



By: Tomorrow's Affairs Staff

Net-zero without obligation – The new reality of the global financial order



The decision by the **Net Zero Asset Managers** (NZAM) coalition to remove the mandatory "zero emissions by 2050" clause may appear to be a technical detail, but it is not.

This move buried the idea that the financial industry would, on its own, change the course of the global economy.

After five years in which funds were promised to direct capital towards "green" projects, their main association now admits it cannot provide even a minimum level of shared discipline.

Climate policy, once again, is becoming the domain of politics rather than markets.

What actually happened?

NZAM was created in 2020 as part of the wider Glasgow Financial Alliance for Net Zero (**GFANZ**), under the auspices of the United Nations.

The idea was simple: if the world's largest asset managers – BlackRock, JP Morgan AM, State Street, Vanguard, UBS, and Amundi – redirected capital flows to low-carbon sectors, countries would more easily achieve the goals of the Paris Agreement.

The funds pledged that by 2050, the portfolios they manage would be "climate neutral".

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By 2025, NZAM members controlled approximately \$70 trillion in assets. Their commitments were clear: submit a progress report every two years and demonstrate that capital is shifting from fossil fuels to sustainable technologies. That is no longer the case.

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objective but are not required to do so. The obligation has disappeared, along with any means of supervision.

Why did it happen?

The main reason lies not in finance, but in politics.

In the United States, where most global capital is concentrated, between 2024 and 2025, Republican-led federal states began investigating the operations of funds using **ESG criteria** (environmental, social, and governance).

Their argument was that these funds "discriminate" against energy companies and thereby violate their obligation to clients to achieve maximum returns. Lawsuits and political pressure have turned climate commitments into a legal risk.

Rather than face a political conflict, the leadership of NZAM decided to give in

In February 2025, **BlackRock** was the first to leave NZAM, followed by JP Morgan Asset Management and State Street Global Advisors. Without them, the coalition lost more than half of its claimed assets.

Rather than face a political conflict, the leadership of NZAM decided to give in: it abolished the obligation to maintain appearances. An empty house was preferable to a complete collapse.

Reactions and consequences

The United Nations immediately expressed "deep concern". The British regulator, the FCA, cautioned that this could lead to greenwashing, as it lacks a mechanism to verify whether funds are truly reducing emissions.

NZAM's European members – Amundi, Nordea AM, and Schroders – stated they remained committed to the cause but would no longer be able to request anything from others.

That is the essence of the problem: in climate policy, what matters is not how much an individual wants, but how much everyone together must do. When the obligation disappears, the meaning of collective action also disappears.

Banks have started moving funds to neutral sectors – technology, healthcare, infrastructure – where political risk does not exist

In the market, the consequences are immediately visible. Reuters reports that interest in **ESG bonds** fell by eight per cent year-on-year, while the number of new climate funds dropped by more than ten per cent.

Banks have started moving funds to neutral sectors – technology, healthcare, infrastructure – where political risk does not exist.

Funds have renamed their products: "net-zero" becomes "transition strategy". Investors are returning to pragmatism.

The breakdown of shared logic

What occurred was not an isolated incident but a breakdown between two worldviews. Europe and the United Kingdom continue to enforce strict regulations on sustainable finance through the SFDR and the EU Taxonomy Regulation, which require funds to disclose the emissions of their portfolios.

The United States, under the new administration of Donald Trump, is shifting to a voluntary model: each party decides for itself how far to go. This split means there is no longer a global market with shared climate rules. There are now parallel systems – one

regulated, the other left to the market.

The stricter the rules, the faster capital flows to places without rules

For European funds, this presents a serious problem. If US competitors are no longer subject to obligations, their returns may be higher because they face no reporting costs and no restrictions on fossil fuel investments.

This puts pressure on Brussels and London to relax regulation, as no one wants to lose clients. Climate finance faces a paradox: the stricter the rules, the faster capital flows to places without rules.

The decline of climate diplomacy

Until now, financial alliances such as NZAM have been a tool of the West to shape global politics. If a developing country sought access to international funds, it had to present a climate strategy.

It was an unspoken condition – no prohibitions, but clear signals. Now that US funds have withdrawn their support, that pressure is fading.

If the world's largest investors are abandoning climate discipline, why should less developed countries limit their own growth?

Africa, Latin America and Asia now have an argument that Europe can scarcely refute: if the world's largest investors are abandoning climate discipline, why should less developed countries limit their own growth?

It is a geopolitical shift that has gone almost unnoticed in Brussels and London. Instead of driving the climate agenda, financial power is now fuelling a return to national interests.

A new reality

NZAM's decision does not mean climate finance will stop, but it will become slower, more expensive, and more fragmented. Instead of a single global strategy, there will be dozens of regional and sectoral initiatives.

The EU will need to establish its own fund with real emissions monitoring, but without US capital. Asia will develop its own mechanisms – Japan and South Korea are already announcing bilateral energy transition funds.

The global consensus, which once seemed irreversible, has now collapsed.

In the absence of political stability and a unified regulatory framework, capital retreats from its obligations

Politically, this is a crucial moment. Until now, the West has trusted that the private sector would maintain climate goals even when political will weakened.

Now, the opposite has become evident: in the absence of political stability and a unified regulatory framework, capital retreats from its obligations.

The funds have not betrayed the planet; they have reminded us that the market does not solve moral problems. It is a lesson many did not want to hear.

What comes next?

The upcoming **COP30 in Brazil** will be the first summit where the financial sector is not treated as a partner but as an unknown quantity. Discussions will focus on budgets, not commitments.



In a world where markets carry more weight than agreements, climate policy can no longer rely on voluntary alliances of capital

The United Nations will attempt to restore confidence through a new framework for "transparent climate funds" but without American support, it will be symbolic.

In practice, the transition will depend on state and development banks. However, these institutions are already financing reconstruction, the economic consequences of war crises, infrastructure projects, and social programmes. Resources will be stretched.

In such an environment, energy security is more likely to become a priority than reducing emissions. This is not a return to the past – it is the reality of a world that no longer shares a common vision of the future.

NZAM's decision is formally an act of administration, but fundamentally it marks the end of an era. In a world where markets carry more weight than agreements, climate policy can no longer rely on voluntary alliances of capital.

If the decade after Paris was a time of illusion that emissions could be reduced without political conflict, the decade after 2025 will be a return to reality: states will have to pay the price of their climate decisions, because the market will not do so.