

THE RISE — OF THE — ADAPTATION ECONOMY

Investing in
Adaptation and Resilience
in a World Beyond 1.5C

November 2025

SUMMARY BRIEFING

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About the Summary Briefing

Morphosis, with its partners the Center for Sustainability Studies at Fundação Getulio Vargas, Instituto Itaúsa, the Paulson Institute, and Basilinna, have come together to identify *which policy measures can catalyze markets that enable the profitable delivery of climate adaptation solutions, thereby attracting the required private capital, enabling innovation, scale, affordability, and enhanced development outcomes.*

Our efforts have built on the evolving body of work on adaptation economics by academics, think tanks, consultancies, international organizations and businesses, which is itself a testimony to the growing recognition of the importance of the adaptation agenda.

The work, summarised in this summary briefing, combines a review of the global landscape for adaptation finance, country-based research including deeper dives into two significant countries - Brazil and China, a technical paper on the adaptation economy, and this synthesis paper offering the first iteration of a general-use, high-level Adaptation Economy Policy Framework. These elements are published as five separate papers, with this paper providing the overarching synthesis.

Although still at an early stage, our efforts have helped to shed light on where, why and how adaptation-related goods, services and investment flows are already emerging in practice and have provided a foundation for identifying policy areas and measures that can unlock adaptation markets more broadly in both the global south and global north.

Our policy perspectives and recommendations are encapsulated in this summary briefing as the first generally applicable policy framework for advancing adaptation markets and economies. This contribution is without doubt a work-in-progress that will evolve as experience expands and learning deepens. We hope, however, that it is sufficient to engage policymakers and businesses in exploring how best to make markets work better in advancing adaptation in a rapidly changing, severely climate impacted world.

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Adaptation is emerging as a keystone of future climate action.

The lived experiences of climate impacts such as wildfires, storms, floods and droughts are capturing the attention of citizens and businesses worldwide and pressuring politicians of every persuasion to consider what actions to take.

The impacts of climate change are surging worldwide.

Economic losses from physical climate- related impacts in 2024 exceeded US\$300 billion.¹ Failure to advance ambitious adaptation actions could result in losses rising to an astonishing 20-50 percent of global GDP by mid-century.²

Such impacts will be unequally distributed through a ‘might-is-right’ competition for scarce resources such as water and food, exclusion of climate impacted countries from affordable capital, and erosion of international governance and solidarity.

Inclusive prosperity in the future requires a phased shift in economic practices.

Tomorrow’s global economy will be very different. Effective adaptation could support inclusive prosperity. Without concerted action, on the other hand, the global economy is likely to be smaller, more fragile and more unequal.

Improving the resilience of today’s economy is insufficient to ensure the well-being of the growing number of vulnerable communities. A systemic approach is required to deliver inclusive prosperity underpinned by the scaled deployment of affordable adaptation solutions.

Morphosis, with its partners the Center for Sustainability Studies at Fundação Getúlio Vargas, Instituto Itaúsa, the Paulson Institute, and Basilinna have developed a framework of policy measures that can catalyze markets to enable the profitable, scaled delivery of affordable adaptation solutions, thereby attracting the required private capital.

Nature is an essential part of any systemic approach to adaptation.

Action on adaptation is entwined with advancing a zero-carbon economy and restoring and preserving nature. Adaptation strategies need to both deliver a resilient and affordable energy system and protect and restore nature's ability to reduce climate change and its impacts and support the global economy.

Business is still largely absent from the delivery of adaptation solutions.

Today's markets rarely reward adaptation solution businesses and assets. Climate risks are mispriced, nature is under-valued, consumer expectations are actively suppressed, and enabling policies are missing or, worse still, favor unsustainable business practices. As a result, adaptation solution businesses are too often unprofitable, undervalued and under-capitalized, limiting private investment.

Policy-supported financing for adaptation financing will be limited.

Financial innovations can help align private capital flows with adaptation outcomes. Blended financing can boost the profitability of private investments—using guarantees, performance-linked financing, labelled loans, and bonds and nature credit markets.

Such financing will be limited given an increasingly constrained fiscal space. The average government debt to GDP ratio of Organisation of Economic Cooperation and Development (OECD) countries has doubled over the last decade by over 110 percent.³ International development assistance is in decline, falling 7.1 percent in real terms in 2024 and projected to decline by a further 9-17 percent in 2025.⁴

Scaling adaptation financing requires adaptation markets and economies.

What is needed is the development of adaptation markets and economies. These can be thought of as *'the activities, policies and institutions that deliver the goods, services and systems that advance inclusive prosperity in a climate-impacted world'*. Developing these markets and economies create the conditions that reward adaptation solution businesses and thereby attract private investment.

Policy action is needed to catalyze adaptation markets and economies.

Policy action is essential to advance adaptation markets and economies, enabling the innovation, competition and scale needed to ensure such solutions are available and affordable. Comparable success has been achieved in transforming the renewable energy sector into a multi-trillion-dollar market -- including feed-in tariffs, industrial strategies and financial regulations.

Adaptation economics can underpin macroeconomic and job creation strategies.

Policies that channel capital into adaptation solutions offer a basis for more robust macroeconomic conditions. This can help to create a virtuous cycle of growing factor productivity, more stable markets, improved fiscal performance, and lower costs of capital. Many adaptation investments, notably nature-based infrastructure, will tend to be more labor intensive, generating jobs.⁵

There is no standardized policy playbook to catalyze adaptation economies.

Policies to advance adaptation-friendly markets remain ad hoc and fragmented. As a result, investors and solution providers struggle to identify which countries are the most attractive destinations for their capital or products. This compares unfavorably with the largely standardized policy frameworks to incentivize renewable energy, enabling investors and businesses to assess the attractiveness of different markets.

Progress is needed to standardize policy frameworks to drive adaptation markets.

Policy standardization in advancing adaptation markets and economies presents challenges given the heterogeneity of adaptation solutions across sectors, technologies and products. However, some progress has been made, mainly focused on improving finance supply-side conditions.

A comprehensive standardized policy framework has been developed.

An Adaptation Economy Policy Framework (summarized in Exhibit 1) has been developed to support the advancement of roadmaps for policy makers to:

- Catalyze private investment** by shaping markets that reward adaptation solutions.

- Expand access** to affordable adaptation products and services, especially for low- and middle-income households in climate-vulnerable regions.

- Integrate adaptation** into macroeconomic, industrial and social policy as a core competitive strategy.

The Framework establishes a basis for dialogue and cooperation a basis for investors and solution providers to engage more productively with policy makers.

The Framework is relevant across diverse contexts and priorities.

There is no one-size-fits-all in advancing adaptation markets. Context counts, as do policy priorities, both of which will evolve over time. The Framework is therefore not sector-, technology- or product-specific. It focuses instead on the cross-cutting policy domains that can create the underlying foundations on which adaptation economies are built.

The Framework can be used for sector, regional, city and asset-level analysis.

The Framework at this stage is focused on the development of sovereign adaptation markets and economies. Going forward, on-going work points to a need for more in-depth analysis at sub-sovereign, sector-specific and asset levels.

The Framework enables measurability, comparability and accountability.

The Framework as presented is qualitative. However, it has been designed with a view to providing a basis for policy progress to be measured. An indexed version of the Framework is already under development, enabling comparability against commitments over time, as well as between countries.

Policies to advance adaptation economies can be implemented now.

Adaptation economics is at an early stage of development, but there are clear steps that can be taken by all policymakers, in consultation with investors, businesses and other stakeholders in building Adaptation Economy Policy roadmaps.

- 1 | **Map existing adaptation markets** to identify and assess the state of key adaptation markets, starting most urgently with those delivering basic needs.
- 2 | **Identify constraints to adaptation markets** to explore, in particular, risk pricing, wider citizen expectations, and existing and absent policies.
- 3 | **Identify and prioritize markets and policy levers** to advance selected adaptation markets in complex cases, possibly at a sandbox or pilot level.
- 4 | **Integrate into broader adaptation economic roadmaps** starting with selected markets but extending to all transversal policy aspects set out in the Framework.

Applications of the Framework can deliver short-term benefits.

There are potential shorter-term benefits from targeted applications of the Framework, complementing the longer-term gains of improving inclusive economic resilience and productivity. For example, the Framework can be used to shape:

- 1 | **Public procurement:** a direct and potentially powerful policy lever to deploy in incentivizing targeted adaptation markets.
- 2 | **Policy-linked borrowing:** to establish a basis for adaptation economy policy-linked borrowing, especially by developing countries from Multilateral Development Banks (MDBs).
- 3 | **Sovereign risk:** positively impacting risk ratings by demonstrating robust adaptation economics embedded in macroeconomic strategies and plans.
- 4 | **Adaptation finance:** embedding adaptation risks into financial markets to incentivize investments in adaptation solution businesses and assets.
- 5 | **Carbon and nature:** aligning investments in clean energy and nature landscapes with the rise of adaptation markets and related opportunities.

Advancing adaptation economies is key to inclusive prosperity.

There is much to do in advancing transformative adaptation, including accelerating emissions reductions, meeting the needs of the growing numbers of refugees, and securing social safety nets for the most vulnerable. None of these goals can be successfully addressed unless accompanied by markets that can deliver, at scale, affordable adaptation solutions.

The proposed Adaptation Economy Policy Framework is a step forward in providing a practical, systematic comparable basis for developing and executing policy roadmaps to catalyze the adaptation markets and economies needed to secure more inclusive prosperity in tomorrow's severely climate-impacted world.

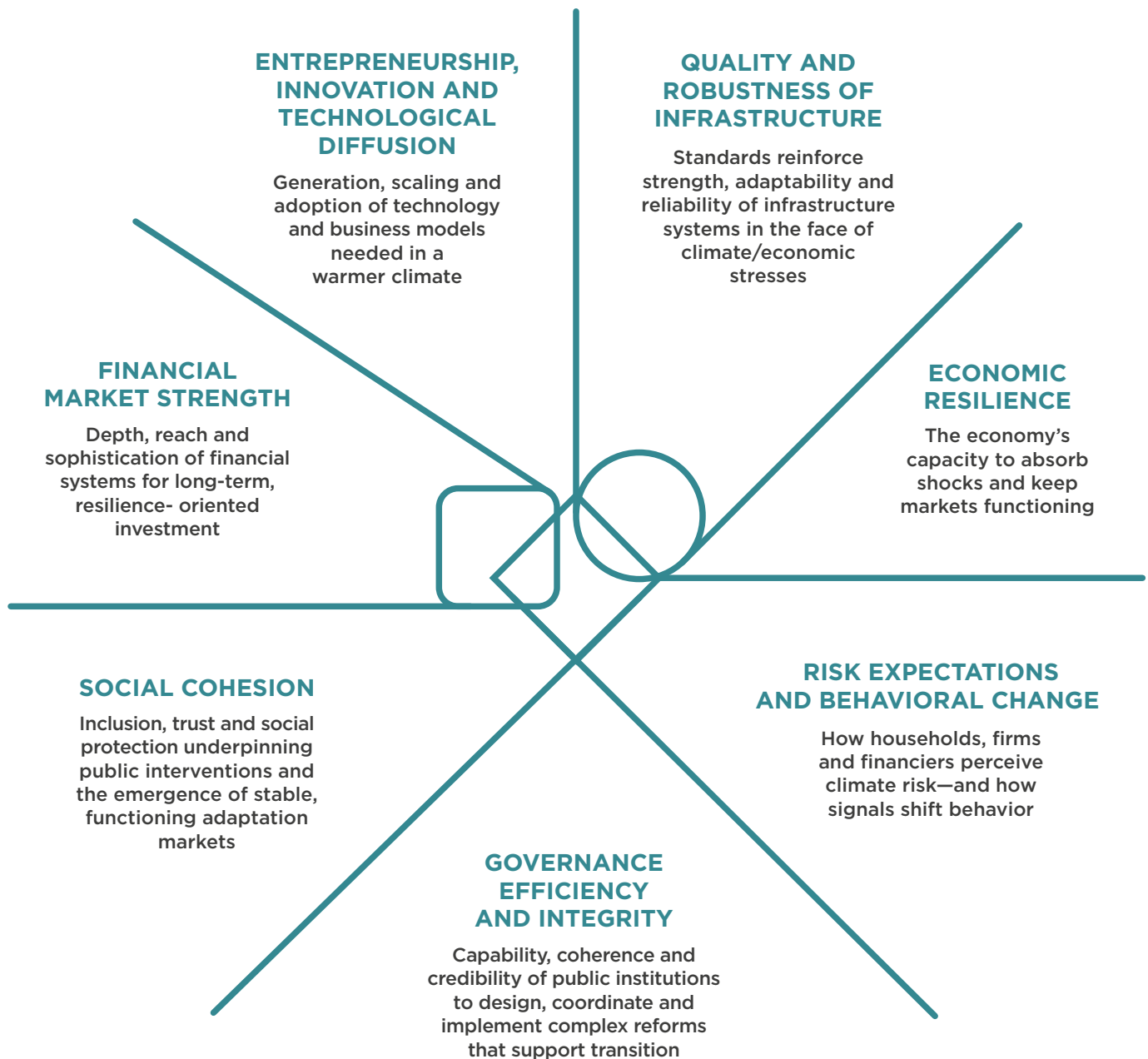
Exhibit 1 Adaptation Economy Policy Framework – Summary**A**

Exhibit 1 Adaptation Economy Policy Framework – Summary**B**

Policy Domain	Relevance to Adaptation	Key Policy Levers
ECONOMIC RESILIENCE	Predictable macro conditions and well-functioning markets lower cost of capital and keep prices and demand stable.	• Macroeconomic and fiscal stabilization measures • Diversification and resilient trade/logistics strategies • Property rights/land-use reforms
RISK EXPECTATIONS AND BEHAVIORAL CHANGE	Accurate, visible and priced risk turns latent need into real demand, directing capital to adaptation solutions.	• Mandatory climate-risk disclosure and stress tests • Open climate risk data/early warning systems and risk mapping • Consumer protection and awareness raising
FINANCIAL MARKET STRENGTH	Properly regulated financial systems, with appropriate investment vehicles, determine whether capital can flow at scale prices that make solutions viable.	• Framework for green, resilience and catastrophe bonds • Public spending alignment with adaptation priorities • Prudential regulation and supervision incorporating climate and disaster risk
ENTREPRENEURSHIP, INNOVATION AND TECHNOLOGICAL DIFFUSION	Innovation expands the menu of solutions and drives costs down; policies ensure new adaptation goods, services and business models can scale.	• Research focused on adaptation priorities • Incubators, extension services and tech-transfer partnerships • Workforce development and vocational training
QUALITY AND ROBUSTNESS OF INFRASTRUCTURE	Resilient infrastructure is both a market in itself and the platform many other adaptation markets depend on.	• Climate-resilient codes/standards • Risk-informed spatial planning/zoning • Public Private Partnership (PPPs) frameworks with resilience requirements
GOVERNANCE EFFICIENCY AND INTEGRITY	Strong and transparent governance creates conditions for adaptation markets to create and scale without unduly burdening limited public resources.	• Mechanisms for regulatory responsiveness to emerging private sector needs • Regulatory streamlining/one-stop permitting for solution providers • Open contracting, anti-corruption controls
SOCIAL COHESION	Inclusive access and trust foster real, scalable markets; cohesion reduces conflict risk and smooths reform adoption.	• Adaptive and shock-responsive social protection systems • National insurance or catastrophe pool laws establishing shared risk mechanisms • Participatory planning, community ownership and grievance mechanisms

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