

Advancing sustainability post-COP29

Climate change and sustainable development have emerged as paramount issues demanding immediate and concerted action on a global level. Climate change is no longer a distant threat; it is a reality people experience every day through intensifying floods, droughts, heatwaves and storms. The economic toll has already [reached \\$2 trillion](#) in the last decade, according to the recent report titled “*The economic cost of extreme weather event*”¹, with the poorest nations suffering the most. The scale of the climate challenge demands unprecedented investment – \$3 trillion–5 trillion annually until 2050 – to build resilience and finance the green transition, according to the Organisation for Economic Co-operation and Development. The question before us is no longer *if* there is a need to act, but *how* to mobilise sustainable finance at the speed and scale required to achieve net-zero commitments.

Azerbaijan has proactively defined its strategic direction through initiatives such as ‘Azerbaijan 2030: national priorities for socio-economic development’ and the comprehensive ‘2022–2026 socio-economic development strategy’. These initiatives articulate the nation’s ambition to foster sustainable economic growth while facilitating a transition towards a green economy characterised by an emphasis on environmental preservation and public health.

The Central Bank of Azerbaijan is committed to underpinning this national agenda. It has identified sustainable finance as a core pillar in the country’s strategic financial sector framework, recognising it as essential for enhancing resilience against climate-related risks that threaten both economic stability and the well-being of society. Our efforts aim not only to promote economic transformation but also to safeguard the environment for future generations.

Significant achievements in the context of COP29

The key topics discussed at the 29th United Nations Climate Change Conference (COP29) were the scaling up of climate finance, increasing transparency and reporting, and mapping national development contributions to sectoral development strategies. Overall, the key deliverables included:

- governments setting an ambitious target of \$300 billion by 2035 in a breakthrough agreement reached on financing for developing countries;

¹ [The economic cost of extreme weather events](#)

- a new initiative, ‘Baku to Belém roadmap to 1.3T’. The goal of this roadmap presented at COP29 is to mobilise total climate finance of \$1.3 trillion by 2035. This initiative will be in the spotlight as one of the main priorities of COP30;
- the launch of a multi-year work plan that includes consideration of the impact of trade policies resulted in COP29 formally recognising the role of trade in climate action; and
- the unanimous adoption of Article 6 (establishing voluntary international cooperation on climate action of the Paris Agreement and the related decisions will be important for the environmental integrity, transparency, and robustness of carbon markets.

The Central Bank of Azerbaijan has assumed a leadership role for the implementation of the key initiatives nationally and internationally to contribute to the COP29 climate action agenda. Firstly, in collaboration with more than 15 government and private-sector entities, the Central Bank of Azerbaijan has developed a ‘green taxonomy’ and adopted it before COP29. The adoption of the green taxonomy was a key milestone to mobilise finance for sustainable and green projects.

At the international level, the Central Bank of Azerbaijan introduced the ‘Global roadmap for advancing interoperability and comparability of sustainable finance taxonomies’ – an initiative formed in collaboration with international organisations and financial institutions.

Additionally, the Central Bank worked with the banking sector to launch the ‘sustainable finance pledge’ till 2030. This pledge resulted in the Azerbaijani banking sector committing to mobilise two billion manats (\$1.2 billion) by 2030 for the development of green projects. Remarkably, in the first half of 2025 alone, 330 million manats (17% of the pledge) had already been allocated. This substantial investment underscores the commitment of Azerbaijani banks not only to fulfil their economic responsibilities but also to embrace their obligations towards environmental sustainability and social accountability.

Developing a comprehensive sustainable finance ecosystem

In alignment with the sustainable finance roadmap, the Central Bank of Azerbaijan has launched an extensive array of reforms designed to facilitate the establishment of a robust sustainable finance ecosystem.

Sustainable finance principles. A set of guiding principles that provide financial institutions with a comprehensive framework focused on governance, strategic planning and risk management tailored to support sustainable practices.

Guidelines for environmental risk management in banks. These guidelines serve to integrate climate-related risks into the critical decision-making processes related to credit assessment, investment choices and operational strategies, thereby ensuring that environmental considerations are paramount in banking operations.

Green taxonomy. This taxonomy plays a critical role in establishing clear definitions and consensus on what qualifies as green infrastructure. Through the creation of a detailed green taxonomy in 2024, the Central Bank of Azerbaijan defined and categorised eligible green activities across 10 key sectors, facilitating access to preferential financing for projects that promote sustainability and environmental stewardship.

Guidelines on green and sustainability-linked loans. An effort to align lending practices with internationally recognised standards such as the ‘green loan principles’, fostering transparency and confidence among stakeholders.

These foundational initiatives are laying the groundwork for a thriving and innovative green finance market within Azerbaijan.

Enhancing capacity and risk management frameworks

Recognising the necessity of robust institutional capacity, the Central Bank of Azerbaijan has made significant investments in training and education for financial professionals. Collaborating with globally respected institutions such as EBRD, World Bank, IFC, PCAF, EY, ACCA, the Central Bank of Azerbaijan is equipping financial institutions in the country with essential knowledge and skills in the area of managing risks stemming from the climate change.

While risk assessment and management are well-established practices in the financial sector—where the Central Bank of Azerbaijan carefully evaluates business cycle risks, liquidity, solvency, and macro-financial dynamics—climate risk assessment offers an opportunity to expand this expertise into a new and forward-looking domain. Strengthening data availability will enhance the ability to inform future expectations, while recognizing the interconnected nature of emissions, climate change, and the economy encourages a more integrated approach. In this regard, the Central Bank of Azerbaijan has embarked the cross-institutional initiative to enhance its climate risk assessment capabilities. With the invaluable technical support of the International Monetary Fund, the Central Bank of Azerbaijan has developed a Transition Risk Data Roadmap, an initiative aimed at addressing long-standing data gaps that have posed major challenges. This initiative underscores the Central Bank’s commitment to data-driven risk management and decision-

making, ensuring that climate-related financial risks are assessed and mitigated with accuracy and foresight.

These enhanced tools and methodologies will empower stakeholders to navigate the complexities of climate-related financial risks with greater precision, ultimately supporting the maintenance of financial stability in an environment of increasing climate uncertainty.

Promoting sustainability within organisational operations

The dedication to sustainability begins from within the institution. The Central Bank of Azerbaijan advocates for gender equality and inclusiveness, as evidenced by women occupying 22% of leadership roles within our organisation. In addition, the Central Bank of Azerbaijan has initiated various social responsibility projects focusing on financial literacy, sustainable tree-planting initiatives and educational outreach efforts aimed at fostering a more informed citizenry.

Furthermore, the Central Bank of Azerbaijan is actively examining the potential for the implementation of green monetary instruments, drawing learnings from the experiences of leading central banks. While the conditions for fully developing these tools are not yet optimal, the Central Bank of Azerbaijan remains poised to take necessary actions as the macroeconomic landscape evolves.

As a part of diversification strategy of its foreign exchange reserves, The Central Bank of Azerbaijan has invested in the USD Green Bond Fund established by the Bank for International Settlements (BIS) as of March 2021. The fund consists of high-quality green bonds that meet strict environmental criteria set by recognized standards such as the Green Bond Principles (ICMA) and the Climate Bond Standard by Climate Bond Initiative. The fund pools the central banks' investments into green assets and invests across a diversified portfolio including sovereign green bonds, bonds issued by international financial institutions, and green corporate bonds with minimum credit rating of "A-" or equivalent.

Through its exposure to the BIS Green Bond Fund in USD, the Central Bank of Azerbaijan is contributing to the financing of climate-friendly and environmentally sustainable projects and supporting the global transition towards a greener and more resilient economy.

The Central Bank of Azerbaijan's new administrative building has been designed with a strong focus on energy efficiency and environmental responsibility. Our goal is to minimize the building's carbon footprint and optimize energy use through modern technologies and sustainable design principles. The project integrates several innovative green solutions — including sensor-based lighting, A++ class equipment, and solar-friendly façade glass —

which together deliver substantial energy savings. Energy-efficient elevators and ventilation systems further reduce environmental impact. Beyond technology, the project also emphasizes ecological balance through extensive greening — planting 137 trees, 774 bushes, and over 11,000 square meters of lawn to improve air quality and mitigate the urban heat island effect. Overall, this initiative reflects our commitment to creating an environmentally responsible, energy-efficient, and future-oriented infrastructure that supports both sustainability and long-term resource savings.

The agenda for the future

The Central Bank of Azerbaijan has defined several strategic actions within its sustainability agenda moving forwards. These include efforts to:

- foster the expansion of co-operation with international partners to enhance and fortify institutional capabilities within Azerbaijan’s financial sector;
- innovate and develop green financial products, such as sovereign green bonds and green insurance, which are designed to finance environmentally friendly projects and support sustainable public and private investments;
- implement a comprehensive sustainability reporting framework to promote transparency, ensure environmental, social and governance (ESG) accountability, and enhance investor confidence;
- integrate ESG considerations and climate risk factors into our banking regulatory framework, supported by state-of-the-art tools such as the ‘ESG risk radar’, designed to facilitate systematic risk identification and management; and
- collaborate among institutions and countries to promote effective climate risk analysis. The challenges posed by climate change are global and require a multidisciplinary approach. Sharing knowledge and working together is not just beneficial; it is a necessity.

The Central Bank of Azerbaijan is resolutely committed to playing a pivotal role in the development of a sustainable and resilient financial system. Through its initiatives, strong partnerships and dedication to sustainability, the institution aims not only to contribute to green transformation but also to support and advance global climate action efforts.

The Central Bank of Azerbaijan remains committed to promoting innovation in green finance, mitigating systemic risks posed by climate change and creating a future where economic well-being and environmental sustainability coexist.