

From targets to action: the climate finance agenda needs a new impetus in Belém

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Ten years after the adoption of the Paris Agreement, what progress has been made to make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development (the ambition set out in Article 2.1(c) of the Agreement)? And what is needed going forward? Although we still lack a comprehensive assessment of progress, this article draws on existing analysis of what can help align financial flows and examines the efforts made by governments and the financial sector to this end. It highlights a development in the debate towards a country-driven approach and a focus on real investment needs. It explores ways to overcome existing barriers to action despite a challenging global context. The article advocates that Article 2.1(c) should be viewed not as a stand-alone provision, but as something that requires full implementation of all the provisions of the Paris Agreement. It also calls for a shift from a target-focused to an action-focused finance agenda and discusses how the COP30 in Belém can contribute to this.

“Shift the trillions”: the Paris Agreement recognised the need to transform financial flows, but fell short of ensuring a shared understanding of the efforts required to meet this ambition

When the United Nations Framework Convention on Climate Change (UNFCCC) was concluded in 1992, part of the political deal was that developed countries would provide financial and technical support to developing countries to help them meet their commitments under the UNFCCC. This understanding reflected the principle of common but differentiated responsibilities. In all the main decisions adopted since then, finance has been a central element, with negotiations often contentious and highly polarised between North and South.

In 2015, the Paris Agreement provided for a large degree of continuity with the arrangements under the UNFCCC. In particular, Article 9, on finance, reiterated

the commitment that developed countries “shall” provide financial resources to assist developing countries, and to continue to take the lead in mobilising climate finance from a wide variety of sources, instruments and channels. The accompanying decision extended the existing collective mobilisation goal of US\$100 billion from developed countries through to 2025, and provided for the negotiation of a new collective quantified goal beyond that date, taking into account the needs and priorities of developing countries. This was the basis for negotiations which led to the decision taken in 2024 at COP29 in Baku, that developed nations would channel at least US\$300 billion a year into developing countries by 2035.

However, the Paris Agreement did start to broaden the discussion on finance beyond the traditional North-South framing in several important areas. The first was the encouragement to “other parties” to provide financial support on a voluntary basis (Article 9.2). The degree to which the donor base should be extended beyond just developed countries remains an ongoing question and was central to the debate at COP29 on the new goal.

The second – the central theme of this article – was the inclusion of Article 2.1(c), which provided for “making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”. Essentially, this was a recognition of the need to transform investment more broadly – to “shift the trillions”, as it was often put – in order to finance the transformation from a high-emissions economy based on fossil fuels to one low in emissions that would also integrate resilience and adaptation to climate change.

Article 2.1(c) emerged from a range of ideas proposed by various groups of countries during the course of the negotiations – for example, on making investments progressively low-emission and resilient, or becoming consistent over time with low-emission and climate-resilient societies and economies. However, the placement in Article 2 as one of the overarching goals of the Paris Agreement, and the definitive wording, became clear only in the final iterations of the negotiating text during the second week of the conference.

As such, while all countries had agreed this provision when the Paris Agreement was approved, there had been relatively limited discussion of its precise meaning.

As a result, discussions since COP21 on how to take Article 2.1(c) forward have not been easy, and have often continued to be dominated by the traditional North-South divide. In particular, there has been a fear that the emphasis put on Article 2.1(c) by some developed countries might be part of an attempt to modify the provisions of the UNFCCC, and the balance found in Paris, so as to minimise the importance of existing commitments to provide funding for developing countries. The fact that the US\$100 billion goal, originally to be met by 2020, was not met until 2022 has not helped. Recent cuts to developed countries’ Overseas Development Aid (ODA) budgets have also contributed to the mistrust.

To try to bridge their differing interpretations, parties at COP27 in Sharm El Sheikh in 2022 agreed to initiate a dialogue to “exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement”. A series of workshops over the past few years have not resulted in any concrete outcomes, despite some valuable discussion and exchanges. Moreover, there is no agreement on whether these should be continued beyond COP30, or on how to use the results from them.

Over the past ten years, governments and the financial sector have undertaken efforts to improve the consistency of finance flows with climate change mitigation and adaptation targets

At the time of the Paris Agreement, a widely held theory of change was that information disclosure would trigger the financial sector into shifting investments away from climate-harmful activities towards climate-friendly ones. This has led to a spur of initiatives from all parties concerned.

On the governments’ side, as of 2023, 77 countries had adopted climate-related transparency and information policies (Noels *et. al.*, 2024). According to the UNFCCC’s latest Biennial Assessment, at least 55 countries and jurisdictions have reported that climate finance tracking systems are in place or under development, even if associated financial data was available for only 20 jurisdictions (UNFCCC Standing Committee on Finance, 2024).

Complementing governments’ policy efforts, public development banks (PDBs) are expected to operate in a manner that supports the achievement of the Paris Agreement’s goals (Climate Policy Initiative and I4CE, 2024). (The investment mandates for these PDBs have been established by the parties to the Paris Agreement – *i.e.* national governments.) Some PDBs have taken significant steps in that direction,

to ensure that their investments are aligned with climate change mitigation and adaptation targets. The multilateral development banks’ (MDBs) building-blocks approach to Paris Agreement alignment and the subsequent “Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment” (published June 2023) are examples of the PDBs’ efforts to provide clear guidance on how new financing operations need to be structured to align with climate goals.

On the investor side, a plethora of methodologies, guidelines and “net-zero metrics” have been developed to assess the alignment of private financial actors’ portfolios with mitigation targets. These portfolio-level net-zero approaches rely on complex methodological choices and assumptions (e.g. the selection of a mitigation scenario), which prevents them from being fully operational. Other initiatives have been launched to help overcome these challenges. For instance, the Science Based Targets initiative (SBTi) aims to streamline methodological choices and to align decarbonisation efforts with the Paris Agreement. Nevertheless, such voluntary approaches do not fully align with net-zero pathways in the short to medium term, and concerns have been raised about their governance and level of ambition (e.g. on the use of

carbon offsets versus actual emissions-reduction efforts). These approaches are therefore insufficient and do not reflect a consistency of private finance flows with the targets of the Paris Agreement.

Other challenges arise when considering the consistency of finance flows directed at adaptation and resilience. For instance, private sector investments in resilience are not as well captured as those related to mitigation: aggregate numbers probably capture the majority of investments in solar power, but are very likely to miss a significant

number of investments in irrigation or air conditioning. The second challenge stems from the fact that the separation between development and adaptation spending is often arbitrary: investments such as those in sanitation could fall into both categories, and the way they are accounted for is a political decision. For these reasons, it is especially tricky to compare financial flows labelled as adaptation-related with adaptation funding needs, and thus to assess their consistency.

Although there is no comprehensive assessment of the progress made on Article 2.1(c), the alignment of financial flows with mitigation and adaptation targets clearly remains limited

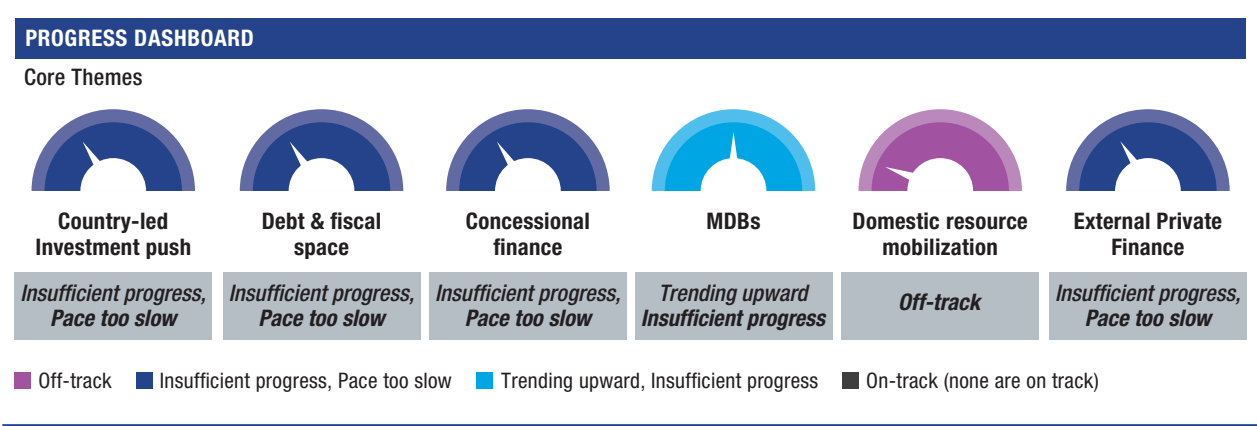
To date, we still lack a comprehensive assessment of the progress made on Article 2.1(c) over the past ten years, mainly due to the lack of a unifying and robust framework, as well as substantial data gaps. Such an assessment would require three pre-conditions: i) a common understanding of this Article; ii) a unifying and robust framework; and iii) a well-designed set of indicators, using transparent and robust data.

Ten years ago, there was a widespread belief that there is enough capital globally to close the global investment gap; however, the past decade has shown that it is not so easy to redirect capital towards climate-friendly activities. Even if the financial sector has made significant efforts, climate finance reportedly reached a total of US\$1.9 trillion

in 2023 (Climate Policy Initiative, 2025), which remains far below preliminary estimates of the global climate finance expected to meet climate goals, which stands at US\$6.5 trillion per year by 2030 for advanced economies, China, and emerging markets and developing economies (EMDEs) (Bhattacharya *et al.*, 2024a).

Furthermore, assessment by the Independent High Level Expert Group on Climate Finance (IHLEG) of progress across six pillars of climate finance (Country-led Investment Push, Debt and Fiscal Space, Concessional Finance, MDBs, Domestic Resource Mobilisation, and External Private Finance) has found that none of these pillars is on track to satisfy the scale of climate finance needs (Bhattacharya *et al.*, 2024b).

FIGURE 1. STATE OF DELIVERY OF THE CLIMATE FINANCE AGENDA



Source: Reproduced from Bhattacharya *et al.* (2024b).

Another issue not reflected in aggregated global figures is the wide disparity between developed and emerging and developing economies. For instance, even though clean energy investments (renewables, nuclear, grids, storage, low-emission fuels, efficiency and electrification) have increased by 50% over the past ten years, China and developed economies have tapped most of these

investments, with EMDEs other than China representing less than 15% of them (International Energy Agency, 2025). With developing countries often facing a significantly higher cost of capital than developed countries, alongside restrictions on fiscal space and indebtedness, a key challenge for them is access to adequate and, above all, affordable finance.

The transformation of the global financial sector has not kept pace with the work undertaken by countries to develop their low-emissions and climate-resilient pathways

Countries have made significant progress over the past decade to come up with estimates of their investment and financing needs, at the same time as independent assessments were rolled out. Indeed, the UNFCCC-led processes on Nationally Determined Contributions (NDCs) and Long-term low-emission development strategies (LT-LEDS) have enabled most countries to gain a much better understanding of the key investments required for them to achieve their climate targets. A 2023 report found that 85% of the 68 LT-LEDS submitted by that date referred to finance and/or investment needs to implement them (UNFCCC 2023). As of September 2025, 79 LT-LEDS had been submitted to the UNFCCC.

Gaps remain, however. Many countries have yet to submit their updated NDCs and NDCs are not always aligned with the targets and pathways set out in LT-LEDS. Most assessments find that the NDCs do not collectively put the world on track to meet the Paris Agreement's temperature goal. Likewise, many countries have not submitted a National Adaptation Plan or an adaptation communication. In such cases, the signals that ought to drive investment may be unclear, too weak, or contradictory.

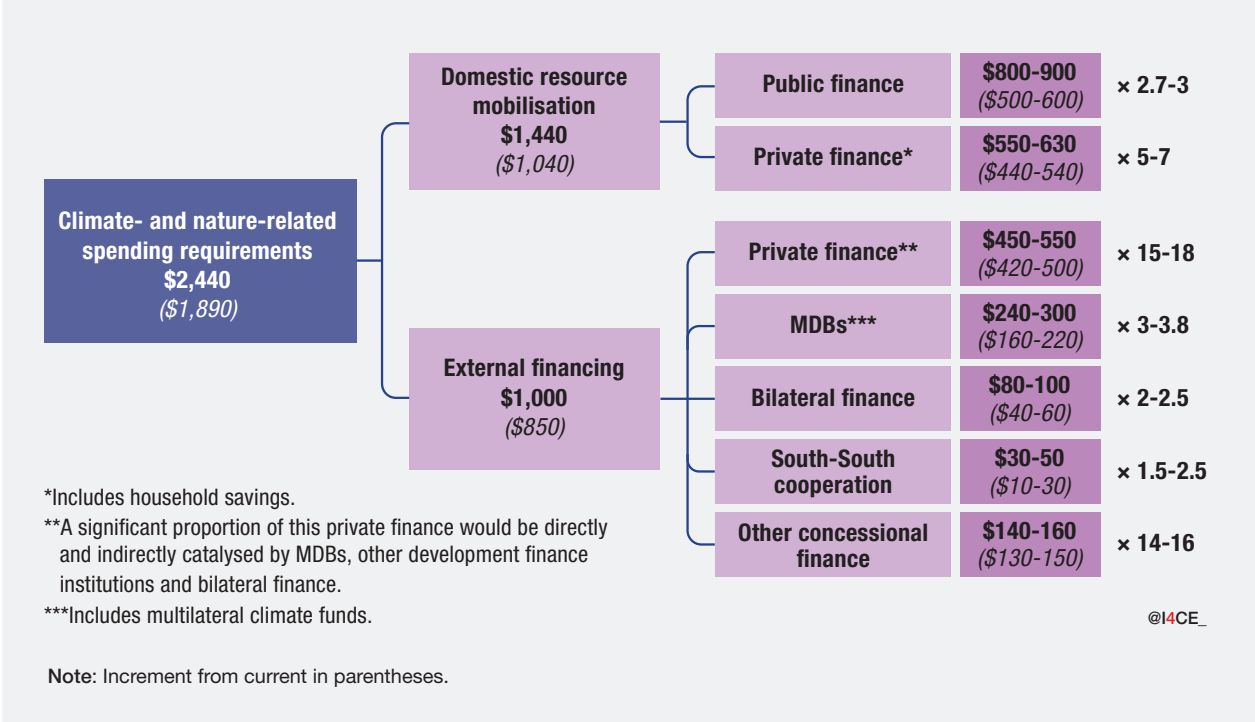
For countries that have conducted investment and financing needs assessments, the situation is very frustrating. First, while their governments now know for the most part what needs to be done to deliver on the Paris Agreement, they do not have access to climate finance on the scale needed, and with the right conditions. Second, there is a realisation that the pace of the transformation of the financial sector is too slow, and that other sources of finance must be mobilised. As regards domestic finance, developing countries face a two-fold challenge: domestic resource mobilisation tends to be limited, with countries' tax-to-GDP ratio at around 10 to 15%, and domestic capital markets and savings opportunities are often meagre, which leads to a large share of these countries' savings being invested in high-income countries. Finally, the fact that climate change and its consequences are becoming increasingly visible in all parts of the world adds to countries' sense of urgency, and heightens their awareness that delayed action will very likely lead to a sharp rise in the economic and social costs of the transition.

The delivery of climate finance is evolving towards a country-driven approach focused on real investment needs

Country Climate and Development Platforms are one of the initiatives that have emerged to resolve the fact that climate finance is often siloed and fragmented, and to better channel climate finance to projects and communities on the ground. These initiatives have taken various shapes, from Just Energy Transition Partnerships (JETPs), launched in South Africa, Indonesia, Vietnam and Senegal with a focus on phasing out fossil fuels, to multi-sectoral initiatives, such as those set up in Bangladesh, Barbados, Egypt, Brazil and Colombia. It is too soon to assess whether these will meet expectations, but they will only be transformational if: the domestic institutional context is fit to drive a whole-of-economy transformation; and the right type of finance can be mobilised at the appropriate scale.

The focus on the level of funding that needs to be mobilised at country level to reach national climate targets has raised the question of the matching of the different types of climate finance with needs. Recent work by the IHLEG (Bhattacharya *et al.*, 2024a) aims to quantify the scale at which different types of funding (domestic/international, public/private) need to be mobilised. It finds that all types of funding need to increase at least twofold, with external private finance and other concessional finance (which includes special drawing rights, solidarity levies on internationally polluting activities, debt swaps and private philanthropy) needing to be multiplied at least 15 times (see Figure 2).

FIGURE 2. MOBILISING THE NECESSARY FINANCING FOR EMDCS OTHER THAN CHINA (US\$ BN PER YEAR BY 2030)



Source: Reproduced from Bhattacharya et al. (2024a).

The debate on climate finance has been significantly reshaped, especially as regards sources of finance

Several initiatives have emerged over the past few years to identify new or expanded resources to bridge the funding gap. These include reforming the global financial architecture to scale up the role of development finance institutions in funding sustainable development investments, and exploring potential additional resources such as solidarity levies. These would target polluting sectors and industries on a large scale, thereby constituting a source of revenue to support the transition in developing countries.

Private capital mobilisation is one of the key objectives of the “Baku-to-Belém Roadmap to 1.3T”, which was launched at COP29 to explore the scaling-up of climate finance for developing countries to US\$1.3 trillion by 2035. To support this, the COP30 Circle of Finance Ministers identified five key levers: reforming MDBs;

reforming concessional finance and climate funds; creating country platforms and boosting domestic capacity to attract sustainable investments; developing innovative financial instruments for private capital mobilisation; and strengthening regulatory frameworks for climate finance (Ministry of Finance of Brazil, 2025). The finalised roadmap, which aims to provide a realistic and credible trajectory for scaling up climate finance, will be presented in Belém at COP30. Even if the focus of the Roadmap is on scaling up financial flows to developing countries specifically, it is deeply intertwined with the broader transformation required by Article 2.1(c).

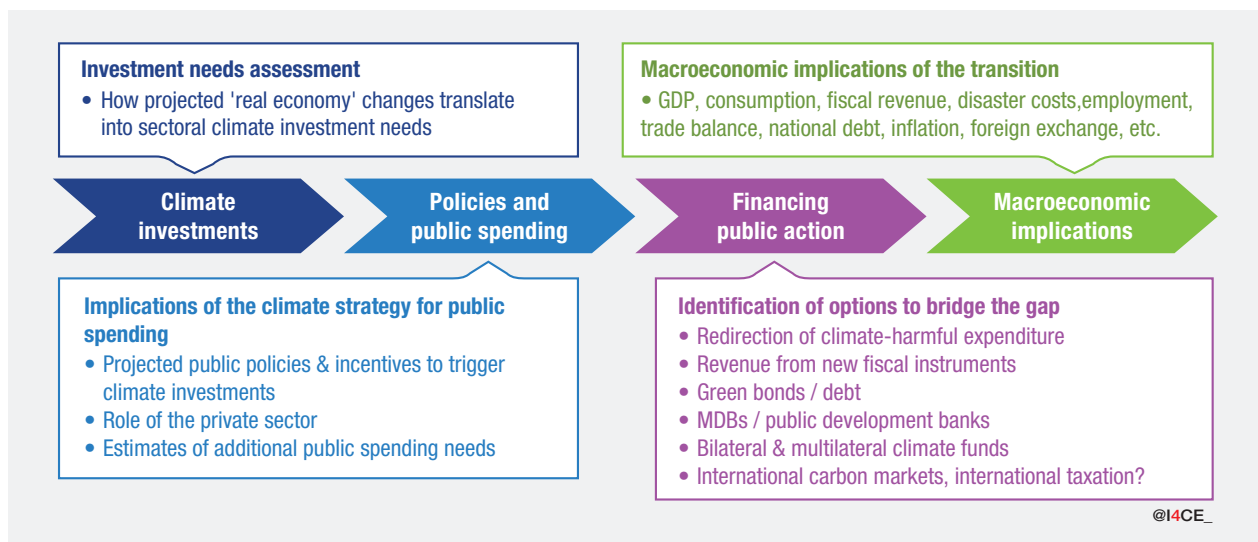
Despite a challenging global context, there is room for manoeuvre, both domestically and internationally, to overcome current barriers to action

Now is the time to move from high-level negotiations about commitments to implementation on the ground. Finance is more than ever the *sine qua non* condition for achievement of climate goals, which explains why Article 2.1(c) is one of the three aims of the Paris Agreement. This is easier said than done, as there is no silver bullet to transform global financial flows overnight. Still, even if the situation on the finance front may resemble a deadlock from a certain perspective, there is still room for action, both domestically and internationally.

At the domestic level

- The first step that governments can take is to develop a **transition financing plan** that lays out the financial equation they need to solve. The plan should contain: an assessment of climate investment needs based on the transformations laid out in the national strategy (LT-LEDS or NDC); detailed sectoral policy mixes designed to trigger these investments; options to bridge the public spending gap; and an evaluation of the macroeconomic implications of the transition at the country level (see **Figure 3** below). Creating a thorough transition financing plan requires detailed NDC and LT-LEDS with costed needs, and strong coordination between Finance and Environment Ministries. International organisations actively support these efforts. For instance, the World Bank has developed [Country Climate Development Reports](#) which provide a core diagnostic to help countries prioritise investments. Other institutions have developed tools that can help countries with financing plans, such as the [Integrated National Financing Framework](#) proposed by the UN and the OECD, and the [Climate Investment Planning and Mobilization Framework](#) developed by the NDC Partnership.
- Given the current challenge of securing funding and finance for the transition, these financing plans will require careful consideration to ensure that **needs match appropriate types of funding**. This requires looking at the business case that can be made for some climate investments (often for mitigation) to ensure that grants and concessional finance can be mobilised to finance adaptation and resilience projects in vulnerable communities.
- **Domestic resource mobilisation** is likely to play a critical role. Well-designed policy reforms can help achieve efficiency gains, as well as supporting the redirection of financial flows. Examples include the redirection of climate-harmful expenditure, improving the targeting of public subsidies, and providing both adequate incentives and medium-term visibility to the private sector to improve the risk/return profile of climate investments.
- Finally, **central banks, financial regulators and supervisors** have an important role to play to accelerate the shift that is already under way, and to steer private capital flows in the right direction. Developing countries often face one of the two following challenges: either they have savings, but these need to be redirected, or savings are invested abroad. In any case, financing the transition in an orderly manner will help ensure financial stability by mitigating climate-related financial risks for the private finance ecosystem. Supervisors can incentivise banks and insurers through prudential transition plans and firm-specific capital incentives, while promoting proactive transition finance flows. Broader financial policy tools including climate investment standards, taxonomies and product-related frameworks can help build and deepen domestic financial markets for climate-positive investments. Overall economic policy should be articulated with financial regulation (including prudential policy) to improve the effectiveness of public action.

FIGURE 3. KEY COMPONENTS OF A FINANCING PLAN



■ At the international level

- **Delivery of the promised finance** (not going backwards on the existing US\$100 billion target, doubling the collective provision of finance for adaptation and progressing towards the New Collective Quantified Goal's US\$300 billion target) will be the litmus test for global climate solidarity. By providing a strong signal that developed countries' governments are committed to climate finance goals, this would also encourage private investors to shift their portfolios towards climate-friendly projects. The geopolitical context that has seen ODA budgets being slashed in a number of traditional donor countries clearly does not help. Given the synergies between development, decarbonisation and resilience, declining ODA is very likely to jeopardise the transition in low-income countries.
- **Reform of the international financial architecture** is needed to unlock the finance required by the Global South to implement the climate transition. The new architecture should improve developing countries' access to international capital markets, provide tools for debt management and ensure debt sustainability, and lower the cost of capital for investments in developing countries. As regards the specific role of MDBs, these should be able to provide larger volumes of highly concessional finance and non-debt instruments (grants, equity and insurance) to developing countries.

This would already constitute a significant improvement to the current situation: 67% of total climate finance provided by MDBs to low- and middle-income economies between 2019 and 2023 came in the form of investment loans, while the share of MDB climate finance provided as grants was less than 7% in 2023 (World Resources Institute, 2024).

- Even if private finance is meant to represent the bulk of what is needed to bridge the overall funding gap, **the means of securing and increasing North-South and South-South climate finance transfers will need to be found.** In the context of severe ODA budget cuts, several options have been put forward. These include solidarity levies, such as the levies on financial transactions and on premium flyers (which could each represent between US\$100 billion and US\$200 billion per year), debt-for-climate swaps, international carbon trading through Article 6 of the Paris Agreement, and large-scale payment for ecosystem services, among others. None of these has yet been implemented at scale, but they are proof that there are ways to channel new resources to developing countries. There is a particular challenge to find sources of finance to respond to loss and damage, which, in Africa alone are projected to range between US\$290 billion and US\$440 billion until 2030 (African Development Bank, 2022).

COP30 offers the opportunity to shift the global perspective from targets to delivery and action

There is no denying that the current context is difficult, and that there is no miracle solution to the funding challenge. But the ambition of COP30, under the Brazilian Presidency, is to serve as a "COP of implementation" and this is where progress can be made.

- **Moving the COP conversation beyond confrontation.** We stand at the end of a negotiation cycle, and there is no need at this stage for further high-level commitments or new initiatives. How precisely the COP decides to take forward the dialogue on Article 2.1(c) and its complementarity with Article 9 matters less than its ability to enable countries to address the challenge in the overall context of fully implementing all the provisions of the Paris Agreement. This will also require strong links with how the Baku-to-Belém Roadmap is followed up.
- **Focusing on implementation and progress on the ground.** What is needed instead is for countries to take concrete action to put in place the measures and policies needed to support and drive the alignment of financial flows. One way to measure implementation could be to track which of the measures recommended in the [more than 80 Country Climate and Development Reports completed](#) to date have in effect been implemented.

- **Fostering cooperation and collaboration between countries will be key.** The current tense international political climate brings several challenges, but also creates opportunities for strengthened multilateralism, especially as regards South-South cooperation. This cooperation could be multifaceted: it could allow countries to learn more easily from each other's experiences, and also support the pooling and more efficient management of resources.
- **Recognising and championing success – the proof of the pudding is in the eating.** Amid growing concerns that the cost of the transition is an insurmountable hurdle, we should clearly acknowledge and champion countries that are making significant progress on their financing plans and help them jump the final hurdles. Regardless of the level of the countries' climate investment needs and their institutional capacity, their actions and leadership can show other countries the pathway to follow. Demonstrating their progress towards securing the amounts and types of financial flows that are required to reach their climate goals will be a significant step towards the achievement of Article 2.1(c).

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