Climate and Economic Policy Scenarios in the Mid-Transition

Summary of the London Climate Action Week Roundtable

*This summary note synthesises the main discussions and key messages from the roundtable jointly organised by **The New Alignment (TNA)** at **UCL Institute for Global Prosperity (IGP)**, **the French Development Agency (AFD)**, **Finance in Common (FiCS)** and **the International Development Finance Club (IDFC)** during London Climate Action Week 2026.*

Introduction

On the final day of London Climate Action Week 2026, TNA hosted a high-level roundtable at the UCL Institute of Education bringing together representatives from Ministries of Finance, Public Development Banks, international financial institutions, academia and development partners. Participants included officials from the Ministries of Finance of Brazil, Mexico and Uganda; a senior representative of a public development bank from Brazil; representatives of Finance in Common (FiCS) and the International Development Finance Club (IDFC); representatives from CEPAL; researchers from the University of Exeter; and experts from AFD, UCL's Institute for Global Prosperity (IGP) and the Country Platform Hub.

The roundtable provided an opportunity to present and discuss the Climate and Nature Economic Policy Scenarios (CNEPS) initiative, promoted by AFD in collaboration with Ministries of Finance, Public Development Banks, and a growing consortium of universities and knowledge partners notably led by the University of Exeter. The initiative aims to develop forward-looking economic scenarios that integrate climate change, biodiversity loss and transition dynamics into macroeconomic policy analysis, with the goal of helping public decision-makers anticipate structural transformations.

Discussions focused on how public finance institutions can strengthen decision-making under conditions of increasing uncertainty. Participants examined how climate impacts, biodiversity loss, technological change, declining fossil fuel revenues, pressures on critical mineral supply chains, trade fragmentation, debt vulnerabilities and geopolitical developments are interacting in ways that challenge conventional approaches to economic and financial planning. Against this backdrop, the roundtable explored how scenario analysis can support more resilient policy design, investment planning and institutional coordination.

Framing the Mid-Transition

The roundtable opened with introductory remarks from UCL's Institute for Global Prosperity (IGP) and its associated programme, The New Alignment, situating the CNEPS initiative within a broader reflection on how institutions can respond to an increasingly volatile global environment.

> *"Navigating profound uncertainty requires three forms of alignment: shared objectives, institutional capacity commensurate with the challenge, and coherence across policy domains."*
>
> **Prof. Dennis Snower, UCL IGP / TNA**

From this perspective, CNEPS was presented not simply as a scenario-building exercise, but as a practical mechanism to strengthen coordination across institutions, support more integrated policymaking and improve the implementation of long-term investment strategies.

Dr. Etienne Espagne then presented the rationale underpinning this approach: in an increasingly uncertain policy environment, reliance on a single baseline projection is no longer sufficient to inform strategic decision-making. Instead, Ministries of Finance and Public Development Banks require a range of plausible scenarios against which to test the resilience of policy choices, financing strategies and implementation pathways. Throughout the discussion, scenarios were consistently presented not as predictive exercises, but as decision-support tools designed to strengthen the robustness of public policy under different future conditions.

> *"Scenarios are not prediction tools. They are decision tools. Their purpose is not to tell us what will happen, it's to help us make better decisions, regardless of what happens."*
>
> **Dr. Etienne Espagne, AFD**

Why Finance Ministries Need to Think in Terms of Tails, Not Averages

The first working session, chaired by Dr. Etienne Espagne, examined the analytical foundations of the CNEPS methodology. Prof. Jean-François Mercure (University of Exeter) outlined the rationale for adopting a scenario-based approach grounded in the behaviour of complex systems. Drawing on examples ranging from transport disruptions to recent developments in European carbon markets, he argued that economic and social systems are more often than not characterised by heavy-tailed dynamics, in which relatively small shocks can trigger disproportionately large and systemic consequences. Applied to public finance, this implies that climate-related hazards may rapidly evolve into broader fiscal, financial or political crises.

Within this framework, Prof. Mercure introduced the risk of a "mid-transition trap": a situation in which successive shocks prevent economies from fully recovering before new disruptions occur, progressively eroding resilience and increasing the risk of systemic instability. Scenario analysis was presented as a means of helping policymakers identify policy pathways that enhance resilience and reduce the likelihood of crossing such critical thresholds. The subsequent discussion illustrated these analytical concepts through country experiences.

Representatives from Mexico highlighted the challenges of strengthening coordination between climate and finance authorities in support of NDC implementation, as well as the growing importance of trade-related uncertainties affecting the country's economic outlook. They also described ongoing efforts to better quantify climate-related disaster risks and integrate them into fiscal planning and economic decision-making.

Representatives from Brazil highlighted the country's extensive network of national and subnational development finance institutions, including BNDES and approximately twenty-five regional development banks and agencies. They emphasised the importance of strengthening coordination across this institutional landscape, including through emerging subnational investment funds supported by revenues from oil, gas and mining activities.

Across the discussion, participants converged on a common principle: the value of the CNEPS initiative will ultimately depend on its ability to support investment decisions that are both financially viable and capable of strengthening long-term economic resilience.

From Scenarios to Country Platforms

The second session, chaired by Laura Sabogal (FiCS and IDFC), focused on how scenario analysis can support country platforms and other country-led investment frameworks. Introducing the discussion, she emphasised *the importance of ensuring that scenario exercises remain closely connected to national priorities and translate into practical decision-making tools for public finance institutions*. Discussions then explored how scenarios could help identify robust investment priorities across different futures while strengthening coordination among public, concessional and private finance actors.

Discussions focused on the practical challenge of translating analytical scenarios into operational decision-making frameworks capable of guiding public, concessional and private investment. Participants broadly agreed that scenario exercises should build on existing national strategies rather than create parallel planning processes. A common approach emerged: starting from national development plans and investment priorities, identifying the policy packages that are most resilient across different scenarios, and using these to inform the design and implementation of country platforms.

Several participants also noted that while scenario analysis is becoming increasingly relevant, many Public Development Banks are only beginning to integrate forward-looking scenario approaches into their strategic planning and investment decisions. Strengthening institutional capacity to use scenarios as part of routine decision-making was therefore identified as an important area for future collaboration.

Stefan Raubenheimer, representing the Country Platforms Hub, highlighted a concrete opportunity to embed CNEPS outputs within the Hub's recently launched knowledge portal. He emphasised the importance of ensuring that analytical outputs remain accessible and directly relevant to policymakers, particularly Ministries of Finance, by translating complex scenario analysis into concise and operational policy products.

The Road to COP31, COP32 and the UK G20 Presidency

The final session, chaired by William Hynes (World Bank and UCL IGP), considered how the CNEPS initiative could support upcoming international policy processes and strengthen collaboration across partner institutions.

Speaking on behalf of both Finance in Common (FiCS) and the International Development Finance Club (IDFC), Nicolas Picchiottino outlined a three-stage roadmap for the initiative. The first milestone would be the development of a partnership with the Turkish Industrial Development Bank (TSKB), with the objective of informing engagement with the COP31 Presidency.

The second stage would focus on regional engagement in Africa in preparation for COP32, to be hosted by Ethiopia. Participants discussed the opportunity to develop pilot country platforms centred on national development banks, with South Africa, Rwanda and Uganda identified as potential candidates.

Looking beyond the COP process, participants also highlighted the strategic opportunity presented by the incoming UK G20 Presidency. Given the current pause in the G20 working groups, several speakers noted that the period leading up to the UK Presidency offers a valuable opportunity to introduce new policy ideas and contribute to shaping the future agenda on climate and development finance.

> *"What is important is to have long-term strategies, and scenarios are part of that. Aligning the different institutions across government is often challenging, and scenarios can help bring them together around a shared direction."*
> **Nicolas Picchiottino, IDFC**

Participants also discussed the broader communication challenges associated with climate risk. Several interventions highlighted that climate risks continue to be perceived primarily as long-term or incremental economic costs, whereas they frequently materialise as low-probability but high-impact events with significant fiscal implications. From this perspective, scenario analysis can contribute not only to improving policy design but also to strengthening public understanding of systemic climate and nature-related risks.

A Wider Circle of Alignment

In his closing remarks, Prof. Dennis Snower reflected on the broader significance of the CNEPS initiative within the evolving landscape of international cooperation.

He reiterated that the rationale for scenario development lies in the recognition that governments increasingly operate under conditions of profound uncertainty, requiring policy approaches that are robust across multiple plausible futures rather than optimised for a single forecast.

He also argued that international cooperation is entering a new phase in which traditional multilateral approaches need to be complemented by stronger coalitions capable of aligning public institutions, financial actors, businesses and civil society around shared long-term objectives.

Within this context, participants emphasised that the relevance of scenario analysis extends beyond Ministries of Finance and Public Development Banks. Business actors also have an important role to play through improved measurement, disclosure and governance practices that better reflect climate and nature-related risks. Likewise, broad societal support will be essential to sustain ambitious transition pathways, highlighting the importance of communicating scenarios in ways that are both analytically rigorous and politically meaningful.

> *"There is broad agreement here on the importance of the scenario building that AFD is doing, and a recognition of the integrating vision that IGP, through The New Alignment, is seeking to bring to the UK G20 presidency."*
> **Prof. Dennis Snower, The New Alignment / UCL IGP**

Looking Ahead

The roundtable highlighted broad interest in continuing the collaborative development of the CNEPS initiative, while also underscoring the complementary contributions of the partner institutions. AFD and the University of Exeter will contribute to the further development of the analytical framework; UCL Institute for Global Prosperity and The New Alignment will help connect the initiative to broader international policy discussions, including the UK G20 Presidency; and Finance in Common, IDFC and the Country Platforms Hub will facilitate engagement through their respective institutional networks.

Participants also identified several priorities for future collaboration. These include the development of a Turkey-focused scenario ahead of COP31, regional engagement in Africa in preparation for COP32, and early dialogue with the incoming UK G20 Presidency. Together, these next steps will help advance the collaborative development of the CNEPS initiative, while identifying opportunities to apply forward-looking scenario analysis in support of country-led investment planning and international policy dialogue.

CNEPS is an initiative of AFD, developed in partnership with the University of Exeter, UCL Institute for Global Prosperity, The New Alignment, Finance in Common and the International Development Finance Club.