auto industry highlights the risk of such disruption. European manufacturers have already faced declining sales, shrinking profit margins, and the need to cut jobs as demand for ICE vehicles slows and EV adoption grows unevenly. Many firms are scaling back production or announcing restructuring plans to cope with falling revenues. Meanwhile, Chinese automakers have expanded aggressively into the global EV market, and even regained traction in the European market after a protective anti-dumping tariff, offering cheaper models and dominating the battery supply chain. European producers, by contrast, are still facing high production costs along the supply chain, which erodes their competitiveness. Against this backdrop, a sudden and complete ban on ICE vehicles could compound the industry's difficulties and accelerate job losses across the continent.

There is also the problem of path dependency. By announcing a complete phaseout of ICE vehicles, the EU has implicitly declared that combustion engines cannot be part of a climate-neutral future. Yet a vehicle's emissions are determined by the fuel it uses, not simply by its powertrain. Cleaner fuels such as sustainable biofuels or hydrogen could allow ICE vehicles to achieve near-zero emissions. Abandoning this avenue entirely may close off an important technological pathway at a time when Europe is still trailing China in EV development.

For Europe, decarbonization of transportation must be built on the survival of a competitive auto industry, not its collapse. Pushing the industry too quickly into a field where it lacks comparative advantage could weaken its global position and erode public support for climate policy. This is not a choice on the environment or the economy, it is about aligning climate ambition with industrial capacity to make the transition sustainable.

Rather than a binary "ban or no ban" approach, the EU should consider a more gradual pathway toward decarbonization, one that includes interim targets, quotas for hybrids, and space for low-carbon ICE vehicles that run on sustainable fuels. Such a staged approach would reduce economic shocks, give manufacturers time to scale up EV production, and preserve room for innovation in fuel technologies. This would make the transition both more politically feasible and more durable, ensuring Europe's leading position in climate policy that delivers strong climate results while maintaining its industrial base.

Republicans Are Escalating Their Attack as America's Clean Energy Divide Widens

What is Happening

- Trump signs the "One Big Beautiful Bill" (OBBB) into law on the Fourth of July. The new budget reconciliation package is expected to cut incentives that promote green energy and expand domestic production of oil, coal and natural gas. (*The Hill*, July 4)
- The OBBB eliminates all federal tax credits for electric vehicles, ending the $7,500 incentive for new EVs and the $4,000 for used ones. Buyers must complete purchases by Sept. 30 to qualify. (*CBS News*, July 4)
- The OBBB also reduces clean energy tax breaks for wind and solar, significantly undermining momentum in renewable deployment. While framed as a cost-cutting measure, the climate rollbacks mark a dramatic reversal in federal support for decarbonization. (*Reuters*, July 6)
- Republican senators Chuck Grassley and John Curtis placed holds on three of President Trump's Treasury Department nominees in protest against a White House directive to tighten rules on wind and solar tax credits. The senators argued Treasury must adhere to longstanding guidance that allows projects to qualify once 5% of costs are spent, warning Trump's move to restrict this safe harbor violates congressional intent. (*Reuters*, August 4)
- As a part of Trump's offenses against renewable energy, the Interior Department now mandates direct political review of formerly routine permits over onshore solar and wind energy projects. The department is also re-investigating bird mortality linked to wind farms and considering revoking permits for projects already approved or under construction. It is also withdrawing millions of acres

of federal waters that were previously designated for offshore wind leasing. Most notably, the Interior Department reversed the Biden-era approval of the Lava Ridge Wind Project in southern Idaho, citing vague "legal deficiencies" in the earlier authorization. (*The New York Times*, August 7)

- The U.S. Department of Agriculture will stop funding solar and wind projects on productive farmland, which aligns with President Donald Trump's push to curb renewable energy expansion. The decision marks a reversal of Biden-era policies that promoted rural clean energy development to cut emissions and lower energy costs. (*Reuters*, August 18)
- The U.S. Commerce Department has opened a national security investigation into the import of wind turbines and their components. The probe is launched under Section 232 of the Trade Expansion Act, following the recent announcement of 50% tariffs on wind turbine imports based on their aluminum and steel content. The administration argues that foreign subsidies and reliance on overseas supply chains pose risks to U.S. national security and industry competitiveness. (*Reuters*, August 21)
- The Trump administration halted construction on the nearly completed Revolution Wind project, located 15 miles off the coast of Rhode Island. The Bureau of Ocean Energy Management (BOEM) cited "national security concerns" as the reason for the order, affecting Danish developer Ørsted and its U.S. partner, Global Infrastructure Partners. (*npr*, August 23)
- The U.S. Department of Transportation has announced the termination of $679 million in funding intended to support offshore wind-related ports and manufacturing facilities. Secretary Sean Duffy stated that 12 offshore wind grants and project selections are being canceled, including infrastructure projects such as logistics hubs, assembly ports, and manufacturing facilities. (*Politico*, August 29)
- In response to the Trump administration's rollback of California's clean vehicle rules and federal EV incentives, Hawaii and Wisconsin joined the Affordable Clean Cars Coalition, part of the U.S. Climate Alliance. While neither state had previously adopted California's stricter vehicle standards, both governors signaled support for protecting states' rights to set air pollution rules and promoting clean vehicle adoption. The coalition is backed by 24 governors. It aims to counter federal rollbacks but stops short of mandating EV sales targets. (*Politico*, September 4)
- The Trump administration has asked the U.S. District Court in Vermont to strike down Vermont's new "climate Superfund" law, arguing it violates federal authority and interferes with U.S. foreign policy. The administration claimed the law is unconstitutional because it attempts to regulate climate-related conduct that occurs outside Vermont and conflicts with national interests. (*E&E News*, September 17)
- More than 100 Democratic lawmakers in the U.S. House have urged the Trump administration to reverse its sweeping rollback of vehicle emission regulations. In a letter led by Rep. Doris Matsui and signed by 101 others warned that repealing greenhouse gas standards for all vehicle classes would threaten U.S. auto industry leadership and cost Americans $1.3 trillion in fuel and maintenance savings. (*Reuters*, September 17)
- State Attorney General William Tong of Connecticut is leading the effort alongside California, New York, and Massachusetts in the multistate legal fight against the Trump administration's attempt to

repeal the EPA's endangerment finding. Connecticut officials and Yale-affiliated economists have publicly criticized the federal rationale behind the rollback, arguing it misrepresents science and undermines air quality and climate goals. (*CT Mirror*, September 17)

- A federal judge granted a preliminary injunction allowing Ørsted and Skyborn's Revolution Wind project to resume construction after the Trump administration halted it in August. Judge Royce Lamberth ruled the stop-work order was "arbitrary and capricious" and risked collapsing the nearly $5 billion offshore wind project. The ruling permits work to continue while the Interior Department reviews its concerns, and further legal challenges remain likely. (*Politico*, September 22)

Why it Matters

The Trump administration's policies are not just rolling back climate ambition, they are launching a full-spectrum political, legislative, and legal campaign against the country's clean energy promoted by the Biden administration. From the repeal of EV and renewable energy tax credits in the One Big Beautiful Bill (OBBB), to targeted administrative reversals, trade-based attacks, and litigation against state climate laws, these moves form a cohesive and deliberate anti-climate agenda. The implication is clear: the White House, Congress, and Trump's executive agencies are now aligned in halting America's clean transition.

This alignment is a systemic transformation of the federal climate stance from all aspects. Reversals now span nearly every department: Interior is canceling wind permits and pulling offshore acreage; Agriculture is defunding solar on farms; Commerce is launching Section 232 trade investigations into wind turbines; Transportation is cutting renewable energy related supports on ports; and DOJ is weaponizing courts to invalidate state climate laws. The rapidity and breadth of these actions suggest not just ideological resistance, but a lasting structural dismantling of climate governance. The administration's readiness to sideline scientific consensus and economic rationale while framing clean energy as a national security threat demonstrates the depth of its political commitment to reversing the energy transition.

As the backlashes are mounting, Democratic governors are also forming new coalitions against them. The state attorney general from Connecticut is filing lawsuits, and over a hundred lawmakers in the Congress have signed joint letters opposing rollbacks on renewable energy. These efforts reveal the deep support that clean energy still widely exists across much of the country, and the Trump administration is far from getting universal support over their anti-climate campaign. Notably, even states that had not previously adopted California-style clean car rules are now joining lawsuits and alliances in protest, indicating a more robust and bipartisan defense of state climate autonomy. This internal pushback is not limited to Democrats. In a rare intra-party break, some republican senators also openly protested the administration's attempt to restrict wind and solar tax credits. Their message is that even from a conservative economic standpoint, clean energy still creates jobs, drives local growth, and deserves stable policy support.

Yet, this political standoff is more than just a policy clash over renewable energy. It reflects a deepening ideological schism in American politics, where compromise has become virtually impossible and polarization increasingly paralyzes the nation's capacity to govern. Rather than seeking transitional solutions with broad appeal—such as hybrid eclectic vehicles, incremental grid upgrades, or region-specific energy strategies—both sides have embraced all-or-nothing tactics. This binary mindset is turning climate policy into a proxy war for cultural and partisan dominance, eroding the possibility of sustained, consensus-driven progress.

In conclusion, the fight over clean energy reflects the deep struggle over governance and equity in the U.S. government. The result is a dangerously unstable policy environment where each election cycle risks overturning the last administration's work. This oscillation burdens both parties: whatever one side builds, the other is determined to dismantle. For industries, this means constant regulatory uncertainty and no clear investment direction. For U.S. energy policy, it means lost time, fragmented infrastructure, and missed innovation opportunities. And for America's global standing, it undermines long-term credibility as both a climate and global leader. In the end, both sides suffer. and the country as a whole pays the price for weaponizing energy policy instead of treating it as a shared national priority. While political resistance shows there is still hope, the escalating tit-for-tat leaves little space for consensus-building. Unless more pragmatic pathways emerge, climate policy may continue to suffer under the weight of America's partisan gridlock.

More on Clean Energy & Technology:

- **China:** China plans to nearly double its new energy storage capacity to 180 GW by 2027, up from 95 GW in June 2025. The expansion will mainly be driven by lithium-ion batteries, and is expected to attract about 250 billion yuan (US$35 billion) in investment. (*Reuters*, September 12)
- **The United Kingdom & China:** Britain's Octopus Energy signed a partnership with China's Ming Yang Smart Energy that could lead to the first Chinese-made wind turbines being installed in the UK. The deal supports Octopus's plan to develop up to 6 GW of wind capacity. The move comes as Europe weighs concerns over cheaper Chinese imports, which some fear could undermine domestic turbine manufacturers. (*Reuters*, September 11)
- **United States:** The White House is considering a proposal from the Environmental Protection Agency to reallocate roughly 550 million gallons of biofuel blending obligations that were recently waived for many small refineries to large oil refiners. The adoption of the new obligation will spark frustration from farm-state lawmakers and biofuel producers since the reduction of blending quota will decrease demand for biofuels. In the U.S., biofuel is considered carbon neutral in its production process. (*Reuters*, September 10)
- **China:** China announced a plan to accelerate the integration of artificial intelligence with the energy sector to improve efficiency and support its low-carbon transition. By 2027, Beijing aims to establish a full innovation system for AI-energy integration, and by 2030 it targets world-leading applications in areas like power grids, renewable energy, and nuclear power. (*Xinhua*, September 8)
- **Canada & Germany:** The two countries agreed to deepen cooperation on critical mineral supply chains to reduce reliance on foreign suppliers. The partnership will support secure access to nickel, cobalt, graphite, and rare earths, which are essential for clean energy technologies, batteries, and defense. (*Bloomberg*, August 26)
- **Japan:** Mitsubishi Corp. plans to withdraw from three offshore wind projects in Chiba and Akita due to rising costs, high interest rates, and weak momentum in Japan's nascent offshore wind industry. Japan, still

reliant on fossil fuels, is targeting 10 GW of offshore wind by 2030 and up to 45 GW by 2040, while the government considers rule changes to extend project permits to boost profitability. (*Bloomberg*, August 26)

- **Germany**: The Green Party is demanding faster expansion of solar power, calling for continued subsidies for private photovoltaic systems, simplified grid connections, and more investment in solar rooftops on public buildings. The Greens argue every new solar installation should have a right to financial support, countering Economy Minister Katharina Reiche's recent claim that small PV systems are already profitable without subsidies. (*Die Zeit*, August 25)
- **China:** Chinese plans to build the world's largest solar farm, spanning 610 square kilometers on the Tibetan plateau. China's carbon emissions fell 1% in the first half of 2025, continuing a decline since March 2024 and suggesting emissions may have peaked earlier than its 2030 target. (*Associated Press*, August 22)
- **China:** China's top refiner Sinopec reported a 36% drop in first-half profit to 23.75 billion yuan. The company acknowledged that surging electric vehicle adoption and renewable energy is eroding demand for gasoline and diesel. Sinopec expects refined fuel sales to remain under pressure in the second half. (*Bloomberg*, August 21)
- **China:** Contemporary Amperex Technology Ltd. (CATL), the world's largest EV battery maker, suspended production at a major lithium mine. The move is believed to be linked to China's push to curb overcapacity in the EV battery sector. (*South China Morning Post*, August 11)
- **China:** PetroChina's 1.3 GW photovoltaic project at the Tarim Oilfield in Xinjiang is prepared to launch. The project will directly deliver 2.1 billion kWh of renewable electricity annually to enterprises such as Dushanzi Petrochemical's 1.2 million t/yr ethylene plant. Once operational, it will be the first million-kilowatt green power direct supply project in Northwest China, raising the share of direct green power use in the park to 60.4%. (*Xinhua*, August 8)
- **Germany:** Germany's latest offshore wind auctions for 2,500 MW of capacity failed to attract any bids. Economy Minister Katharina Reiche cited unsuitable site conditions, rising costs, and shifting market dynamics as key factors that led to this result. Industry groups warned that without reforms to auction design, Germany risks stalling its offshore wind expansion. (*Reuters*, August 6)
- **The United Kingdom:** The Scottish government approved the Berwick Bank offshore wind farm. It is one of world's largest offshore wind farms projects that is capable of powering Scotland's households twice over. The project will include up to 307 turbines built by SSE Renewables. Deputy First Minister Kate Forbes emphasized the decision as vital for net-zero goals, energy security, and economic growth. (*BBC*, July 31)
- **The United States:** Commerce Department imposed tariffs of 93.5% on Chinese refined graphite, a key material for electric vehicle batteries, after ruling Chinese firms were "dumping" the product. The move threatens to raise EV prices as automakers face higher costs just as federal EV tax credits are being eliminated. Industry leaders warned domestic suppliers are not yet able to meet the technical and commercial demands of battery-grade graphite. (*The New York Times*, July 17)
- **The United States:** Clean energy trade groups in California urged Governor Gavin Newsom and state legislators to accelerate project approvals in response to new federal tax law changes signed by President

Trump that scale back wind and solar subsidies. The groups warned that stricter timelines on construction start and completion could derail billions in investment and stall dozens of large-scale projects. They asked the state to fast-track reviews, launch new procurement, and open more agricultural land for renewable development to safeguard jobs and climate targets. (*Reuters*, July 16)

- **The Netherlands:** The Netherlands has reduced its 2040 offshore wind power target from 50 gigawatts to a range of 30–40 gigawatts, citing rising costs and slower-than-expected power demand. Climate Minister Sophie Hermans told parliament the previous goal was “not realistic,” though offshore wind remains central to the country’s energy strategy. (*Bloomberg*, July 16)
- **China:** China has completed a 4,197 km extra-high voltage power grid loop around the Tarim Basin in Xinjiang, turning the desert region into a major hub for transmitting wind, solar, thermal, and hydropower. The project, spanning 15 years of construction, includes nearly 10,000 towers and nine substations and will begin operation in November 2025. (*South China Morning Post*, July 14)
- **India:** India announced it has reached 50% of its installed electricity capacity from non-fossil fuel sources, achieving this milestone five years ahead of its 2030 Paris Agreement target. Renewable output rising sharply in early 2025 even as coal generation declined slightly. Nevertheless, India still plans to expand coal capacity by 80 GW by 2032 to meet rising demand. (*Reuters*, July 14)
- **China:** China’s National Development and Reform Commission announced new renewable portfolio standards requiring steel, cement, polysilicon industries, and certain data centers to source a set share of their electricity from renewables. Newly built national-level data centers must use at least 80% green power, while industry targets vary by province. These mandates expand previous rules beyond aluminium and power trading, linking them to China’s new mechanism for renewable pricing. (*Reuters*, July 11)
- **China**: China is expanding its green power targets to cover more high-emission industries, requiring sectors like steel, cement, and polysilicon to meet 25%–70% of their electricity needs with renewable energy in 2025–2026. The data center sector faces a more stringent 80% requirement. Provincial targets for renewable consumption are also set between 10.7%–30% in 2025 and 12.4%–30% in 2026, depending on location. (*Bloomberg*, July 9)

Climate Finance

MDBs Are Proving They Can Bridge the Climate Finance Gap

What is Happening

- At the Fourth International Conference on Financing for Development, the Sevilla Platform of Action launched two initiatives to strengthen country-led financing strategies for development and climate action. (Asian Infrastructure Investment Bank, July 1)
- At the UN development financing summit in Seville, the heads of the European Investment Bank (EIB) and the Asian Infrastructure Investment Bank (AIIB) emphasized the need for multilateral development banks (MDBs) to take bolder action on climate investment and gender inclusion. Both leaders supported empowering women as essential to smart economic development. On the other hand, the backdrop includes rising global criticism of MDBs' pace and ambition, along with U.S. resistance to expanding multilateral lending or adopting inclusive language on gender. (*Reuters*, July 2)
- Ten leading MDBs jointly released the Water Security Financing Report 2024 in July, revealing $19.6 billion in approved investments for water supply, sanitation, irrigation, and water resource management in 2024. Of this, $14.4 billion targeted low- and middle-income countries. The report emphasizes improving flood and drought resilience, food security, and access to safe drinking water. (Islamic Development Bank, July 1)
- The Asian Infrastructure Investment Bank (AIIB) has signed a $100 million on-lending facility with Viet Nam Prosperity Joint Stock Commercial Bank (VPBank) to promote sustainable infrastructure and climate mitigation in Vietnam. The funding will support EV adoption, renewable energy, green buildings, and low-carbon logistics, aligning with Vietnam's NDCs under the Paris Agreement. This marks AIIB's second partnership with VPBank and reflects AIIB's target of over 50% annual climate finance by 2030. (Asian Infrastructure Investment Bank, July 16)
- A recent financial report shows that MDBs delivered a record $137 billion in climate finance in 2024. Of the climate funds, $85.1 billion went to low- and middle-income countries, with a growing share directed to the poorest ones. (*Reuters*, September 9)
- It is also mentioned in the same report that in last year, MDBs increased their climate finance for low- and middle-income economies by 14%, reaching more than US$85 billion. Private finance also mobilized $134 billion for climate investments worldwide, a 33% jump compared to last year. (European Bank for Reconstruction and Development, September 9)
- Meanwhile, In 2024, MDBs provided USD 51.5 billion in climate finance to high-income countries, allocating USD 46.5 billion (90%) to mitigation and USD 5 billion (10%) to adaptation, while mobilized private finance for climate investments in these countries amounted to USD 101 billion. (Asian Infrastructure Investment Bank, September 9)
- The 2024 MDBs climate finance reporting is prepared and published by the European Investment Bank (EIB), with assistance from the European Bank for Reconstruction and Development (EBRD), and combines data from the African Development Bank (AfDB), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the Council of Europe Development Bank (CEB), the EBRD,

the EIB, the Inter-American Development Bank Group (IDB), the Islamic Development Bank (IsDB), the New Development Bank (NDB) and the World Bank Group (WBG). (Asian Infrastructure Investment Bank, September 9)

Why it Matters

The latest financial disclosures from multilateral development banks (MDBs) paint a cautiously optimistic picture of global climate finance. MDBs are becoming a practical solution that effectively gets real money moving for climate finance. As argued in "*Why Multilateral Development Banks Hold the Future of Climate Finance*," MDBs have the structural mandate and cross-border credibility to deliver stable, long-term investment where philanthropy is limited and markets hesitate. Today's achievement is increasingly proving the thesis of this earlier commentary included in the 2024 Q4 BCCC Quarterly.

From supporting Vietnam's electric vehicle infrastructure to advancing water resilience across low-income regions, MDBs are demonstrating how public mandates and financial discipline can align to drive large-scale climate action. Just as importantly, they are doing so at scale: MDBs delivered and assisted in delivering a record volume of climate related investments last year, with more than 60% directed to low- and middle-income countries and an unprecedented surge in private co-financing. These numbers signal that MDBs are gradually becoming an important bridge between the very gaps of climate finance the world has long debated but struggled to close.

The recent reports on those achievements are so valuable because they prove that MDBs can step up to do what wealthier countries and private investors have long been urged to deliver but largely failed to achieve. Crucially, MDBs are now channeling finance not only to where it is bankable, but to where it is needed—bridging the critical gap between ambition and equity. This shift directly reflects what was emphasized in our earlier commentary: MDBs succeed not by replacing bilateral aid or private markets, but by de-risking and complementing them in ways others cannot.

Nevertheless, encouragingly, wealthy nations have begun to scale up their concessional climate contributions, while private capital flows—especially toward water resilience and clean infrastructure—have surged by more than 30% over the past year. These trends underscore MDBs' growing role not just as a direct source of climate investment, but as a trusted multiplier—amplifying the impact of others and helping unlock broader financing across the ecosystem.

Even more important is what these actions reveal about the future of global climate finance. MDBs are now showing that equitable allocation and ambitious climate goals are not mutually exclusive. By embedding gender inclusion, climate alignment, and adaptive infrastructure in their project frameworks, MDBs are quietly establishing what serious, scalable climate investment should look like which all other actors could follow.

However, the road ahead is still very political. As recent events in Seville showed, resistance from key shareholders—especially the United States—continues to limit MDBs' potential. Whether through refusing to expand capital bases or opposing inclusive language in summit declarations, these blockages still risk turning MDBs into institutions tasked with global responsibilities but constrained by domestic politics. That contradiction must be resolved.

More on Climate Finance:

- **World:** A coalition of 35 countries had pledged during a 2021 UN Climate talk to end public funding for international fossil fuel deals under the Clean Energy Transition Partnership. According to research by NGOs, such funding fell by up to 78% in 2024 compared with pre-agreement levels among the coalition except for Germany, Switzerland and the United States. The 3 countries jointly approved $10.9 billion in new fossil fuel deals between 2023 and 2024. (*Reuters*, September 29)
- **Africa:** At the Africa Climate Summit, the African Development Bank emphasized its efforts to scale gender-responsive climate and energy solutions. Investment partner KawiSafi Ventures announced that 35% of its $90 million Fund II will target female-founded clean energy firms, showcasing the ambition to empower women and drive climate resilience across Africa through climate finance. (Africa Development Bank Group, September 12)
- **Africa**: The Second Africa Climate Summit in Ethiopia concluded with a call for stronger global climate action and African-led solutions, emphasizing adaptation, resilience, and green industrialization. Leaders pledged up to $100 billion through the Africa Green Industrialization Initiative and backed new instruments including AfDB green bonds. (*Climate Home News*, September 8)
- **Australia**: The Business Council of Australia endorsed a net-zero commitment but warned that achieving a 2035 emissions reduction target above 60% from 2005 levels will require over $400 billion in new investment. McKinsey modelling for the council also projected the need for 59,000 additional workers in electrical and engineering trades by 2030 to meet the goal. (*Australia Financial Review*, September 4)
- **Brazil:** Brazil secured backing from the Amazon Cooperation Treaty Organization for its proposed $125 billion Tropical Forest Forever Facility (TFFF), a fund designed to finance long-term forest conservation in up to 74 developing countries. The fund will invest in high-yield assets with at least 20% of resources to go to Indigenous and local communities. It also bans fossil fuel investments and ties payments to halting deforestation across all types of primary vegetation. (*Bloomberg*, August 22)
- **China**: China's central bank and six other agencies issued new guidelines to expand financial support for emerging industries, including new energy and future energy technologies. The plan calls for channeling long-term capital from government funds, state-owned enterprises, and insurers into sectors critical for industrial decarbonization, aiming to accelerate clean energy innovation while managing financial risks. (Shanghai Materials Market, August 6)
- **Global:** ClimateWorks Foundation and partners launched a new Adaptation and Resilience Fund to channel over $50 million into community-driven projects addressing extreme heat, floods, and droughts in low- and middle-income countries. Backed also by Laudes, Quadrature, Howden, and Rockefeller Foundations, the fund supports early warning systems, financial tools, and urban resilience initiatives in South Asia, Southeast Asia, and sub-Saharan Africa. The fund aims to correct the chronic underfunding of adaptation and strengthen economic security in climate-vulnerable areas. (ClimateWorks Foundation, August 5)
- **Brazil**: Brazil is preparing to launch a nearly $4 billion green finance initiative ahead of COP30, aiming to attract private investment from major global firms. The fund will start with a 5 billion reais (~$900 million) in seed capital for state development bank BNDES, with selected asset managers expected to raise triple

that amount. The initiative signals a strong push by President Lula's government to scale up climate-focused investments despite growing fiscal constraints. (*Reuters*, July 28)

- **The United Kingdom:** Climate groups in the UK are demanding the government introduce wealth taxes to fund climate action and public services. Protests targeting wealthy individuals and institutions argue that taxing assets over £10 million, alongside closing loopholes and aligning capital gains with income tax, could raise more than £70 billion annually. Campaigners say this approach would ensure the climate transition is financed fairly rather than burdening the poor. (*The Guardian*, July 15)
- **The United Kingdom**: Senior UK ministers are meeting with financial sector leaders to explore how UK private finance can support climate action and disaster insurance for vulnerable countries. As part of this effort, the UK has committed £12 million from its aid budget to fund pre-arranged disaster risk finance, enabling faster payouts triggered by weather forecasts or events. The initiative also aims to lower recovery costs and speed up responses to extreme weather events. The ministers also emphasized the economic opportunity in the green sector and the UK's potential role in scaling investment into emerging markets. (*Independent*, July 8)
- **The United States**: The "One Big Beautiful Bill" repeals the $20 billion Greenhouse Gas Reduction Fund created under the Inflation Reduction Act. The Environmental Protection Agency is using the repeal to argue in federal court that it can freeze funding and cancel contracts with nonprofits like Climate United Fund. Grantees insist much of the funding was already legally disbursed and remains protected. (*Associated Press News*, July 4)

Climate Risks and Adaptation

While the Rest of the World is Adapting to Climate Risks, the U.S. is Struggling to Recognize It

What is Happening

- Torrential rains in central Texas over the July 4 weekend triggered catastrophic flash flooding that killed 104 people, including 27 children. Scientists say while no single storm can be blamed entirely on climate change, human-driven warming has likely intensified extreme rainfall events like this one, with warmer air and Gulf waters fueling heavier downpours. Experts warned that such deadly floods will become more frequent unless greenhouse gas emissions are curbed and resilience measures are strengthened. (*ABC News*, July 7)
- Tropical Depression Chantal brought record rainfall and flash flooding to central North Carolina, causing dam breaches, mass power outages, and displacements. Scientists link Chantal and similar recent storms to climate change, citing warmer air's increased moisture capacity. Yet despite this, the state legislature passed Senate Bill 266—backed by utilities and fossil fuel interests—repealing Duke Energy's 2030 interim emissions target. (*Inside Climate News*, July 8)
- The International Court of Justice (ICJ) issued an advisory opinion that states are legally obligated to protect the environment from greenhouse gas emissions, including meeting the Paris Agreement's 1.5°C target, and can face legal consequences if they fail to comply. The decision highlights that a clean environment is essential to human rights. The case was initiated by Vanuatu and backed by more than 130 countries. It represents the largest advisory opinion in ICJ history, underscoring the growing role of international law in addressing climate change. (*United Nations*, July 23)
- The US Department of Energy issued a 141-page report on July 29, which was produced unusually quickly and without peer review. The report claims that global warming projections are overstated and highlights potential benefits of higher carbon dioxide levels, contradicting mainstream climate science. It was released alongside an EPA move to revoke the 2009 "endangerment finding" that underpins US climate rules. Experts warn that it undermines established science and could lead to legal battles over the EPA's authority to regulate emissions. (*Bloomberg*, July 31)
- Environmental groups Environmental Defense Fund and Union of Concerned Scientists sued the Trump administration in federal court in Massachusetts, alleging the Energy Department and EPA illegally convened a secret "Climate Working Group" of five climate skeptics to produce a report downplaying global warming that EPA then cited to justify repealing the 2009 endangerment finding. The suit claims this violated the Federal Advisory Committee Act's transparency rules and, in a related motion, asks the court to halt EPA's rollback.(*The New York Times*, August 15)
- Syria is experiencing its worst drought in 36 years that cut its wheat production by about 40%, creating a severe food crisis that threatens three million people with hunger. The shortfall endangers Syria's subsidized bread program and highlights broader challenges in rebuilding after years of war, despite recent U.S. sanctions relief. (*Reuters*, August 18)
- Severe floods in Pakistan's Punjab province have displaced nearly 300,000 people and affected over 1

million after abnormal rains and dam releases caused rivers to overflow, leaving many stranded without food, medicine, or government aid. More than 820 have died because of the flood since late June. Relief efforts remain strained as villagers face hunger, illness, and destroyed homes and crops. The crisis underscores the growing challenges of climate change, with Pakistan ranked among the world's 10 most vulnerable countries. (*Associated Press*, August 29)

- China's Ministry of Emergency Management said that natural disasters have caused a direct economic loss of 19.6 billion yuan ($2.75 billion) in August. Across the country, more than 10 million people were affected by floods, droughts and other disasters in the month of August, while 122 people were killed or went missing. (*Reuters*, September 10)
- The US Energy Department has disbanded the Climate Working Group, a panel of five outside researchers who produced the July 29 report downplaying global warming risks. Energy Secretary Chris Wright said the group succeeded in sparking debate, but environmental groups argue the process violated federal transparency laws. Despite the group's dissolution, the DOE says it will not retract the report. (*Bloomberg*, September 10)
- At the United Nations General Assembly in New York, President Trump dismissed climate change as a "con job" and called renewable energy a "scam". He also criticized the Paris climate agreement, suggested the U.S. may leave the U.N. climate framework, and repeated discredited claims about global warming while slashing climate initiatives at home. His remarks drew swift pushback, including from the Royal Society, which reaffirmed scientific evidence that global temperatures are rising due to human-caused carbon emissions. (*E&E News by Politico*, September 23)

Why it Matters

The Trump administration weakened the United States' ability to prepare for the human and economic toll of climate risks at home by rejecting the scientific consensus on climate change. At the same time, the international community moved in the opposite direction, recognizing climate change as a global threat and advancing measures to address it through law, policy, and adaptation. This divergence left the U.S. more vulnerable domestically and increasingly isolated internationally.

The consequences of climate change are no longer theoretical. Rising global temperatures increase the atmosphere's capacity to hold moisture, fueling heavier rainfall and more intense storms. Warmer seas strengthen tropical cyclones, while higher evaporation rates caused by increasing atmospheric temperature worsen droughts in already arid regions. These processes explain why floods, droughts, and storms are occurring with greater frequency and severity. Hence severe weather events are called "climate risks". For vulnerable communities from Pakistan and Syria to the southern regions of the U.S., the effects are measured in lives lost, livelihoods destroyed, and escalating recovery costs. These impacts underscore a simple truth: climate adaptation is not optional but an urgent necessity.

The United States has felt these pressures as well. American scientists are pointing to warmer air and waters caused by climate change as key drivers of the severe floods in Texas and North Carolina in recent months. The disasters highlighted the importance and urgency of investing in disaster resiliency and combating climate change. Yet, federal leadership is not prioritizing either of those. While some states and cities advanced their own climate initiatives, national policy often lagged behind on identifying those climate risks, leaving vulnerable communities unprotected.

At the same time, U.S. climate policy under Trump frequently contradicted the overwhelming scientific consensus. Reports downplaying the risks of warming or highlighting supposed benefits of higher carbon dioxide were quickly challenged by experts. Statements at the UN dismissing climate change as a "con job" stood in direct contrast to decades of peer-reviewed evidence. Scientists and environmental groups consistently responded, emphasizing that the established body of research shows climate change is real, human-caused, and dangerous. The gap between federal rhetoric and scientific reality left the U.S. less prepared to manage climate risk.

Internationally, the contrast was even sharper. In July, the International Court of Justice issued a landmark advisory opinion affirming that states have legal obligations to protect the environment from greenhouse gas emissions, framing climate action as essential to human rights. Supported by more than 130 countries, the case underscored the international community's determination to confront climate risks collectively. Many governments, even with limited resources, acknowledged that delaying adaptation would be costlier than acting now. At a time when the world was building momentum toward resilience and cooperation, U.S. reluctance to engage signaled retreat from leadership.

The lesson is clear. By rejecting scientific consensus, the United States increased its own vulnerability to climate disasters and diminished its influence abroad. Meanwhile, the rest of the world advanced in addressing climate risk through adaptation, legal commitments, and cooperative frameworks. For the U.S. to reclaim a meaningful role, it must strengthen domestic resilience, ground policy in science, and rejoin the international community in acknowledging that climate change is an unavoidable reality requiring urgent and sustained action.

More on Climate Risks and Adaptation:

- **The United States:** A new study published in Nature finds that wildfire smoke already causes about 40,000 deaths annually in the U.S. and could rise to as many as 70,000 per year by mid-century as climate change fuels hotter, drier conditions that intensify wildfires. Researchers warn that smoke exposure will likely double or triple even under strong climate action. The findings highlight the need for adaptation measures like clean air centers and home filtration, while also underscoring the importance of cutting fossil fuel emissions to limit future damage. (*NPR*, September 19)
- **Australia:** Australia announced a A$9 billion (US$6 billion) climate adaptation package through 2030 to address escalating risks from floods, bushfires, heat, and sea level rise. The National Adaptation Plan allocates funds for flood protection, bushland conservation, net-zero transition in agriculture, and public health, amid warnings that unchecked climate change could cost the country A$40 billion annually. (*Bloomberg*, September 15)
- **The United States:** The U.S. Department of Agriculture launched the Emergency Livestock Relief Program (ELRP 2023 and 2024 Flood and Wildfire) to support livestock producers hit by floods and wildfires in 2023 and 2024. The program provides about $1 billion to help cover increased feed costs for affected animals. It is intended for farmers and ranchers whose herds were impacted by disasters, ensuring they can

recover losses and maintain operations. (U.S. Department of Agriculture, September 12)

- **Spain:** Spanish Prime Minister Pedro Sánchez unveiled a 10-point "state pact to address the climate emergency" after devastating August wildfires, warning that climate change has already caused over 20,000 deaths and €32 billion in damages in five years. The plan includes creating a civil protection agency, climate refuges, stronger forest and land management, water resilience measures, and expanded firefighting capacity. (*The Guardian*, September 1)

- **The United States:** A group of 181 current and former Federal Emergency Management Agency (FEMA) officials warned Congress that Trump administration policies have weakened the agency's disaster response capacity. In a public letter, they cited leadership gaps, staff losses, and contract review delays that hindered rescue operations, while also urging FEMA to restore access to climate science data vital for preparedness. The officials said climate change is worsening disasters like floods and hurricanes, making a strong, science-based FEMA more critical. (*Politico*, August 25)

- **Australia:** The Great Barrier Reef has recorded its largest annual coral loss in nearly 40 years, with live coral cover dropping 25% in the north and 30% in the south after a record bleaching last year. Scientists warn the reef is becoming increasingly volatile, with rapid swings from record growth to record losses. (*The Guardian*, August 5)

- **The United States:** A coalition of 20 U.S. states filed a lawsuit in federal court against the Trump administration for terminating the Federal Emergency Management Agency's Building Resilient Infrastructure and Communities program, which funds disaster preparedness. The states argue FEMA acted unlawfully by shutting down the multibillion-dollar initiative without congressional approval, warning it will undermine community resilience against floods, hurricanes, and other extreme weather events. (*The New York Times*, July 16)

- **India:** In South Asia, monsoon rains from June to September are becoming increasingly erratic and intense due to global warming, leading to widespread floods and landslides. In India alone, hundreds of deaths caused by floods have already been reported across the region this year. Experts warn that rising heat and rainfall are also accelerating Himalayan glacier melt, heightening flood risks. (*Associated Press*, July 10)

- **The United States:** At least 200 homes were damaged in Ruidoso, New Mexico, after a deadly flash flood triggered by intense monsoon rains, and officials warn that number may more than double as surveys continue. The Rio Ruidoso rose to a record height, killing a man and two children at a riverside RV park, while Gov. Michelle Lujan Grisham said federal aid will be critical for recovery. The community, already battered by last year's wildfires and repeated flooding, is seeking over $100 million in federal support to rebuild infrastructure, restore watersheds, and mitigate future risks. (*PBS*, July 10)

- **Global:** Climate-related disasters could reduce euro zone GDP by nearly 5% over the next five years, according to European Central Bank official Livio Stracca. This projection comes from a worst-case "Disasters and Policy Stagnation" scenario developed by the Network for Greening the Financial System (NGFS). However, the NGFS also found that these losses could be largely mitigated by strong net-zero transition efforts. This marks the first time the NGFS has introduced tools to assess short-term and physical climate risks. (*Reuters*, July 9)

- **Pakistan:** Record-breaking heat in Pakistan's Gilgit-Baltistan region has accelerated glacier melt, potentially triggering deadly flash floods and landslides. Authorities warn of highly hostile glacial lake bursts, which could destroy villages, farmland, and infrastructure in an unprecedented way. The disaster also threatens Pakistan's water supply and agricultural livelihoods. (*The Guardian*, July 9)

- **China:** China has allocated 150 million yuan (approx. $21 million) from its central disaster relief fund to aid six provincial-level regions affected by floods, typhoons, and geological disasters. The funds will support emergency rescue, relocation, damage repair, and secondary disaster detection, as Typhoon Danas and the ongoing flood season have intensified disaster risks in multiple areas. (*Xinhua*, July 9)
- **India**: Mrutyunjay Mohapatra, Director General of the India Meteorological Department (IMD), warned that climate change is undermining the reliability of weather forecasts in India. The increasing occurrence of localized extreme weather events has reduced the predictability of traditional patterns, shortening forecast lead times. (*Mint*, July 8)

BCCC Commentary of the Quarter

The Next Stage of Climate and Industrial Policy Demands Carbon Pricing

By Zhangchen Wang
September 9, 2025

As major economies recalibrate both their climate and industrial strategies, the question of whether subsidies alone can drive a durable industrial growth and low-carbon transition has come to the forefront. In the United States, the passage of the One Big Beautiful Bill (OBBB) marked a decisive scaling back of clean energy subsidies originally unleashed by the Inflation Reduction Act. In China, the government has recently introduced the new political vocabulary of "anti-involution," calling for the elimination of unproductive capacity that survives through external support, disorderly expansion, and homogenous competition. Despite their differences in policy orientation and objectives, both countries are grappling with the same dilemma of how to foster high-quality production while preventing fiscal exhaustion and industrial distortion.

These recent shifts call for a renewed look at carbon pricing, an instrument largely sidelined in recent years. Subsidies have undoubtedly accelerated the deployment and growth of many industries, but they are not a sustainable foundation for long-term decarbonization or economic upgrading. They also risk draining fiscal resources and entrenching inefficiency. A well-designed carbon price, by contrast, offers a more durable solution by simultaneously disciplining outdated capacity, creating fiscal space, and strengthening the competitiveness of industries with genuine growth potential. This is particularly relevant for China, where the imminent elimination of 'zombie companies' has become a pressing priority.[1]

Subsidies have played a vital role in the early stages of industrial development by lowering entry barriers and de-risking initial investments. China's achievements during the first phase of Opening and Reform, as well as the rise of renewable energy in parts of the United States—such as Iowa's transformation into a wind power hub—are inseparable from government support that allowed new technologies and industries to scale at record speed.

Yet as these programs expand, the limitations of subsidies have become increasingly apparent. First, subsidies reward outdated output rather than innovation. In China, sectors such as steel and aluminum have long benefited from preferential loans, tax breaks, and local government protection. These policies kept

[1] Cover Image: Conceptual Illustration of Carbon Pollution Pricing (Source: Getty Images, Royalty-free)

inefficient plants running but offered little incentive to adopt cleaner technologies or account for the true social costs of pollution. Instead of investing in greener and more efficient production, many firms simply expanded capacity to capture government support. The United States faces a different but related problem. While subsidies helped accelerate renewable energy deployment in states like Iowa, they did little to close the innovation gap. Production and equipment installation increased, but sustained investment in research and development lagged behind, leaving the U.S. less competitive in the long run.

Subsidies also impose heavy fiscal burdens. A 2023 report shows that the cost of clean energy tax credits under the IRA is projected at more than $1 trillion over the next decade, far above the original estimate of about $400 billion. OBBB's retrenchment revealed how quickly political winds can shift when budgets tighten.

Similarly, China's "anti-involution" campaign begins by targeting precisely the conditions that have overburdened local government finances and distorted competition. Many "zombie companies" in heavy industry survive not by serving market demand, but by leaning on administrative protection or local subsidies. They cause pollution and crowd out resources that could support more innovative sectors. Local governments have often been reluctant to let these firms fail because they provide short-term tax revenues and employment. The Central Political Bureau highlighted this imbalance recently, and is committed to curb disorderly competition and "normalize corporate investment norms" at the local level. Even in sectors like electric vehicles and renewables, government supports have at times encouraged disorderly expansion and homogenous competition, raising questions about whether the inefficiencies and waste generated in the process may have offset part of the intended environmental gains.

In this case, carbon pricing could serve as an effective instrument to address the shortcomings of subsidies. By internalizing the cost of emissions, it creates a uniform signal across the economy: polluters pay more, innovators pay less. The market will select firms that can thrive under carbon regulation. Carbon pricing is fair because every ton of carbon faces the same cost, predictable by giving firms long-term clarity, and fiscally sustainable since it both rewards verified reductions and generates revenue for reinvestment into innovation, social equity, or debt reduction, rather than draining the public budget. It provides a balanced policy mix, disciplining incumbents while allowing targeted support for truly hard-to-abate sectors and early-stage technologies.

By placing a direct cost on emissions, carbon pricing gives the Chinese central government a powerful tool to discipline local protectionism. It makes support for zombie companies fiscally unattractive, encouraging local governments to withdraw protection. Unlike China's past supply-side reforms that sought to eliminate excess capacity through administrative bans and left structural distortions unresolved, carbon pricing works by "unclogging" market incentives, allowing inefficient firms to exit naturally.

Beyond cleaning up inefficient capacity, carbon pricing also unlocks opportunities for strategic reinvestment. Revenues generated from pricing schemes can be channeled into emerging sectors that represent the next frontier of decarbonization, including carbon capture and storage (CCUS), blue carbon ecosystems, and other decarbonization solutions that remain underfunded yet vital to China's long-term climate strategy. These new avenues provide precisely the kind of "anti-involution" opportunities that policymakers seek: shifting resources from propping up outdated firms to supporting industries with genuine potential and global relevance.

The European Union has already demonstrated how carbon pricing can successfully evolve into an international instrument with the European Union's Emissions Trading System (EU ETS). Emissions from covered sectors have fallen by 47 percent since 2005. Carbon pricing schemes also mobilized more than $100 billion for European public budgets. Currently, with the introduction of the Carbon Border Adjustment Mechanism (CBAM), the EU is also extending its carbon pricing logic beyond its borders, attempting to shape the rules of global trade. For the rest of the world, developing a more mature carbon pricing framework would not only strengthen domestic industrial upgrading but also secure a stronger voice in the emerging international regime where carbon pricing increasingly defines competitiveness.

For the United States, it is unfortunate that currently any topic related to climate change is politically toxic and untouchable at the federal level. The OBBB also once again presents the reality that any policy explicitly imposing a cost on carbon or extra burden to taxpayers is still dead in Washington. This resistance has already curtailed IRA subsidies, and it would likewise obstruct efforts to introduce carbon pricing. Nevertheless, the political impasse should not preclude preparation. Especially designing a carbon pricing framework is a technical exercise as much as a political one. More academic research and state-level experimentation into pricing mechanics could lay the groundwork for future adoption. If the U.S. continues to sit out, it risks ceding leadership to the EU and potentially China in setting the rules of the global low-carbon economy.

The age of subsidy-driven climate policy is reaching its limits. As fiscal burdens grow and inefficiencies deepen, carbon pricing offers a more durable foundation: it disciplines inefficiency, creates fiscal room for strategic investment, and provides long-term clarity for industry. Europe has proven its effectiveness; China faces structural pressures that make such a shift increasingly relevant; and the United States cannot afford to remain absent. The future of climate and industrial policy will be increasingly shaped by carbon prices.

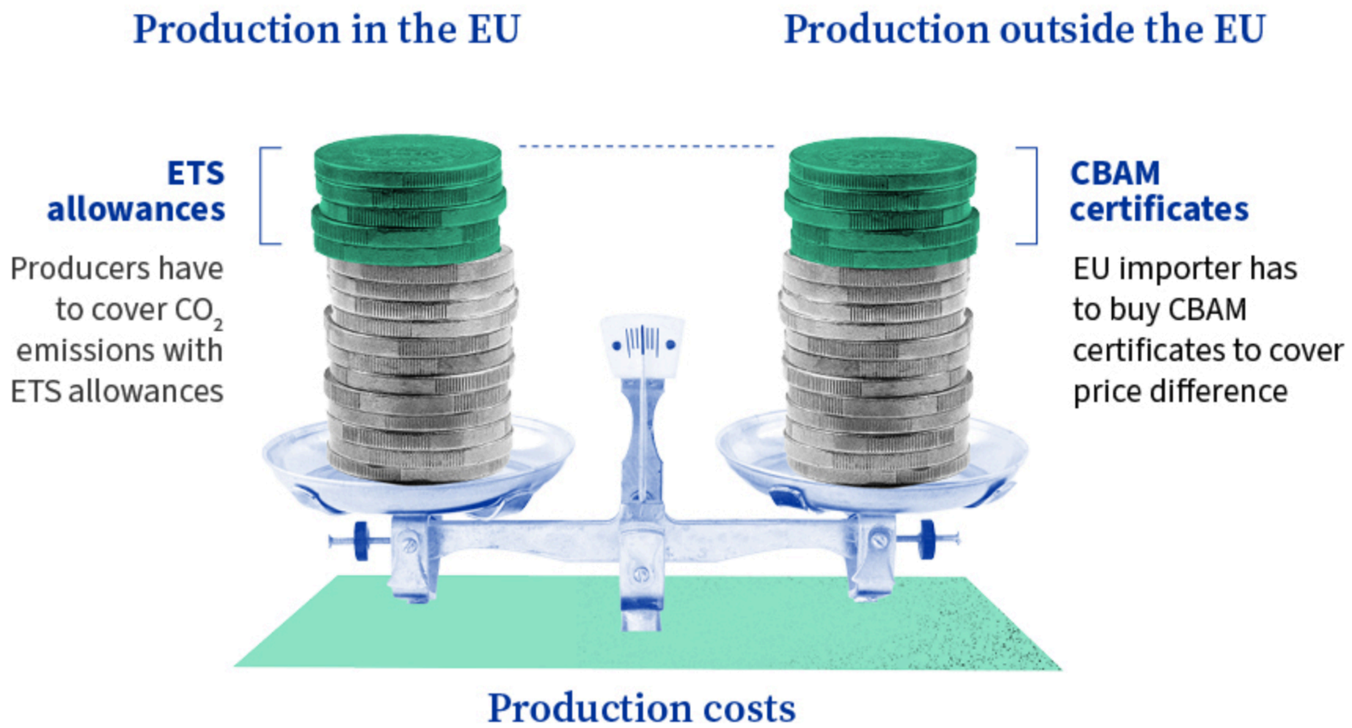
This season's BCCC Commentary of the Quarter on Carbon Pricing was primarily researched and written by Zhangchen Wang, Research Assistant at the Institute for China-America Studies.

Climate Change Project Profile: Carbon Border Adjustment Mechanism (CBAM)

A. Understanding Carbon Border Adjustment Mechanism (CBAM)

The European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) represents one of the most ambitious and controversial climate policies in recent years. It is the world's first carbon tariff created to complement the EU Emissions Trading System (ETS) by addressing the persistent challenge of carbon leakage and leveling the playing field for EU producers. CBAM places a carbon price on imported goods to ensure that EU producers are not put at a competitive disadvantage and to extend the EU's decarbonisation signal beyond its borders. It is a unique piece of climate policy that allows the Union to exert more of its climate ambition to other parts of the world and accelerate global climate action.

While CBAM is a powerful instrument for advancing climate action, it is not without risk. Its discretionary nature gives the EU considerable power over international trade, particularly in how embedded carbon is measured, how foreign carbon markets are recognised, and how default values are determined. This could, in some cases, lead to arbitrary outcomes that favor some trading partners over others and transform CBAM into a de facto trade barrier. The use of default values also raises the risk of inaccurate carbon accounting, potentially resulting in both over- and under-payment and eroding trust in the system.[2]



[2] Illustration on Balancing the Playing Field (Source: [Fit for 55: How Does the EU Intend to Address the Emissions outside of the EU?](), Council of the European Union, last visited October 1, 2025)

Finally, CBAM's administrative complexity remains a source of criticism, as compliance costs continue to fall unevenly across the value chain and risk disproportionately burdening smaller producers, especially in developing economies. If the EU can improve transparency, strengthen safeguards against misuse, and provide targeted support to help producers comply, CBAM could serve as the foundation for a more coherent global carbon pricing architecture. If it fails to do so, CBAM may deepen trade tensions and undermine confidence in international climate cooperation.

B. What is CBAM

The EU ETS

The EU launched the EU ETS in 2005, creating the world's first large-scale carbon market. Built on the "polluter pays" principle, the EU ETS requires regulated entities to hold allowances for every tone of greenhouse gas (GHG) they emit. The system currently covers about 40% of the EU's total GHG emissions, spanning major sectors such as power generation, heavy industry, aviation, and maritime. It started out in covering the electricity generation sector and heavy industry including oil refineries, coke ovens, and iron and steel plants, as well as production of cement, glass, lime, bricks, ceramics, pulp, paper, and cardboard.

The EU ETS operates as a cap-and-trade system where a cap is set on the total amount of emissions permitted each year. Companies can trade emission allowances within this cap, creating a market price for carbon and encouraging firms to reduce emissions where it is most cost-effective to do so. As the cap gradually declines over time, the total emissions allowed in the system fall, aligning the EU's economy with its climate targets.

The Purpose of CBAM

While carbon pricing is a powerful tool to internalize negative externalities of greenhouse gases emitted from production, it also raises the operational cost for firms subject to the ETS. These additional costs can create two major challenges. First, they may encourage "carbon leakage," where companies shift production to jurisdictions with more latent climate policies to avoid the carbon price. Second, even for firms that continue producing in the EU, the added compliance cost can place them at a competitive disadvantage relative to international competitors that are not subject to a similar carbon price. This dynamic creates a tension: the ETS provides strong incentives to decarbonize within the EU, but without complementary measures, it risks eroding the competitiveness of European industries and undermining the policy's environmental integrity if production simply moves abroad.

To address these challenges, policymakers began exploring ways to ensure that imports face a similar carbon cost, effectively extending the principle of carbon pricing beyond the EU's borders. The goal is to level the playing field between domestic producers and foreign competitors, while discouraging carbon leakage and preserving the EU's climate ambition. The EU's solution to this problem is the Carbon Border Adjustment Mechanism (CBAM), a policy designed to hold foreign producers accountable for the carbon intensity of their goods and to ensure fair competition for EU-based industries. By linking market access to a carbon price signal, CBAM also aims to encourage global convergence on carbon pricing, creating an incentive for other countries to adopt comparable climate measures.

CBAM was adopted on May 10, 2023 and is the world's first carbon tariff. It is the European Union's innovative instrument to prevent carbon leakage and preserve the integrity of its climate policies. It places a price on the embedded greenhouse gas emissions of certain imported goods, mirroring the carbon cost that would have been incurred under the EU ETS had the goods been produced within the Union. CBAM currently applies to six sectors: iron and steel, aluminum, hydrogen, electricity, cement, and fertilizers. Sectors are selected because of their high carbon intensity and the high risk of carbon leakage. All 6 sectors fall under the current scope of the EU ETS. Over time, the scope of CBAM is intended to expand until it fully reflects the sectors covered by the EU ETS.

Calculation Methods of CBAM

To avoid double charging, CBAM allows importers to deduct from their CBAM obligations any verified carbon price already paid in the country of production. For instance, if an exporter in a non-EU country operates under a domestic carbon pricing scheme, the cost of those allowances or taxes can be credited against the number of CBAM certificates the importer must purchase. This mechanism ensures fairness by recognizing the climate efforts of trading partners while maintaining a consistent carbon price signal at the EU border.

CBAM uses a distinct and complex approach to calculating emissions. The boundary of CBAM differs from a traditional life-cycle assessment (LCA). While LCA typically accounts for emissions across the entire life cycle of a product, including upstream and downstream processes, CBAM focuses narrowly on the direct emissions generated during the production of the imported good and its immediate precursors. This production-based approach keeps the system practical and enforceable while maintaining its environmental objective.

To ensure comparability and practicality, the EU has developed methodologies that allow or require the use of "default values" for certain key metrics when direct data is unavailable or unverified, such as emission factors or average direct and indirect emissions for specific product categories. These default values help maintain consistency across importers while encouraging them to collect accurate primary data, since verified values can often result in lower CBAM obligations.

The Implementation of CBAM

The implementation of CBAM is being phased in through a transitional period from 2023 to 2025, followed by the start of the definitive regime in 2026. During the transition phase, importers are required only to report the embedded emissions of their covered goods without financial obligations. This period allows the EU to collect data, refine methodologies, and consult stakeholders on practical challenges. The Union has proposed a simplification package based on the information gathered in the transitional period. Beginning in 2026, importers will be required to purchase CBAM certificates corresponding to the embedded emissions of their imports, effectively aligning their costs with those faced by EU producers under the ETS.

C. How CBAM is Making a Difference

The introduction of CBAM is already shaping global climate policy and trade behavior by extending the influence of the EU's carbon pricing model beyond its borders. Many trading partners are reassessing their domestic climate strategies in order to remain competitive in the EU market. Several countries have accelerated the establishment of their own carbon pricing systems, either through emissions trading schemes or carbon taxes, partly to ensure that their exporters can benefit from deductions under CBAM. Others are exploring their own versions of carbon border measures to address the risk of carbon leakage in their domestic industries. This demonstrates CBAM's capacity to act as a catalyst for global policy convergence on carbon pricing.

CBAM is subject to WTO rules since it functions as a tariff on relevant EU imports, regardless of its objectives. The measure has been designed as an extension of the EU's internal regulatory framework rather than a protectionist border measure, meaning it does not provide preferential treatment to domestically produced goods over imports. In principle, CBAM is therefore compatible with the General Agreement on Tariffs and Trade (GATT), which explicitly allows a charge equivalent to an internal tax imposed consistently with the agreement's national treatment obligations. This legal grounding strengthens the EU's position in potential trade disputes and reassures trading partners that CBAM is a rules-based measure.

At the firm level, CBAM provides a strong economic signal to reduce greenhouse gas emissions. Importers and producers that wish to maintain access to the EU market at a competitive price have an incentive to decarbonize their production processes in order to lower their CBAM liability. This may include switching to renewable energy sources, investing in energy-efficient technologies, or redesigning production methods to minimize emissions intensity. By tying carbon costs directly to market access, CBAM encourages innovation in low-carbon production and rewards first movers who invest in cleaner technologies.

CBAM also helps safeguard the competitiveness of EU-based industries that are already subject to the carbon price under the EU ETS. By imposing an equivalent cost on imported goods, CBAM levels the playing field between EU producers and foreign competitors, reducing the incentive to relocate production to jurisdictions with weaker climate policies. This strengthens the environmental integrity of the ETS, ensuring that emission reductions achieved in Europe are not offset by increases elsewhere.

D. The Latest on CBAM and What it Means

Omnibus I Simplification Package

On February 25, 2025, the European Parliament proposed the "Omnibus I" simplification package for CBAM. It was passed in the Parliament on September 10, 2025 and is now awaiting endorsement from the European Council. The Package introduces a new de minimis mass threshold of 50 tonnes per importer per year for iron, steel, aluminium, cement, and fertiliser products, exempting qualifying importers from CBAM obligations. It also simplifies rules governing authorisation, emissions calculation, verification, and the financial liability of authorised CBAM declarants. On the deduction of CBAM duties due to payments in foreign carbon markets, the Package ordered new default values to be determined for foreign carbon pricing, different from the original deduction that is equal to any amount paid in a foreign carbon market.

In addition, the package revises the approach to deducting foreign carbon prices from CBAM obligations. Under the new system, the credit is calculated as the product of the verified embedded emissions and default value of foreign carbon price set by the EU for different countries, whereas the previous method of simply converting the actual amount paid in a foreign carbon market into euros.

The reform aims to reduce administrative costs for both government agencies and small and medium-sized enterprises. Roughly 90% of importers of CBAM-covered goods would be exempt under this measure. However, according to EU data, CBAM would still capture 99% of the carbon emissions embedded in imported goods after the exemption, meaning that the policy's environmental integrity remains largely intact while significantly reducing compliance burden.

Addressing Potential Circumvention

The European Commission has expressed concern that exporters might attempt to bypass CBAM by sending only their lowest-carbon products to Europe while continuing higher-emission production elsewhere. Such risks could arise from incomplete or inaccurate emissions data, inconsistent reporting standards, or calculation methods that allow firms to average emissions across product lines. (Why is there this concern? Inaccurate data, or mass balancing)

To address these risks, the Commission plans to introduce additional measures by the end of the year. Possible steps include assigning fixed CO_2 intensity values to certain countries or producers, and potentially extending CBAM to cover selected downstream products. According to the EU, such measures would strengthen the credibility of the system by closing loopholes, and ensure that CBAM genuinely reflects the carbon footprint of imported goods rather than encouraging creative compliance strategies that might lead to greenwashing.

Integration with Foreign Carbon Markets

On September 16, 2025, the EU announced a "New Strategic EU–India Agenda" aimed at deepening cooperation across trade, technology, and climate policy. The strategy document specifically referenced India's growing Carbon Credit Trading Scheme and confirmed that carbon prices paid under this scheme could be deducted from CBAM obligations. This reflects an important principle that foreign carbon prices are credited against CBAM liabilities only when the EU formally recognises the integrity and comparability of the foreign system. The precedent for such integration is the alignment of the UK ETS with the EU ETS, which enables full deduction for UK exporters.

E. What's Next for CBAM

Two years after its implementation, CBAM remains one of the most debated elements of EU climate policy. It stands as a compelling example of the EU's ability to leverage its market power to promote climate action globally. CBAM sends a clear message that emissions-intensive production will face economic consequences by linking access to the EU market with a carbon price signal. Yet, despite its well-intentioned design, the nature of CBAM as a tariff means it carries the risk of being used as a trade instrument in ways that extend beyond climate action, potentially undermining its credibility and distorting its original purpose.

One significant concern is the discretionary nature of carbon accounting and price deductions under CBAM. The EU retains full authority to decide which foreign carbon trading systems are "acceptable" for recognition. As demonstrated by the cases of the UK and India, foreign carbon markets must first be formally approved by the EU before any carbon price paid can be credited against CBAM obligations. According to the simplification package, the EU can also determine a default value for each country's carbon price based on the country's carbon market data, which will be used when calculating deductible amounts from CBAM duties. The EU also has a unilateral say on how embedded carbon should be accounted for under CBAM, and which countries' carbon trading scheme it is willing to integrate into the CBAM system.

In the best case, the approach allows the EU to retain environmental integrity by recognising only robust carbon markets. In the worst case, however, it could allow the EU to favour certain trade partners while withholding recognition from others based on strategic or political considerations. Similar concerns arise with the EU's ability to set default foreign carbon prices, since the resulting values could be arbitrary. Depending on the EU's policy choices, default prices could be published at levels higher or lower than market averages, influencing the overall deduction amount. Combined with the ability to select which markets to recognise, this grants the EU substantial power to favour some trading partners over others.

Moreover, a single default value of the carbon price in a foreign market could not truly reflect the price dynamics of a functioning carbon market. Carbon prices are inherently volatile, responding to changes in the cap, the allocation of free allowances, and the auctioning process. Compared with the earlier method, which simply converted the actual amount producers paid in their domestic market into euros, the new approach could lead to mismatches of default value with the actual carbon price that could result in both under- and over-payment. Such outcomes risk turning CBAM into a unilateral trade barrier, weakening trust in the EU's commitment to multilateral climate cooperation, and amplifying concerns about using climate policy as an instrument of market power.

CBAM has also faced criticism for the administrative burden it imposes on both authorities and firms. The simplification package was designed to alleviate some of the administrative cost. However, even with the adoption of the simplification package, CBAM still imposes uneven compliance burdens across the value chain. Small importers may be exempt from direct reporting, but small and medium-sized enterprises supplying to large importers must still provide detailed emissions data. In practice,these compliance costs are often passed from importers to producers,affecting producers who may lack the resources to implement sophisticated monitoring, reporting, and verification systems. This raises equity concerns, particularly for smaller producers in developing economies, and calls into question whether CBAM can achieve its goals without disproportionately harming vulnerable stakeholders.

The use of default values for calculating the embedded carbon content of goods raises further risks of inaccurate carbon accounting, which goes directly against the intention of the CBAM policy. Default values should be used in the calculator process only when actual emissions "cannot be adequately determined by the authorised CBAM declarant". However, in practice, it is difficult to verify whether default values are used because it is genuinely impossible to determine actual emissions or because they are lower than real emissions and allow importers to reduce their CBAM liability. This risk could be mitigated by setting default values above industry averages to incentivise companies to report accurate data and discourage opportunistic use of default values to evade CBAM duties.

The potential for CBAM to inspire similar mechanisms elsewhere also deserves close attention. While policy diffusion could be positive when it leads to broader carbon pricing coverage, it also raises the possibility that other jurisdictions might design carbon border measures that are more protectionist than climate-oriented. If countries begin to use CBAM-style instruments as tools for industrial policy or economic coercion, the result could be a net increase in global trade barriers, with climate policy serving as a pretext rather than the core objective.

Looking ahead, the EU will need to ensure that CBAM remains both environmentally effective and politically legitimate. This means strengthening transparency in how foreign carbon markets are recognised, building safeguards to prevent CBAM from being used as a disguised trade measure, and providing technical and financial support to help producers in developing countries meet reporting requirements. If implemented carefully, CBAM could become a cornerstone of a more coherent global carbon pricing architecture. If mismanaged, it risks deepening trade tensions and weakening international trust in climate action.

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This season's Climate Change Project Profile on Carbon Border Adjustment Mechanism (CBAM) was primarily researched and written by Yunchao Mao, Part-time Research Assistant Intern at the Institute for China-America Studies.

Climate Change Actor Profile: Green Climate Fund (GCF)

A. Understanding Green Climate Fund (GCF)

The Green Climate Fund (GCF) is the world's largest dedicated climate fund and a central pillar of the UN climate finance architecture. Established in 2010 under the UNFCCC as an operating entity of its Financial Mechanism, the Fund was designed to channel resources from developed to developing countries to support both mitigation and adaptation. The GCF is tasked with helping the Global South pursue low-emission, climate-resilient development pathways. Its mandate is closely tied to the Paris Agreement, where it plays a critical role in assisting developing countries to realize and raise the ambition of their Nationally Determined Contributions (NDCs).

The GCF has successfully mobilized more than USD 27 billion in contributions and committed over USD 21 billion to projects worldwide. From financing off-grid solar energy in East Africa, to strengthening ecosystem-based resilience in the Peruvian Amazon, to enhancing climate information services in Pacific islands, the Fund's portfolio illustrates both its geographic reach and thematic diversity. At the same time, the GCF faces persistent challenges: ensuring predictable donor commitments, delivering finance more efficiently, and maintaining a balance between mitigation and adaptation, particularly for the most vulnerable countries. These dynamics make the GCF not only a major channel for climate investment but also a litmus test for whether the principle of climate justice—supporting those least responsible yet most affected—can be turned into practice.

B. What is GCF

Established under the UNFCCC

The GCF was formally created at the sixteenth Conference of the Parties (COP16) in Cancún in 2010, through decision 1/CP.16, which decided to establish a new fund as an operating entity of the UNFCCC's Financial Mechanism to channel financial resources from developed to developing countries. To clarify how the Fund and the COP interact, decision 5/CP.19 (2013) laid out the arrangements between the COP and the GCF, confirming that the GCF is accountable to and functions under the guidance of the COP, while enjoying the necessary operational autonomy to approve and manage projects.

The Paris Agreement later reinforced the Fund's role. Article 9 states that the GCF, as an operating entity of the Financial Mechanism, shall serve the Paris Agreement. The GCF must also ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support, particularly for least developed countries (LDCs) and small island developing States (SIDS). Together, these legal texts establish the GCF as both the largest multilateral climate fund and a core instrument of the international community's climate finance obligations. The Fund is headquartered in Songdo, Republic of Korea, and is governed by a 24-member Board with equal representation from developed and developing countries. Since its creation, the GCF has been tasked with providing financial support to projects and programmes in developing countries, enabling them to implement and raise the ambition of their Nationally Determined Contributions (NDCs). To date, the Fund has mobilized USD 27.6 billion in total contributions, with the United Kingdom (USD 4.98 billion), Germany (USD 4.84 billion), France (USD 3.91 billion), Japan (USD 3.80 billion), and the United States (USD 2.0 billion) among its largest donors. This funding base illustrates both the centrality of developed country commitments and the political significance of GCF financing as a mechanism of climate justice.

Mandated to Support Developing Countries

The GCF's mission is to mobilize climate finance at scale to help developing countries pursue low-emission and climate-resilient pathways. It works across four broad areas of transition: the built environment, energy and industry, human security, livelihoods and wellbeing, and land use, forests and ecosystems. Within these areas, the Fund provides resources that align with national climate strategies and priorities, aiming to turn developing countries' Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and long-term strategies into concrete action. Its Strategic Plan 2024–2027 emphasizes improving accessibility and predictability of finance, enhancing partnerships, and leveraging its convening role within the wider climate finance architecture. In addition, the Board has issued guidance on adaptation that directs the Fund to scale up programming for vulnerable countries, ensure resources are allocated equitably, and use its resources catalytically to crowd in other flows of finance. Overall, the Fund's strategy is not only to provide direct project financing but also to support systemic change by strengthening national institutions.

Operations

Operationally, the GCF is defined by its country-driven approach, partnership model, and flexible financial instruments. Developing countries set their own priorities, and GCF support follows these nationally determined strategies. To build capacity and improve access, the Fund provides assistance through its Readiness Programme, while project implementation is carried out by a network of over 200 Accredited Entities, ranging from multilateral development banks and UN agencies to national institutions and private sector actors. The Fund structures its support through a mix of grants, concessional loans, guarantees, and equity, enabling blended finance and the mobilization of private capital. Its allocation is balanced: 50% of resources go to mitigation and 50% to adaptation, with at least half of adaptation funds reserved for LDCs, SIDS, and African States. To date, the GCF has made USD 21.1 billion in commitments, of which USD 17.8 billion has been directed to projects. USD 7.5 billion has been disbursed in cash, including USD 5.8 billion for project implementation. Although there is still a gap between commitments and actual transfers, the Fund's ability to provide risk-tolerant, patient capital allows it to support early-stage initiatives and vulnerable regions often excluded from conventional finance. Through this model, the GCF remains a central mechanism for channeling resources and building resilience in developing countries.

C. How GCF is Making a Difference

Unlocking Clean Energy in Sub-Saharan Africa

One of the clearest demonstrations of the GCF's role in catalyzing new markets comes from sub-Saharan Africa, where energy poverty has long been a barrier to development. The Fund worked in partnership with the local KawiSafi Ventures Fund to transform the off-grid solar sector in East Africa. The GCF has played a significant role in the investment by reducing risks and creating conditions for private investors to engage in a market previously deemed too uncertain. The GCF and the local fund have jointly deployed solar home systems and mini-grids across Kenya and Rwanda, and they were particularly meaningful to rural households and small businesses beyond the reach of national power grids. Those solar kits installed displaced kerosene lamps and diesel generators, reduced emissions, and also cut indoor air pollution that harms health.Families gain access to lighting and phone charging, children can study after dark, and micro-enterprises are able to operate more productively. The project is one of the best examples of how the GCF can use concessional capital to de-risk frontier markets, attract private sector partners, and accelerate clean energy access for millions in the most underdeveloped areas.

Protecting Wetlands and Empowering Indigenous Communities

In Latin America, the GCF links ecosystem protection with social resilience. The "Building the Resilience of Wetlands in the Province of Datem del Marañón" (FP001) project in Peru targets the Amazonian peatlands, a globally significant carbon sink that is vital for water regulation and biodiversity. With GCF financing, the project blended traditional knowledge with new conservation practices and supported more than 120 indigenous communities to manage natural resources sustainably. It promotes sustainable enterprises, such as non-timber forest products and ecotourism, that improve household incomes while reducing pressure on fragile ecosystems. The initiative is expected to avoid around 1.31 million tonnes of CO_2 equivalent and directly benefit over 120,000 people, delivering positive outcomes in terms of both mitigation and adaptation. What makes this project particularly representative is its integration of indigenous participation at every stage, making the indigenous communities not only beneficiaries but also central actors shaping project design and implementation. This type of project proves that the GCF is capable of funding initiatives that are socially inclusive, environmentally protective, and economically viable at the same time.

Strengthening Early Warning Systems in Small Islands

For Small Island Developing States (SIDS), climate change is already an imminent threat. Extreme weather events such as stronger cyclones, rising seas, and recurrent flooding are endangering the daily life of local people. The GCF has supported projects across the Pacific that enhance meteorological and hydrological services, enabling island states to provide reliable climate information and early warnings to their populations. In the Cook Islands, the GCF is financing a USD 49.9 million climate information and knowledge services project, implemented in collaboration with the national government and UNEP, to upgrade climate data systems, expand early warning coverage, and improve forecasting capacity across the country. The project supports the meteorological office by installing wave buoys, station equipment, and radar capability, particularly targeting the more remote Outlying Islands to close data gaps. Additionally, the fund also strengthened community-level capacity through staff training, enabling local data collection and the internal management of climate system operations. This project further highlights the GCF's willingness to prioritize highly vulnerable and often marginalized regions, where no other financing mechanism plays such a central role.

D. The Latest on GCF and What it Means

GCF Calls for Proposals to Host Regional Presences

In July 2025 the GCF advanced a major institutional reform by deciding to establish regional presences designed to bring the Fund closer to the developing countries it serves. Since its creation under the UNFCCC, the Fund's mandate has been to channel climate finance primarily to the Global South, and the requirement that these new offices must be hosted in Non-Annex I Parties directly reflects this purpose. The call for proposals set a submission deadline of 19 September 2025, inviting developing countries to apply to host. The response was remarkable as the GCF received expressions of interest from 47 countries, showing strong enthusiasm and engagement from the very communities the Fund is designed to support.

This development marks a step toward expanding developing countries' influence and participation in global climate finance. As the world's largest fund of its kind, GCF has only had a headquarter in Songdo, Republic of Korea for over a decade. By placing its physical presence within the Global South, the GCF is signaling that it aims not only to deliver more support at scale but also to strengthen local institutions and build lasting partnerships. The board also collectively agreed that regional offices must be equitably and geographically balanced among developing countries, ensure cost-effectiveness and efficiency, and be created through an open, inclusive, transparent and non-discriminatory process that best reflects the needs of vulnerable states and respects multilingualism. Ultimately, these new presences are expected to improve accessibility, responsiveness, and trust, helping the GCF fulfill its founding mission of providing more effective climate assistance to developing countries.

GCF Board Approves Record USD 1.225 Billion in Projects and Adopts Key Reforms

At its July 2025 meeting, the GCF Board approved a record USD 1.225 billion for 17 new projects, marking the largest single round of project approvals in the Fund's history. The new portfolio included multi-country initiatives as well as first-time national projects for Mauritania, Saint Lucia, and Papua New Guinea. The package also includes private investments for climate action, such as the USD 227 million equity investment that will create new green bond markets in sub-Saharan Africa and the USD 200 million investment to drive green finance in India. Alongside the funding decisions, the Board adopted a package of institutional reforms, most notably a new nine-month service standard for accreditation applications designed to improve transparency, efficiency, and fairness in bringing new entities into the Fund's partner network. To speed up implementation, nine of the newly approved projects were signed immediately with accredited entities for faster mobilization.

The outcomes of this Board meeting reflect both the scale and the direction of the GCF's evolution. The record USD 1.225 billion in approvals demonstrates that the Fund is no longer a small or experimental vehicle but a central channel for global climate finance. The accreditation reforms mark a response to persistent concerns over bureaucracy and delays, with the new service standard offering a tangible benchmark for efficiency and accountability. Meanwhile, the changes to staff regulations show a recognition that the GCF's ability to scale depends not only on money but also on professional capacity and institutional resilience. Taken together, these decisions highlight how the Fund is seeking to match growing demand with both greater resources and more agile structures, better preparing their credibility and effectiveness in supporting developing countries.

E. *What's Next for GCF*

A central challenge for the GCF in the years ahead will be the question of replenishment and donor commitments. The actual budget spending remains much lower than the funds mobilized over time. There are still certain difficulties in terms of transferring pledges into real disbursements. With some major donors facing fiscal constraints or political headwinds that make climate finance less of a priority, there is uncertainty about whether contributions will remain stable or expand. If the GCF cannot convincingly demonstrate that its resources are being used effectively and strategically, it risks a loss of confidence that would make future replenishment even more difficult. The Fund will need to articulate a clearer long-term pathway and deliver results with greater efficiency in order to reassure contributors that every dollar is deployed where it can have the most impact.

Another critical issue will be the GCF's ability to balance mitigation and adaptation financing. The Fund's governing framework mandates a 50/50 split between mitigation and adaptation in grant-equivalent terms, with at least half of adaptation resources reserved for Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States. This requirement sets the GCF apart from most other financing mechanisms, which overwhelmingly channel resources to emission reduction projects in energy and industry. Yet it is adaptation projects—such as flood defenses, early warning systems, or resilient agriculture—that often struggle to generate financial returns and therefore face the greatest funding pressure. Ensuring that these public-good investments continue to receive adequate and predictable support will be essential for the GCF to maintain credibility as a fund that prioritizes the needs of the most vulnerable.

Finally, the GCF must continue to define its position within the broader climate finance architecture. It operates alongside multilateral development banks, bilateral climate funds, and, more recently, the new Loss and Damage Fund established under the UNFCCC. This crowded landscape risks creating fragmentation or duplication, making it essential for the GCF to clarify its unique role. As the only multilateral climate fund explicitly mandated to serve developing countries, its future relevance will depend on how well it leverages this distinct identity.

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This season's Climate Change Actor Profile on Green Climate Fund (GCF) was primarily researched and written by Zhangchen Wang, Research Assistant at the Institute for China-America Studies.

Climate Research, Analysis, and Beyond

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Climate-Focused Conferences & Events

Multinational Conferences & Global Forums

9th Asia-Pacific Climate Change Adaptation Forum
United Nations
September 29-October 3
Bangkok , Thailand

- From the Organizer: "The APAN Forum is the primary region-wide platform for adaptation practitioners to meet, share their learning and experiences, and work together towards pertinent outcomes and practical solutions needed to address the challenges of climate change."
- Primary Themes: Food and agricultural systems; Land and water ecosystems and biodiversity; Infrastructure, cities and industries; Health, livelihoods and societies
- Forum Outcome: "The Forum builds on the key messages and recommendations made during 8th APAN Adaptation Forum and advanced discussions on transformational adaptation."

Climate Summit 2025
United Nations
September 22-24
New York City, United States

- From the Organizer: "Science demands action. The law commands it. The economics compel it. And people are calling for it."
- Primary Themes: Sustainable agrifood systems; Scaling landscape restoration; Partnerships and finance; Rights and livelihoods in shifting landscapes; Governing the just transition; Technology and data
- Forum Outcome: "Close to 100 countries — including nearly 40 Heads of State and Government — today announced, committed to finalizing, or set out their commitment to implementing their new climate targets ahead of COP30 in Belém, Brazil this November."

The Second Africa Climate Summit (ACS2)
Africa Union
September 6-10
Addis Ababa, Ethiopia

- From the Organizer: "ACS-2 is a platform for unifying Africa's voice and leadership in global climate action, advancing African-led climate solutions and catalyzing bold financial and political commitments."
- Primary Themes: Climate finance; Nature-based solutions; Renewable energy; Sustainable food systems; Green cities; E-mobility; Indigenous knowledge
- Forum Outcome: "Key outcomes include a unified African position for COP, new partnerships, innovation showcases, and commitments to climate finance culminating in the Addis Ababa Declaration on Climate Change."

Climate Week 2 - 2025: Turning Ambition into Action
United Nations
September 1-6
Addis-Ababa, Ethiopia

- From the Organizer: "At the heart of CW2 is the Implementation Forum, a dedicated space for open, solutions-oriented dialogue aimed at identifying barriers, co-designing enabling conditions, and turning commitments into measurable outcomes."

- Primary Themes: Adaptation Finance; Public–Private Finance Dialogue; Accelerating Agriculture Climate Action; Scaling Forest Climate Action; Strengthening Public–Private Sector Collaboration; Multilevel and Community-Driven Action
- Forum Outcome: "The week-long event brought together heads of state, policymakers, development partners, private sector leaders, and civil society groups from across the continent and beyond."

Public Events & Panel Discussions

-Upcoming Events-

The Story Behind Climate Security and What it Means for US Foreign Policy
Event by Wilson Center | October 1

Climate Clarity: Combatting New Denialism in the United States
Event by Carnegie Endowment for International Peace | October 1

International Disputes in Animal Law
Event by The George Washington University Animal Law | October 2

"Sensing the Climate": How Do International Policy Makers 'Sense' Nature?
Event by Johns Hopkins School of Advanced International Studies | October 6

The Future of Critical Minerals and National Security: 2025 CSIS-West Point Conference
Event by Center for Strategic and International Studies | October 8

Introducing the Massachusetts Carbon Dioxide Removal Study
Event by Rocky Mountain Institute | October 8

2025 Energy & Defense Summit
Event by Atlantic Council | October 8

Tracking New NDCs and Their Impact
Event by World Resource Institute | October 9

Climate Week at Penn
Event by University of Pennsylvania | October 13-17

Ocean Progress Symposium 2025: Advancing Conservation Close to Shore
Event by Center for American Progress | October 15

Europe's Energy Transition: From Russia's Invasion of Ukraine To Trump's 'Energy Dominance' Agenda
Event by Brookings Institute | October 22

Beyond the Ton: Documenting the Benefits to Communities and Ecosystems at the Heart of Carbon Projects
Event by Rocky Mountain Institute | October 23

The State of Climate Action in 2025
Event by World Resource Institute | October 28

RMI at Trellis Impact
Event by Rocky Mountain Institute | October 28-30

-Past Events-

Countdown to COP30: What's at Stake -- Justice & Global Action
Event by Columbia University | September 29

Carbon advantage: Advancing a robust and verifiable carbon accounting framework
Event by Atlantic Council | September 24

Doubling Down on Urbanism: An Abundance Approach to U.S. Decarbonization
Event by World Resources Institute | September 22

Climate Week NYC
Event by Climate Group | September 21-28

Energy Shots: Jobs, BTUs, and CO2
Event by Center for Strategic and International Studies | August 29

Early Warning in the Cryosphere: Lessons in Monitoring from Blatten and Beyond
Event by Stimson Center | July 30

Clean Energy Strategies Conference
Event by Center for Strategic and International Studies | July 16

How Will Trade Tariffs and Supply Chain Policies Impact the U.S. Power Sector?
Event by World Resources Institute | July 15

Webinar – From Space to Site: Empowering Localized Methane Action
Event by Rocky Mountain Institute | July 10

Geothermal Energy's Global Breakthrough
Event by Carnegie Endowment for International Peace | July 10

Remittances and the Climate Finance Crisis
Event by Carnegie Endowment for International Peace | July 2

Financing and Scaling Net-Zero Carbon and Resilient Buildings
Event by World Resources Institute | July 2

Major New Book - "We Are Eating the Earth" - A Conversation with Author Michael Grunwald
Event by World Resources Institute | July 1

ICAS BCCC Program Updates

ICAS Program Announcement

China's Arctic Relations: Strategic Competition & Pragmatic Cooperation

ICAS Breakout Session at the 2025 Arctic Circle Assembly
Reykjavik, Iceland
October 16-18, 2025

On October 16, ICAS will be hosting a breakout session along with the Beijing Club for International Dialogue at the 2025 Arctic Circle Assembly in Reykjavik, Iceland.

The session, moderated by Han Hua, the Secretary General and Co-founder of the Beijing Club, will feature ICAS Executive Director Nong Hong, Henry Lee, Co-Chair of the Harvard Kennedy School's Arctic Initiative, Rasmus Gjedssø Bertelsen, Professor of Northern Studies and Barents Chain in Politics at UiT the Arctic University of Norway, and Irina Strelnikova, Associate Professor for the Centre for Comprehensive European and International Studies (CCEIS) at HSE University.

Learn More: https://arctic-circle-www.cdn.prismic.io/arctic-circle-www/aNqA1J5xUNkB1ODW_2025AssemblyProgramDraft-29.09.25--GoogleDocs.pdf

MAP & BCCC Commentary

What Scarborough Nature Reserve Plan Means for South China Sea

By Nong Hong
September 24, 2025

China's decision to establish a national nature reserve at Scarborough Shoal – known as Huangyan Island in China and Panatag Shoal in the Philippines – has hit regional headlines as the plan involving the contested South China Sea feature swiftly became a diplomatic flashpoint.

Approved by China's State Council and announced by the National Forestry and Grassland Administration, the plan covers some 3,500 hectares of ecologically sensitive reef and waters, divided into "core" and "experimental" zones. China frames it as part of efforts to protect biodiversity...

Continue Reading: https://chinaus-icas.org/research/what-scarborough-nature-reserve-plan-means-for-south-china-sea/

This article was originally published in the *South China Morning Post*.

BCCC Commentary

OBBB Leaves Iowa Alone, Yet U.S. Climate Policy Still Needs a Better Path

By Zhangchen Wang
August 6, 2025

The passage of the "One Big Beautiful Bill Act" (OBBB) marks a sweeping Republican effort to dismantle much of the Inflation Reduction Act (IRA), America's most ambitious climate and industrial policy to date. In doing so, the GOP has once again set climate change policies into a partisan battlefield, framing it as another front in a culture war between progressives and conservatives. However, a complete rolling back of the IRA will discourage emission reduction progress and fail to address climate risks to the United States. More importantly, this backward approach ignores the tangible benefits many IRA policies have already delivered—infrastructure, jobs, investment, and lower energy costs—and risks inflicting lasting harm on the very rural communities that Republicans are devoted to championing...

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BCCC Commentary

US Acceleration of Offshore Critical Mineral Development Raises Environmental Concerns

By Nong Hong
July 23, 2025

The United States, under the Trump administration, is intensifying its push for offshore critical mineral development through sweeping policy reforms.

Framed as a strategy for enhancing national security and reducing reliance on foreign supply chains, this accelerated approach is part of a broader effort to secure domestic access to minerals vital for clean energy technologies, defense systems and high-tech manufacturing. However, it is also drawing growing international scrutiny and sparking debate over its implications for environmental protection and global ocean governance.

Critical minerals such as nickel, cobalt and rare earth elements underpin the transition to a low-carbon economy, and are increasingly recognized as strategic assets...

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https://chinaus-icas.org/research/us-acceleration-of-offshore-critical-mineral-development-raises-environmental-concerns/

ICAS Announcement

Save the Date: ICAS Annual Conference 2025

Charting the Future: U.S.–China Relations in an Era of Global Realignment

Georgetown Marriott Hotel Metropolitan Ballroom, 2nd Floor

9AM - 2PM EST

October 30, 2025

As the world adjusts to the shifting dynamics of power, technology, and global governance, the relationship between the United States and China stands as the central axis of international affairs. The 2025 Annual Conference will convene leading scholars, policymakers, and experts to explore how the bilateral relationship is being reshaped by global realignment—and what lies ahead.

Held under the theme “Charting the Future: U.S.–China Relations in an Era of Global Realignment”, the conference will reflect on the aftermath of the U.S. 2024 presidential election, the mercurial first ten months of the Second Trump Administration, the evolution of China's global strategy, and the changing priorities of a multi-polar world. With intensifying challenges—ranging from technology decoupling and trade frictions to military tensions and climate crises—the future of U.S.–China engagement demands renewed analysis and dialogue.

About ICAS Annual Conferences: https://chinaus-icas.org/events-2/annual-conferences/2025-annual-conference/

Watch Past ICAS Annual Conferences: https://www.youtube.com/playlist?list=PLs4oA4vJ3iF4fywe96EaSkfagn2gN2Zap

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The Institute for China-America Studies (ICAS) is an independent think tank in Washington D.C. ICAS focuses on the evolving dynamics in the U.S.-China relationship to promote greater collaboration and mutual understanding through sincere exchanges of fresh ideas, objective policy-oriented research, and fair assessments of this critical bilateral relationship.

We aim to provide a window into the worldviews of both the United States and China, and thereby serve as a vehicle to promote greater understanding between these two countries and societies.

ICAS is a 501(c)3 nonprofit organization

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中美研究中心 ICAS

Institute for China-America Studies

1919 M St. NW Suite 310
Washington, DC 20036
202 968-0595 | www.chinaus-icas.org