POLICY PAPER

Scaling Investment in Climate Resilience: A Policy Agenda for EU-China Cooperation

Operational Priorities

- **Establish a structured Track 1.5 EU–China dialogue on Resilience Investment to align priorities and scale finance for adaptation.** This platform should operate under existing cooperation frameworks, such as EU–China Environment Policy Dialogue, to coordinate adaptation-specific investment standards, data sharing, and financing models without creating new institutions. By linking policymakers, financial institutions, and research institutes, the dialogue can translate high-level goals into actionable and scalable co-financing pilots and consistent methodologies, effectively moving from fragmented projects and initiatives to coordinated portfolios.

- **Establish a joint EU-China Adaptation/Resilience Taxonomy to create a common definition for resilience-oriented investment.** Building on the existing Common Ground Taxonomy (CGT), this joint standard is a foundational step for creating a coherent enabling environment for both public and private investment. A clear, shared definition of what constitutes a "resilience investment" will help investors identify eligible projects, align investment decisions with verifiable objectives, and prevent greenwashing.

- **Mainstream resilience investment into national and regional development finance frameworks through targeted policy incentives, preferential financing terms, and the creation of joint climate-risk guidelines.** Resilience criteria should be systematically integrated into major initiatives like the EU's Global Gateway and China's South-South Cooperation by using preferential financing terms and clear implementation guidelines. This ensures that all climate-sensitive public investments, from infrastructure to agriculture, are designed to withstand future climate risks, thereby protecting long-term productive assets.

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- **Co-develop standardized metrics and evidence-based reporting frameworks to measure the returns on resilience investments.** In collaboration with regulatory bodies, development banks, financial institutions and think tanks, the EU and China can create robust methodologies to quantify the full value of adaptation, including avoided losses, productivity gains, and co-benefits like job creation. This moves beyond identifying eligible activities to demonstrating their financial, social, and economic returns, providing the evidence base that private investors require.

- **Mobilize blended finance and risk-sharing instruments for local resilience through joint EU-China pilot adaptation projects in third countries.** Leveraging public sources like European concessional finance and China's South-South Cooperation Fund can catalyze local public-private partnerships in critical sectors such as resilient agriculture and infrastructure. These pilots can serve as real-world laboratories to test and document successful financing models, clarify cost-benefit distributions, and define the roles of public and private actors in de-risking investments.

- **Strengthen research and innovation partnerships through joint data-sharing initiatives and the establishment of an open climate risk platform.** This cooperation should focus on state-of-the-art climate prediction of extremes and meteorological forecasting, early warning systems, and climate risk evaluation, combining China and EU shared interest in developing novel (e.g., AI-based) tools to increase systemic predictability, sharing achievements and challenges in the use of such techniques. A shared open-data platform can directly support governments, cities, and investors in pinpointing where resilience investments can yield the highest returns, turning scientific information into decision-ready insights.

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Introduction: Why This Topic Matters

Climate change impacts are accelerating faster than financial systems can adapt. Disasters now displace 20 million people annually, and least-developed countries are 10% poorer than they would have been without climate change. Adaptation needs in developing economies could reach USD 350 billion per year by 2035, but current finance flows cover barely one-seventh of that[1]. For both China and the EU, the implications are structural. In Europe, heatwaves, droughts, and floods have exposed infrastructure and fiscal vulnerabilities, while in China, intensified rainfall, coastal flooding, and ecosystem degradation threaten water security and economic stability. For instance, the 2021 floods[2] affected over 14 million people and caused direct economic losses of nearly USD 17 billion, while in 2024[3], droughts and floods resulted in direct economic losses exceeding USD 37 billion. As both regions pursue sustainable development pathways, under the EU Green Deal and China's 14th Five-Year Plan, resilience has emerged as a shared economic and security imperative.

The conclusion of COP30 in Belém has created a new global mandate for action. With the indicator framework for the GGA[4], the international community now has a shared roadmap to measure progress on resilience. Crucially, the commitment to triple adaptation finance by 2035 provides a clear, long-term signal to markets and governments[5]. This political momentum shifts the focus from negotiation to implementation. The challenge now is to translate these global goals into concrete, bankable projects, making EU-China cooperation not just timely, but essential for turning ambition into reality

The Case for Action

The Economic Imperative

Resilience investments are among the highest-return public expenditures. Recent analysis from the World Resources Institute shows that adaptation generates at least four times more benefits than costs, with a median 25% economic rate of return. Scaling these investments could create up to 280 million jobs by 2035[6], especially in agriculture, infrastructure, and health. For countries, resilience strengthens fiscal stability: a 10-point rise in resilience scores is associated with a 37.5-basis-point decline in sovereign bond spreads. For companies, resilient infrastructure and supply chains reduce operational risks and enhance competitiveness. For communities, measures such as early-warning systems and climate-smart agriculture save lives and protect livelihoods—forming the basis for durable, inclusive development.

[1] Systemiq (2025). Returns on Resilience: Investing in Adaptation to Drive Prosperity, Growth and Competitiveness. https://www.systemiq.earth/the-returns-on-resilience
[2] https://www.mem.gov.cn/gk/sgcc/tbzdsgdcbg/202201/P020220121639049697767.pdf
[3] https://www.mee.gov.cn/xxgk2018/xxgk/xxgk06/202506/W020250624798282455900.pdf
[4] https://unfccc.int/sites/default/files/resource/cma2025_L25_adv.pdf
[5] UNFCCC (2025). Global Mutirão: Uniting humanity in a global mobilization against climate change. https://unfccc.int/sites/default/files/resource/cma2025_L24_adv.pdf
[6] WRI (2025). Strengthening the Investment Case for Climate Adaptation: A Triple Dividend Approach.

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Shared Priorities, Diverse Contexts

Both China and the EU have advanced policy frameworks, but operate under distinct institutional logics. China's National Climate Change Adaptation Strategy 2035[7] emphasises early-warning systems, risk assessments, and climate-adapted development, integrating adaptation into spatial planning and regional governance. The latest updated Green Finance taxonomy already supports activities such as upgrading irrigation systems, seawater desalination, coastal and river embankment reinforcement, and sponge-city development that make substantial contributions to climate adaptation. The EU's Climate Adaptation Strategy[8] and Global Gateway initiative focus on resilience mainstreaming, nature-based solutions, and international cooperation.

While political contexts differ, the underlying goals converge: strengthening the capacity of societies and economies to absorb shocks, maintain growth, and protect ecosystems. Building cooperation on these shared interests, rather than attempting to harmonize policy frameworks, can generate tangible progress and build mutual confidence.

From Pilots to Systems

Over the past decade, hundreds of localized adaptation pilots have emerged across both regions, but their impact remains limited by fragmentation. Scaling adaptation will depend less on individual projects and more on whether successful delivery models are systematically captured and embedded in public and private investment systems. Three transitions illustrate this shift.

1. **From projects to portfolios:** Scaling requires moving beyond stand-alone pilots toward integrated resilience pipelines within national planning and budget cycles, with clearer documentation of financial and operational models, cost-sharing arrangements, and public–private roles. Such institutional templates help reduce perceived risks and enable capital to flow beyond concessional finance.
2. **From information to decision:** Scientific and economic data increasingly exist, but their translation into fiscal and financial decision-making remains uneven. Greater clarity on risk allocation between public and private actors and on expected returns is central to operationalizing public–private partnerships for adaptation.
3. **From fragmentation to alignment:** Diverse standards, tools, and financing instruments continue to operate in parallel. Synthesizing lessons from pilots into interoperable frameworks can provide the clarity on risk, returns, and exit structures that investors typically require before committing capital at scale.

[7] Ministry of Ecology and Environment of PRC (2022). National Climate Change Adaptation Strategy 2035. https://www.mee.gov.cn/xxgk2018/xxgk/xxgk03/202206/W020220613636562919192.pdf
[8] https://climate.ec.europa.eu/eu-action/adaptation-and-resilience-climate-change/eu-adaptation-strategy_en

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Making It Work – Enabling Conditions

Scaling adaptation investment requires a coherent enabling environment built on **four** sequential and interconnected components.

First, **identification standards**, such as taxonomies, guidelines, and labelling systems, define what counts as adaptation and help investors distinguish real resilience activities from greenwashing. A primary barrier for private investors is the ambiguity surrounding what qualifies as a resilience-enhancing activity. A scientifically grounded, mutually recognized taxonomy, building on tools like the EU Taxonomy and China's Green Finance Taxonomy, would provide the market with essential clarity, increase transparency, and build the confidence needed to mobilize private capital at scale.

Second, **market scoping** turns these standards into action by identifying sectors and regions with the highest climate risks and estimating their adaptation finance needs This enables policymakers to prioritize areas where blended finance can mobilize private capital, especially at the local level where adaptation finance is most needed but least available.

Third, **financing models** clarify who benefits, who pays, and how costs are shared, providing the basis for mechanisms such as risk-sharing facilities, concessional loans, and performance-based instruments that align incentives and attract investment. Joint pilot projects can demonstrate the viability of blended finance models, providing replicable blueprints that make investments more attractive to private actors by showcasing tangible returns and effective risk allocation.

Finally, **benefit quantification** provides the evidence private investors need. Beyond project eligibility, investors need a credible way to measure performance and compare opportunities. By using robust methodologies to show avoided losses, productivity gains, and social and environmental co-benefits, standardized metrics for "resilience returns" would enhance comparability, attract institutional capital seeking reliable sustainability benchmarks, and build a stronger, data-driven business case for adaptation.

EU-China cooperation is well-placed to advance these components. Europe's regulatory experience in sustainable finance and China's scale in infrastructure investment and development finance can jointly underpin the standards, tools, and evidence base that the global adaptation finance still lacks. A structured dialogue can serve as a coordination platform for sharing best practices, mutual learning, and developing institutional templates to de-risk and scale adaptation investment. Joint research capacity can further strengthen foresight, improve cost-effectiveness, and extend critical data services to developing countries, enhancing global resilience.

Conclusion

Resilience is now central to economic security and stability. For the EU, China, and Germany, aligning on resilience investment is not about merging policy systems—it is about recognizing mutual dependencies in a volatile global economy. Coordinated action can protect productive capital, stabilize fiscal systems, and create shared prosperity.

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A **Track 1.5 EU-China Resilience Investment Dialogue**, anchored in pragmatic cooperation, not political alignment, can help bridge policy silos, mobilize finance, and demonstrate global leadership in delivering the Paris Agreement's Global Goal on Adaptation. By building a coherent enabling environment—through shared identification standards, market scoping, innovative financing models, and robust benefit quantification—this partnership can move adaptation investment from fragmented pilots to systemic transformation, mobilizing private capital at scale. Over time, this cooperation could evolve toward a **Global Adaptation Compact**, linking North and South in a shared framework for resilient growth.

The path forward is clear: resilience is an investment in security, prosperity, and fiscal stability. Evidence shows that well-designed adaptation measures deliver high returns through avoided losses and productivity gains—but capturing these benefits requires clear financial structures and aligned public–private incentives. By scaling resilience together, pragmatically and transparently, the EU and China can help build a more stable, competitive, and equitable global economy.

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About the project:

China and the European Union have already demonstrated their commitment to taking leading roles on tackling climate change and environmental protection. The EU Green Deal and Chinese Ecological Civilization concept both hold similar objectives towards green transition as an interconnected effort to create a more sustainable and resilient society.

This project seeks to further implement a multi-stakeholder initiative to strengthen long-term think tank engagement on Green Global Governance between China and the European Union.

Structured exchanges on green governance policy issues and collaboration between leading think tanks and academic institutions with policy- and decision-makers on both sides aim to institutionalize track 2 and 1.5 dialogue mechanisms to accompany respective EU-China high level and sectoral dialogues. The Action's aim is to increase awareness and knowledge about the EU's and China's policy developments on green governance at technical and political levels, enhancing mutual understanding, whilst building trust, exploring common ground, creating networks of partnerships and influencing policy processes.

Activities include

- online roundtables, networking and research sharing
- delegation visits and policy workshops, including track 1.5 and track 2.0 dialogues
- European-Chinese thematic definition glossary
- policy papers and studies

The project is implemented by

- Hanns Seidel Foundation (HSF) and
- Think Tank of the Ministry of Natural Resources including the Consulting and Research Center (CRC), the Research Center of Territorial & Spatial Planning and Research Centre (RCTSP) and the Land Consolidation and Rehabilitation Center (LCRC)

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