A close-up photograph of a key inserted into a lock. The key is positioned horizontally, and a bright, warm light shines through the keyhole, creating a strong contrast with the dark surroundings. The background is dark and out of focus, emphasizing the key and the light.

Climate Finance – Whither Post- Baku?

University of Warwick
London, 4 March 2025
Vicente Paolo Yu, TWN

The Global Context: Challenges to Multilateral Cooperation on Climate Change and Development Equity



The “Grand Bargain” in 1992 under the UNFCCC

Common responsibilities

All to cooperate on mitigation, adaptation, science, research
Periodic reporting by all of climate actions

Differentiated responsibilities

Developed countries mitigation commitments (1990 levels by 2000)
Developed countries provide financing and technology transfer support to developing countries for mitigation, adaptation, and endogenous technology development to implement the Convention
More detailed reporting by developed countries

Financing was to come from bilateral regional and other multilateral channels– i.e., the understanding was that it would come from developed countries’ public funds

The “Grand Bargain” in 1997-2020 under the Kyoto Protocol

Common responsibilities

All to cooperate on mitigation, adaptation, science, research
Periodic reporting by all of climate actions

Differentiated responsibilities

Developed countries mitigation commitments (5.8% below 1990 levels by 2012; 18% below 1990 levels by 2020)

Developed countries provide financing and technology transfer support to developing countries for mitigation, adaptation, and endogenous technology development to implement the Protocol

More detailed reporting by developed countries

Financing was to come from bilateral regional and other multilateral channels– i.e., the understanding was that it would come from developed countries’ public funds

But some developed countries did not join and hence were not bound under the Kyoto Protocol’s first and/or second periods

The “Grand Bargain” in 2015 under the Paris Agreement

Common responsibilities

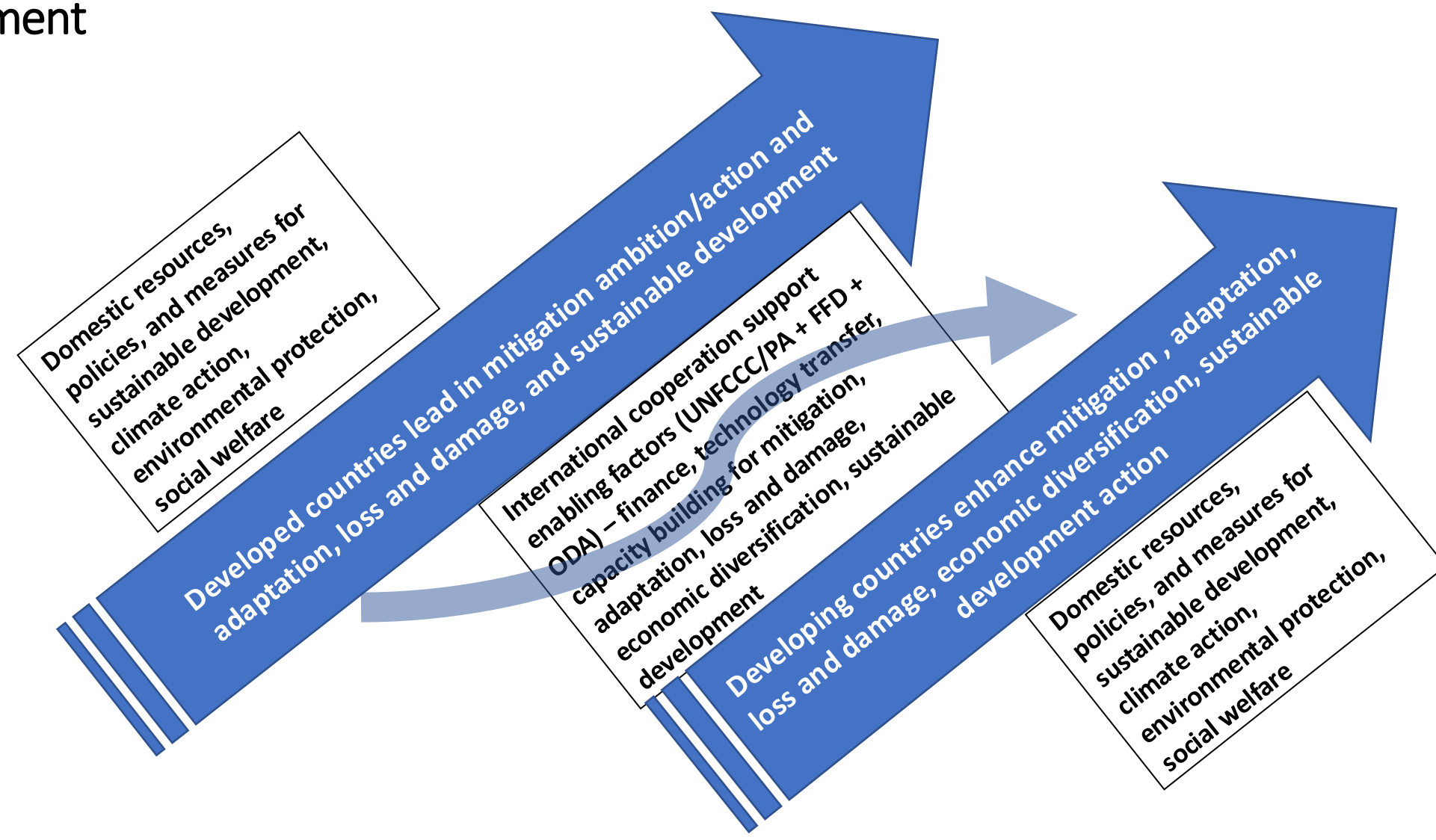
Periodic submission by all of NDCs
Periodic reporting by all of NDC implementation

Differentiated responsibilities

Developed countries provide financing and technology transfer support to developing countries for mitigation, adaptation
More detailed reporting by developed countries

Financing as continuation of existing obligations of developed countries under the UNFCCC; wide variety of sources, public and private

Equity-based international solidarity and cooperation for climate action and sustainable development



Climate Finance Obligations in the UNFCCC and its Paris Agreement

UNFCCC

Art 4.3 - developed countries “shall provide” finance to developing countries for reporting and UNFCCC implementation

Art 4.4 - developed countries “shall also assist” developing countries in meeting adaptation costs

Art 4.5- developed countries “shall take all practicable steps to ... finance” technology transfer or access to ESTs to developing countries

Art 4.7 - “The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties

Art 9.1 – developed countries “shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention.”

Paris Agreement

Art 2.1(c) - Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

Art 4.5 – Support “shall be provided to” developing countries for the implementation of Art 4 (NDCs)

Art 7.6 – Recognize the importance of support for and international cooperation on adaptation efforts of developing countries

Art 10.6 – “Support, including financial support, shall be provided to” developing countries for technology transfer

Art 13.14 – “Support shall be provided to” developing countries for transparency

Climate Finance under the UNFCCC

UNFCCC/PA Financial Mechanism (to deliver climate finance under Art 4.3-4.5 UNFCCC and Art. 9 PA)			
Mitigation (currently 70-76% of flows, inadequate)	Adaptation (currently 24-30% of flows, inadequate)	Reporting of national climate change actions (NCs and BTRs; \$250k-633k/country)	Addressing Loss and Damage (currently voluntary, ad hoc, disaster-driven)
GCF GEF	AF GCF GEF (LDCE, SCCF)	GEF	FRLD
At least US\$100 billion annually up to 2025			US\$792M pledged
NCQG at least US\$300 billion annually by 2035 (from 2026)			?

If You Build It, Finance Will Come (?)

1994 – GEF as operating entity

1994 – developed to developing countries; public sources through bilateral, regional, multilateral channels

2001 – Adaptation Fund, SCCF, LDCF established

2001 – AF – CDM SOPs and voluntary contributions of developed countries; SCCF and LDCF - public sources through bilateral, regional, multilateral channels, developed to developing countries

2007 – Adaptation Fund operationalized

2010 – Green Climate Fund established

2010 - \$30B fast-start to 2012; \$100B annually by 2020; **wide variety of sources, public and private**; developed to developing

2012 – Green Climate Fund operationalized

2015 – \$100B annually by 2025; NCQG to be set by 2025; **wide variety of sources, public and private** ; developed to developing

2022 – Loss and Damage Fund established

2023 – Loss and Damage Fund operationalized

2024 – NCQG set at \$300B annually by 2025; roadmap to \$1.3Tr to be developed in 2025; 20; **wide variety of sources, public and private**; developed to developing

Global economy – trends, patterns, control, and direction of travel

COP negotiated outcomes

Norms and institution building:

- NDCs
- Mitigation
- Adaptation
- Loss and damage
- Reporting
- Carbon trading
- Finance
- Technology
- Just transition
- Response measures

Goal setting

- Global goals – mitigation, adaptation, LD, JT, RM, MOI
- Guidance for international cooperation on climate change – finance, technology, loss and damage

COP **non-multilateral and non-negotiated** external statements and declaration (not official COP outcome):

- Plurilateral and joint initiatives on various topics at each COP

Net zero = capital, technology, and offsets = corporate and private profit through mitigation rather than provision of mitigation, adaptation and addressing loss and damage and response measures as global public goods

Capital-oriented mitigation, geoengineering technologies

Technology, Capital and the Mainstream Climate Finance Narrative

Technology

“Sustainable/clean/environmentally sound” – energy, transport, land use and agriculture, goods and services

Digitalization and automation of industrial production



Capital

Market-based or –oriented mechanisms – international trade, private sector financing (loans, equity), stronger IPR enforcement, natural resource asset financialization, carbon offset , product standards, CSR /ESG initiatives and certification schemes

“Net Zero” narratives

Carbon capture, storage, and trading

Geoengineering

Private sector as main source of rent-seeking / profit-oriented climate financing primarily for mitigation

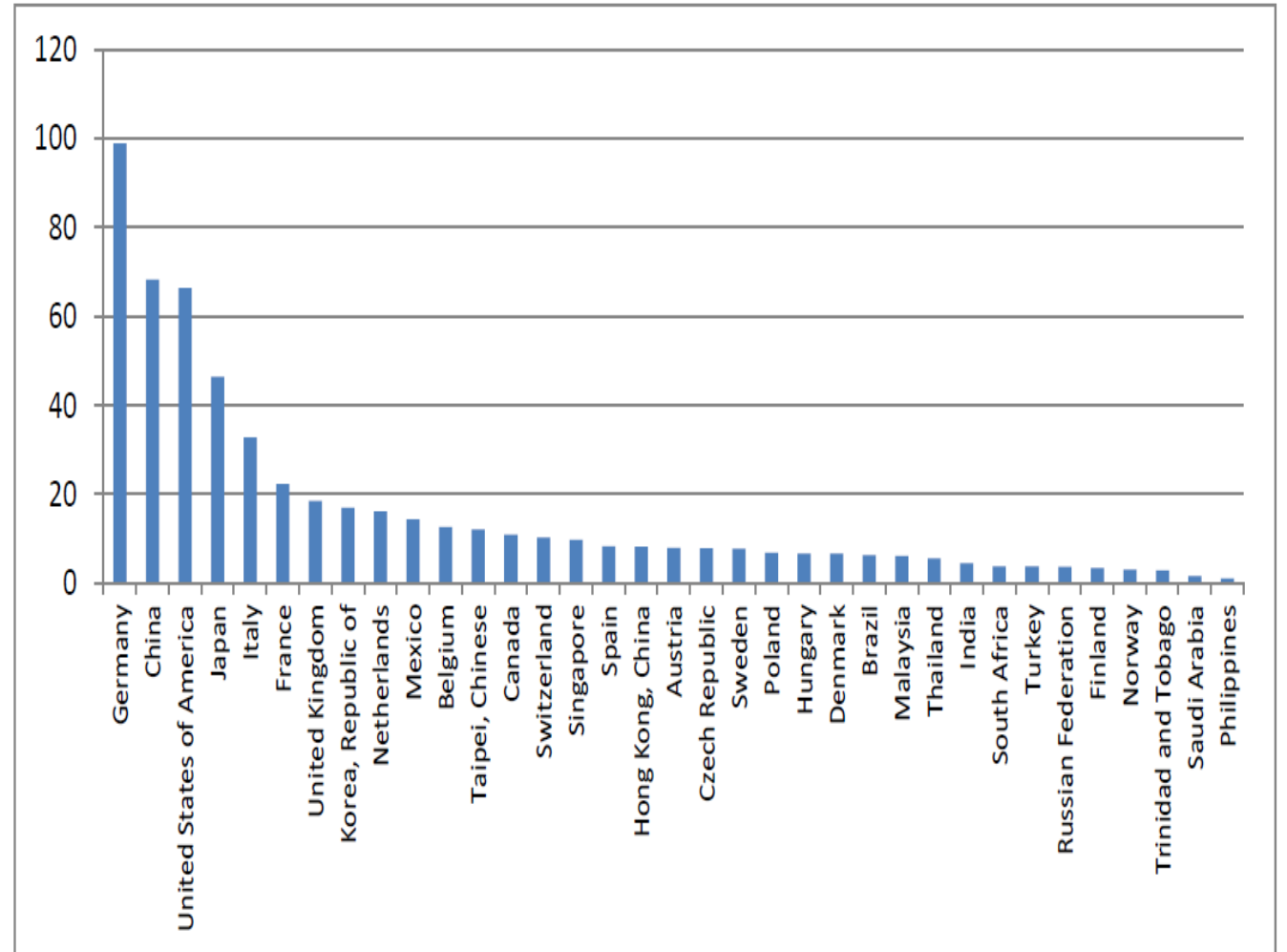
Winners and losers from technology-focused and capital-driven climate action

OECD countries account for:

- at least 88% of inventions patented globally;
- more than 90% of “high-value” inventions patented;
- 85% of all patents issued globally between 2000 to 2011 for environmental management, water quality, and climate mitigation inventions;
- around 86% of patent applications in environment-related technologies filed between 2012 to 2017 (OECD, 2021 – <https://stats.oecd.org> – Patents in environmental technologies))

Global trade in environmental goods occurs predominantly between developed countries. European countries, the United States of America and Japan are the main exporters of environmental goods globally. (ITC, 2014 - <https://intracen.org/media/file/2928>)

Figure 3: Leading exporters of environmental goods: average of yearly export value 2008-2013 (US\$ billion)



Source: ITC Trade Map, Using OECD Classification of Environmental Goods.

Where will the finance and technology come from to support equitable climate-adapted sustainable development transitions in both Global North and Global South?

Focus on mitigation (technology + capital)



Private sector – big tech and corporate investment into industrial corporate sectors for profit

Public sector – R&D subsidies or tax breaks to big tech and industrial corporates; limited ODA or climate finance to Global South

Focus on adaptation, loss and damage, economic diversification and just transitions



Public sector – national/subnational public budget investment in adaptation, LD infrastructure and delivery of public goods and services; limited ODA, climate (mitigation, adaptation, LD) finance from Global North

Private sector – big tech and corporate philanthropy



Special Drawing Rights, debt relief and cancellation, IPR waivers and flexibilities, investment reform, tax justice

Scale of climate finance needs much larger – than promises made

\$100 billion per year by 2020 agreed to in Cancun in 2010 was not based on needs. Was a political promise not kept. The fulfilment of its delivery was extended to happen by 2025.

Green Climate Fund – \$10 billion in first initial mobilisation. Obama promised \$3 billion. Only \$1 billion was committed. \$2 billion was not honoured by Trump. The first formal replenishment only saw pledges of \$9.7 billion.

As of now, only \$10.8 billion committed. According to one report (HBF an NGO), since the GCF's inception in 2014, only \$13.9 billion delivered.

But currently, no funds to fund remaining projects. GCF 2nd replenishment process launched.

For the Adaptation Fund – since it started operations in 2007, less than \$1.5 billion have been delivered.

2022 Sharm - Noted the finance gap between needs of developing countries (USD5.8=5.9 trillion for per-2030 period) and support provided

2023 Dubai - Deep regret that the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation was not met in 2021, including owing to challenges in mobilizing finance from private sources

2024 Baku - Highlighted costed needs reported in nationally determined contributions of developing country Parties are estimated at USD 5.1–6.8 trillion for up until 2030 or USD 455–584 billion per year and adaptation finance needs are estimated at USD 215–387 billion annually for up until 2030 and notes with concern the gap between climate finance flows and needs, particularly for adaptation in developing country Parties; New Collective Quantified Goal on Finance - \$300 billion by 2035 → NOT based on the needs of developing countries; insufficient; very little real additionality in 2024 \$ terms

2025 – The Great Recession in Climate Finance



Image source: <https://bit.ly/2Kas7NS>

- Global banks and asset managers pull out of net zero alliances (NZBA, NZAMA, GFANZ)
- US recission of its pledges to the GCF, LDF, etc as consequence of Paris Agreement withdrawal
- Other developed countries (CH, DE, FR, UK) cutting budgets for climate action and climate finance

Is the Grand Bargain finished?

- Moving away from multilateral cooperation to unilateral actions (cuts in climate finance, adoption of CBAMs)
- Whittling away at CBDR (attempts to redefine differentiation)
- Do as I say, not as I do (pushing others to do more climate actions while doing domestic rollbacks of climate actions)

Is responsibility-shifting for taking the lead on climate action from developed to developing countries taking place?

What are the implications for international climate cooperation based on trust and good faith? For equity and fairness in climate regime norms and implementation?

Equity is the key – the UNFCCC and Paris Agreement

- Climate justice, equity, and the principle of common but differentiated responsibilities and respective capabilities → Equity and fairness in the face of climate impacts as the legal, political, and ethical reasons underlying enhanced equity-oriented institutional arrangements and finance in the UNFCCC/PA regime
- Equity-oriented international cooperation to provide the carbon space and means of implementation (finance, technology transfer, policy space) to developing countries to support their climate, environment and sustainable development actions
 - Enhanced climate finance and technology transfer (mitigation, adaptation, economic diversification and just transitions (including energy access), loss and damage)
 - Mitigation fair shares – developed countries take the lead, no carbon trading, no SRM or CDR geoengineering
 - Capacity-building and technical assistance to create and foster nationally appropriate endogenous capacity (technology, infrastructure, etc.) in developing countries in mitigation, adaptation, economic diversification and just transitions (including energy access), loss and damage
 - Non-market international cooperation approaches based on CBDR and SDT for developing countries; no competitiveness-based approaches that fracture multilateral cooperation and encourage division (e.g. CBAMs, climate clubs, plurilateral trade/climate initiatives, “friend-shoring”)

Making the system present- and future-ready

A blurred office desk scene featuring a laptop, a mug, papers, and glasses. The background is out of focus, showing a window with light coming through. The text "Thank you" is overlaid in red on the right side of the image.

Thank you

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Persistent Challenges facing the Quality of Climate Finance



 **Numerical targets are meaningless without a robust framework for quality**

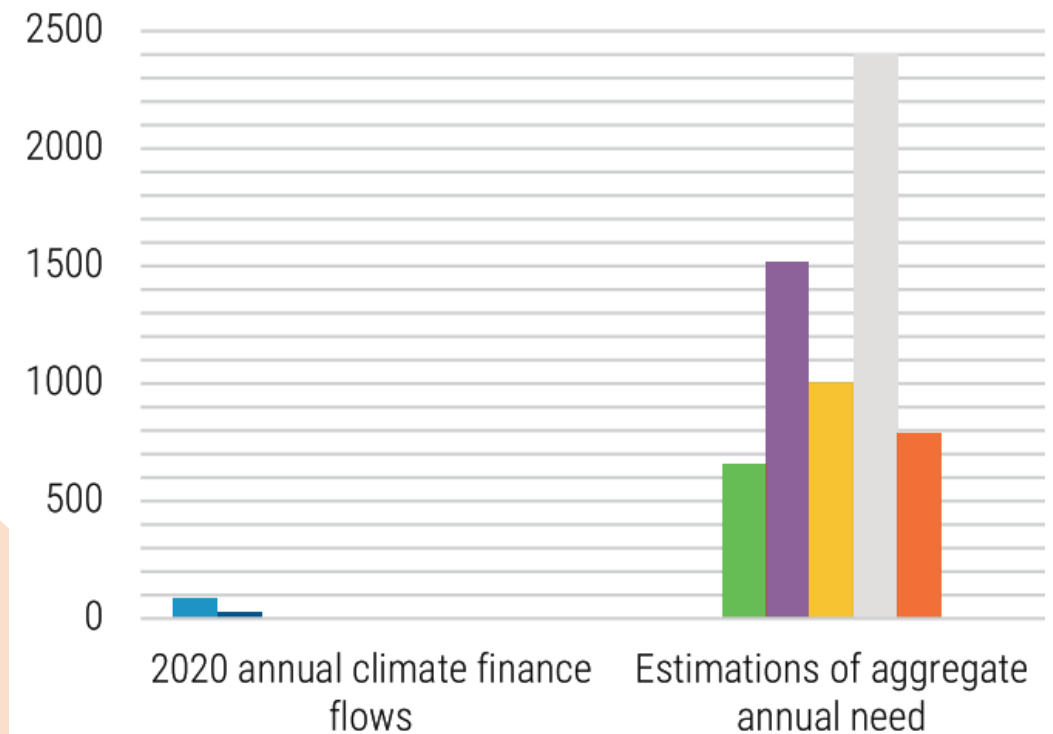


What do we mean by quality?

1. Helps developing countries to achieve their objectives for all three pillars of climate action
2. Advances sustainable development
3. Upholds the goals of the Paris Agreement including the imperative of a just transition
4. Establishes a virtuous cycle for building trust

Quantum and structure delinked from needs

- Evidence-based V. political
- No distinct goals for mitigation, adaptation and loss and damage
- Little support for needs-reporting



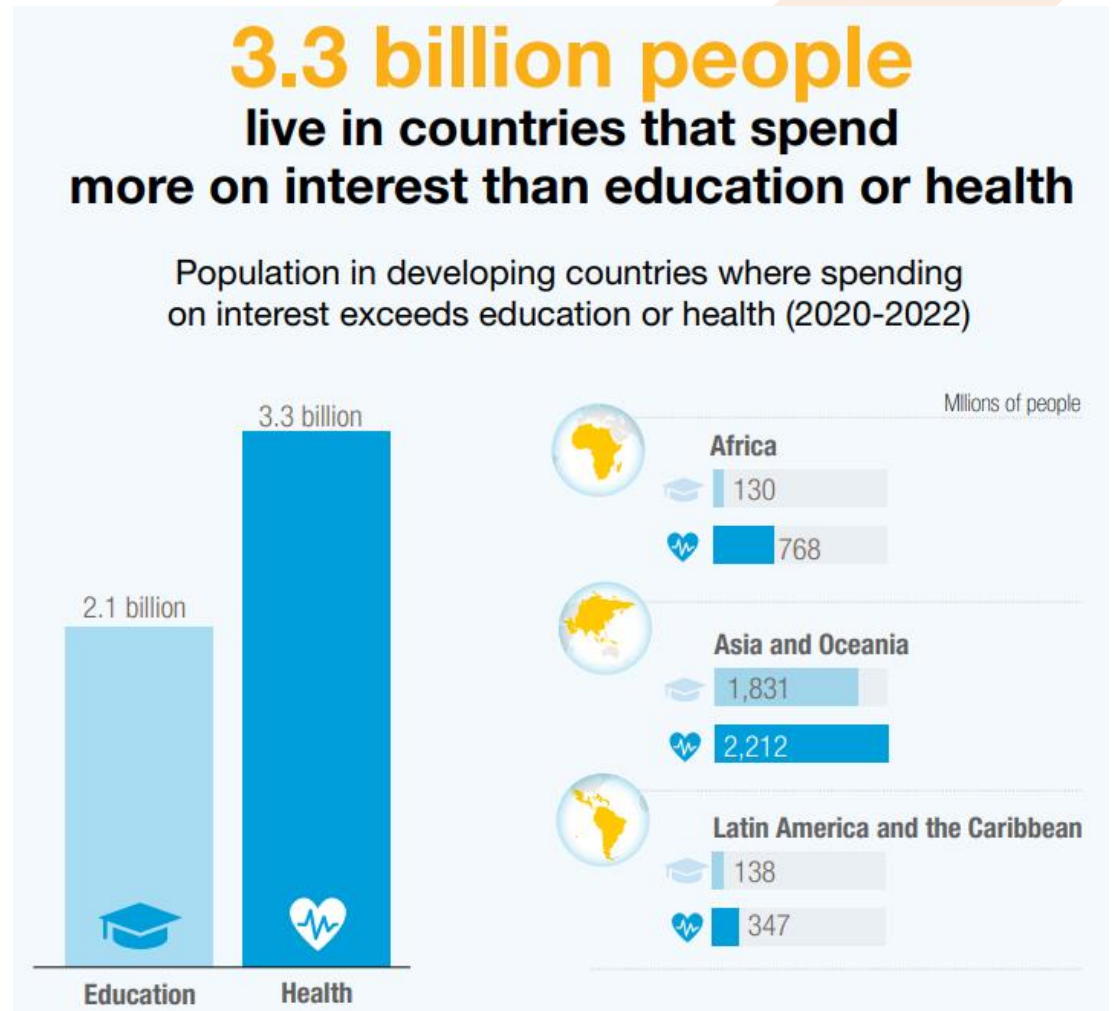


No Effort-Sharing Agreed

- No methodologies to determine respective contributions
- Vague language around mobilising from all sources
- Ongoing debate on contributor base

Exacerbating debt distress

- Majority of current flows comes in the form of debt
- No element in NCQG provided minimum terms of conditions for debt instruments counting towards climate finance





Double counting and additionality

- No definition for climate finance
- No approach to ensure additionality and high climate focus



Lacks transparency

- No assessment of grant-equivalence as with ODA
- No agreed reporting methodology
- No framework for reporting climate-related ODA
- Very little publishing of project documentation

Persistent Access Issues

- Widely varying access procedures with over a hundred climate finance distributors
- Unsuitable eligibility criteria
- No forward movement on implementing access reforms



Inflexible to changing needs

- Political targets with long deadlines for achievement
- Multi-year processes to agree new goals





Broader misalignment with global economic governance

- More pressure on mobilisation targets as financial sector backpedals
- High CoC, CRA backlash, debt distress....mobilisation from where?
- Efforts to bridge climate and finance meeting deaf ears

Guiding Principles for a High-Quality NCQG

- Led by developing countries' needs and priorities
- Responsive to changing needs
- Effort-sharing approach based on CBDR-RC
- Transparently tracked
- Expanding fiscal space
- Enhancing access
- Effective in advancing the Paris Agreement and Sustainable Development Goals
- Pro-development environment in global economic governance

FFD4 – an opportunity for alignment?



1. Weak analysis of climate-development link
2. No recognition of specific challenges facing climate finance tracking
3. Limited, market-driven approach to increasing climate finance flows
4. Little assessment of the broader issues with the current climate finance framework or NCQG outcome



Thank you

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Worlds collide: Climate finance meets international financial architecture – role of the Bretton Woods Institutions

Jon Sward, Bretton Woods Project
4 March 2025



Despite reform efforts, IFA remains highly unequal

- **Covid-19 pandemic illustrated this (again):** Advanced economies undertook stimulus spending (estimated to represent 10% of GDP) while most low- and middle-income countries (LMICs) had to seek emergency financing from international financial institutions (IFIs) or borrow at steep rates on financial markets
- **Renewed debt crisis:** In 2023, debt servicing consumed 38 per cent of budget revenues and 30 per cent of government expenditure across the Global South, with low-income countries **seeing** their highest debt payments since 1998, **surpassing** spending on health, education and climate action
- **The much-hailed private finance for development agenda (i.e. ‘Billions to Trillions’) is stalled:** World Bank chief economist Indermit Gill noted in December: ‘Since 2022, foreign private creditors have extracted nearly \$141 billion more in debt-service payments from public-sector borrowers in developing economies than they have disbursed in new financing’

Understanding growing relevance of IFIs to climate finance

- Multilateral development banks (MDBs) emerged as an (de facto) pillar of the NCQG: Ten MDBs, including the World Bank, announced a new joint climate finance target at the start of COP29: “we estimate that by 2030, our annual collective climate financing for low- and middle-income countries [LMICs] will reach USD 120 billion”
- Under current provision rules, MDBs climate finance to LMICS counts as part of wealthy countries’ climate finance, to the extent it can be attributed to their ‘paid-in capital’: According to NRDC, using 2022 reporting as a baseline, “the amount [of MDBs climate finance] attributable to developed countries would be \$84 billion” by 2030 under COP29 target
- A difficult truth: This finance is primarily debt-based. Along with donor capital and bond issuance, MDBs depend on loan repayments from LMICs, with interest, to fund their operations. They have ‘preferred creditor status’ - they typically don’t restructure their loans, even in cases of sovereign debt default
- The growing provision of climate finance by MDBs is only the tip of the iceberg. Both the World Bank and IMF (the Bretton Woods Institutions) have undertaken various other efforts to mainstream climate across their mandates in recent years...

The BWIs & climate finance – financiers & norm shapers

- The BWIs are not parties to the UNFCCC – but their approaches to climate are increasingly impacting the wider space. The World Bank is largest MDB lender to LMICs, and IMF is their chief lender of last resort. Both play a keep role in shaping economic policy norms globally.
- The World Bank (and its MDB peers) is in process of aligning its entire portfolio with the Paris Agreement, under Article 2.1c, via a screening process to show alignment w/ NDCs
- After a years-long debate in its board, in 2021 an IMF review of its macroeconomic policy advice to countries found climate ‘macro-critical’ (relevant to its mandate to ensure macro-stability)
- In 2022, the IMF established a new Resilience and Sustainability Trust, which has a mandate to help members address potential future Balance of Payments issues related to climate via concessional loan financing (backed by rechanneled Special Drawing Rights)
- Despite the struggles of the Billions to Trillions approach to date, the World Bank and IMF are vocal supporters of mobilising private climate finance via ‘derisking’ green projects in LMICs

Concluding thoughts: BWIs & IFA reform at a crossroads?

- The BWIs have been key pillars of the IFA since their founding 80 years ago, but the position of the US administration towards them remains unclear – they appear to be subject to a 180-day review of US involvement in all ‘international intergovernmental organisations’ initiated by 4 Feb executive order. Project 2025 called for the US to withdraw from BWIs
- The arguments for the US to stay in the Bank and Fund revolve around its exorbitant privilege in these institutions, where it continues to hold veto power, giving it sway over major governance changes. But this BWIs governance deficit is also an Achilles heel of the institutions – especially from the point of view of Global South (a long-standing issue)
- BWIs’ role within a reformed IFA: UN FfF4 Conference in mid-2025 in Sevilla – an opportunity to discuss IFA reform holistically, in a more democratic setting, rather than in BWIs’ convened spaces. **A non-exhaustive list of CSO priorities, in terms of wider IFA reform:** robust UN Tax Convention (in progress); independent UN debt workout mechanism; expanded use of IMF Special Drawing Rights (IMF’s reserve asset) to bolster countries’ fiscal space for SDGs & climate action; guardrails around the role of private finance, rather than indulging Billions to Trillions ‘fantasy’ as a silver bullet (per World Bank’s chief economist)