

CLIMATE FINANCE

concept, architecture, the UNFCCC agenda

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The concept of climate finance began to form in the context of the United Nations Framework Convention on Climate Change (UNFCCC). Climate finance can encompass national, bilateral, regional, and international financial flows aimed at climate change mitigation and adaptation goals. Funds are provided in various forms: grants, concessional and market loans, investments.

UNFCCC established an institutional and legal framework around climate finance, including decisions of the Conference of the Parties (**COP**), provisions of the Paris Agreement, and the Financial Mechanism with its operating entities. However, there is no single definition or universal methodology for accounting climate finance: approaches differ by sources, goals, and instruments. This complicates the assessment of the real climate finance flows and questions the achievement of the financial goals set by COP decisions. The systematization of existing approaches to climate finance and the development of a definition within the UNFCCC framework is undertaken by the Standing Committee on Finance (**SCF**).¹ At the same time, the SCF operational definition is technical, non-binding, and not widely used by private investors.

Climate finance in the COP decisions

The United Nations Framework Convention on Climate Change established the basic principles and institutional framework of climate finance. According to Article 4.3 of the UNFCCC, Parties included in Annex II² undertake to provide developing countries with ‘*new and additional*’ financial resources to support activities combating climate change. In negotiation practice, ‘new and additional’ usually means funds not previously promised and provided over the existing development aid. However, approaches to operationalizing this criterion differ among countries. Article 4.3 also reflects the principle of fair *burden-sharing* between donor countries and emphasizes the requirements for *adequacy and predictability* of flows.

The COP decisions formulated another parameter – a balance between financing mitigation and adaptation, later enshrined in the Paris Agreement. No fixed proportion is established, but the pursuit of balance should correspond to the needs of countries.

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¹ During the period from 2014 to 2025, the SCF developed two definitions: the first in 2014 and the second in 2024. As of October 2025, the working definition is the one provided on p. 35 of the UNFCCC SCF Sixth BA-Technical report ([URL](#)) and mentioned in decision 2/CP.29, para. 5: “Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, aims at reducing vulnerability, increasing adaptive capacity, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts, and includes financing for actions identified in a country’s nationally determined contribution, adaptation communication, national adaptation plan, long-term low-emission development strategy or other national plan for implementing and achieving the goals of the Paris Agreement and the objective of the Convention.”

² Parties included in Annex II consist of OECD members excluding Turkey. In 2025, Annex II includes 23 countries and the European Union.

Differences in interpretation of criteria and applied methodologies in accounting climate finance lead to data incomparability, hinder monitoring progress, and create the risk of re-labeling existing flows as new ones without actual increase.

Although the **Kyoto Protocol** has no directly connections with countries' obligations to provide climate finance, it played an important role in mobilizing it, as it created flexible market mechanisms that became one of the instruments for attracting climate finance for projects reducing greenhouse gas emissions in developing countries.

The Paris Agreement advances the financial provisions of the UNFCCC: Article 9 confirms the leading role of developed countries in providing climate finance and emphasizes the need for progress compared to previous efforts. The Agreement also sets a long-term goal – to align financial flows with the trajectory of low-carbon and climate-resilient development.³ However, the text of the Agreement does not contain a list of tools and operational guidelines for implementing Article 2.1(c). Within the official COP meeting agenda, discussions are fragmented through related topics, mainly in the framework of the Sharm el-Sheikh dialogue, SCF work, and the negotiation tracks on quantifying climate finance. As a result, the third goal of the Paris Agreement remains less covered in negotiations and less institutionally developed than the mitigation and adaptation goals.

The first quantitative expression of climate finance was established by COP16 decision in 2010. According to the decision, developed countries voluntarily committed to mobilize financing for developing countries amounting to \$30 billion for 2010-2012 (Fast-start finance) and \$100 billion by 2020 (Long-term finance).⁴

The decision became a starting point for negotiations under the **Long-term finance (LTF) track**,⁵ where, besides discussions of mobilization of \$100 billion, transparency and accessibility of financial resources for developing countries are also discussed. Significant progress on transparency was achieved in 2015: based on Articles 9.5 and 9.7 of the Paris Agreement, developed countries were obliged to provide quantitative and qualitative information biennially on finance flows to developing countries. Since for other Parties these requirements are voluntary and the role of developing countries in mobilizing climate finance is growing,⁶ current format reporting does not allow obtaining complete and comparable data on total flows to developing countries.

In Paris Parties agreed to extend the \$100 billion quantitative goal until 2025 and establish a **new collective quantified goal (NCQG)** for the period after 2025, based on a minimum level of \$100 billion per year considering the needs and priorities of developing countries.⁷ At COP26 in 2021, Parties recognized that the current quantitative goal had not been met⁸ and established the ad hoc work programme to discuss elements of the NCQG⁹. Unlike LTF, key issues and discussions on the NCQG track focus on quantitative and qualitative parameters of the new goal.

³ Article 2.1(c) of the Paris Agreement.

⁴ Decision 1/CP.16, para. 98. [URL](#)

⁵ At COP19 in 2013, a decision was made to continue discussions on long-term climate finance until 2020, and then in 2021 at COP26, it was decided to extend the discussions until 2027.

⁶ In 2022, South-South climate finance flows reached 22–27% of all climate finance provided through multilateral development banks, or \$13.3–19.8 billion (~16% of global climate finance flows from developed to developing countries in 2021–2022). UNFCCC SCF Sixth BA-Technical report. [URL](#)

⁷ Decision 1/CP.21, para. 53. [URL](#)

⁸ Decision 13/CP.27, para. 3. [URL](#)

⁹ Decision 9/CMA.3, para. 3. [URL](#)

Following negotiations at COP29 in Baku in 2024, a new framework of the quantitative goal was established, which includes a 'core' mobilization of **at least \$300 billion per year** and a separate target to scale flows to **\$1.3 trillion by 2035** from all sources.¹⁰ The decision acknowledges the leading role of developed countries in providing finance and welcomes voluntary contributions of other Parties, including within South-South cooperation,¹¹ thereby de facto expanding the pool of sources and donors beyond the circle of developed countries.

The decision emphasizes the importance of expanding public climate finance flows through the UNFCCC Financial Mechanism and sets a goal to triple receipts through its funds by 2030.¹² Considering the volume of resources passing through this mechanism, this is unlikely to significantly affect the overall climate finance landscape.¹³

UNFCCC Financial Mechanism

The Financial Mechanism is a toolkit established in Article 11 of the UNFCCC, where the Conference of the Parties sets priorities and provides guidance, and operating entities mobilize resources for mitigation and adaptation projects in developing countries and report results to the COP. The operating entities of the Financial Mechanism are the **Global Environment Facility (GEF)**¹⁴ and the **Green Climate Fund (GCF)**¹⁵. Over the entire period of GEF and GCF activities, more than \$50 billion has been collectively mobilized through them.¹⁶

In addition, with the aim of mobilizing financial resources for specific projects related to climate change, the COP has established four specialized funds that are part of the UNFCCC climate finance architecture but are not operating entities of the Financial Mechanism:

- **The Special Climate Change Fund (SCCF)** for financing projects on adaptation, technology transfer, and capacity building,¹⁷ and the **Least Developed Countries Fund (LDCF)** for financing support programs for the least developed countries in carrying out, preparing, and implementing National Adaptation Programmes of Action (NAPAs).¹⁸ Both funds were established in 2001 and are managed by GEF, mobilizing \$2.68 billion over their entire existence.¹⁹

¹⁰ Decision 1/CMA.6, paras 7-8. [URL](#)

¹¹ South-South cooperation is understood as the joint activities of developing countries aimed at solving common development problems by exchanging resources, best practices, and expertise. In the context of climate finance, within South-South cooperation, countries of the global South pool their resources to develop and implement technologies for climate change mitigation and adaptation to its consequences. [URL](#)

¹² Decision 1/CMA.6, para. 16. [URL](#)

¹³ In 2021–2022, approximately 35% of the climate finance provided from developed to developing countries came from multilateral development banks (MDBs), of which, on average, more than 80% consisted of debt-based financial instruments. UNFCCC SCF Sixth BA - Technical report. [URL](#)

¹⁴ The GEF was established in 1991; it serves as the financial mechanism for several international conventions. The GEF only co-finances projects, providing 'new and additional' finances.

¹⁵ GCF was established in 2010 with the initial goal of providing the majority of climate finance for adaptation within the \$100 billion goal; however, less than \$30 billion has been mobilized throughout the fund's existence. [URL](#)

¹⁶ Financial Intermediary Fund Directory. World Bank Group. [URL](#)

¹⁷ The Special Climate Change Fund (SCCF). UNFCCC. [URL](#)

¹⁸ Least Developed Countries (LDC) Fund. UNFCCC. [URL](#)

¹⁹ Financial Intermediary Fund Directory. World Bank Group. [URL](#)

- **The Adaptation Fund (AF)**, created under the Kyoto Protocol to finance adaptation projects. It introduced a direct access mechanism for developing countries who could submit project proposals directly to the AF Board without intermediary accredited national and international organizations. However, only \$2 billion have been mobilized during the fund's existence,²⁰ including \$219.66 million²¹ from a 2% levy on certified emission reductions (CERs) issued under the Clean Development Mechanism of the Kyoto Protocol.
- **The Fund for Responding to Loss and Damage (FLRD)**, established at COP28 to support developing countries that are most vulnerable to climate change in addressing adverse climate impacts, including extreme weather events. The key problem of the FLRD is the voluntary nature of its funding. Less than \$0.6 billion has been mobilized during the fund's existence.²²

Despite this architecture of funds, several barriers remain to providing finance to developing countries related to the availability and predictability of funds, in particular:

- Access to financial resources of most UNFCCC funds is possible only through accredited international organizations or national development banks, financial organizations, and national climate funds. This significantly increases costs and delays in obtaining climate finance in developing countries.
- Funds are regularly replenished, and announcements of new replenishments and financial contributions by countries are discussed in annual reports of operating entities to the COP. However, the lack of an agreed burden-sharing scheme among donor countries reduces the predictability of future financial flows and the frequency of fund replenishments.

In addition to the operating entities, in order to optimize the Financial Mechanism's work and improve coherence of financial flows to developing countries, the **Standing Committee on Finance (SCF)** was established at COP16 in 2010.²³ The SCF includes 20 experts in climate change and finance nominated by regional groups for two-year period. The Committee systematizes approaches to climate finance, can give recommendations and participate in preparing guidance drafts for Parties to discuss at the COP. However, the SCF has no mandate for negotiating text decisions – these are determined by Parties in negotiations, so its influence on negotiations' outcomes is limited.

Current agenda issues

NCQG: at COP30 in Belém, the Baku to Belém Roadmap to 1.3T,²⁴ is planned to be presented, outlining potential strategies for reforming multilateral finance and improving access to climate finance, proposing new tools for attracting private finance and building country capacity.

Sharm el-Sheikh Dialogue: since 2022, as part of a dialogue in the form of expert discussions with broad involvement of all stakeholders, discussions have been held on resource mobilization under Article 9, the scope of Article 2.1(c), and its complementarity with Article 9.²⁵ Meetings do not imply passing decisions to the COP level but include preparation of reports on discussions (the first report

²⁰ Financial Intermediary Fund Directory. Adaptation Fund (AF). World Bank Group. [URL](#)

²¹ Adaptation Fund Trust Fund Financial Report. World Bank Group. [URL](#)

²² Financial Intermediary Fund Directory. Fund for responding to Loss and Damage (FRLD). World Bank Group. [URL](#)

²³ Decision 1/CP.16, para. 112. [URL](#)

²⁴ Decision 1/CMA.6, para. 27. [URL](#)

²⁵ Decision 1/CMA.4, para. 68. [URL](#)

was released in 2024²⁶). The final report is planned for 2025, summarizing the work of the dialogue for the consideration of the COP and decisions on further actions.²⁷

Adaptation finance: adaptation issues will be the center of discussions in Belém. In addition to agreeing on a set of indicators for progress assessment towards the Global Goal on Adaptation,²⁸ the imbalance between mitigation and adaptation finance remains unresolved problem. Although 2025 is the 'deadline' to double adaptation finance to \$40 billion annually by developed countries,²⁹ the financial goal set in the Glasgow Pact is voluntary. Moreover, the progress made so far does not provide sufficient adaptation finance.³⁰

'Forest' finance: one of the COP30 Presidency initiatives will be the new Tropical Forest Forever Facility (TFFF), a fund managed by the World Bank. The main idea is to create an investment fund that will pay countries a fixed income for each preserved hectare of tropical forest. The launch plans to mobilize \$25 billion from developed donor countries and attract an additional \$100 billion from the private sector.³¹ This is expected to bring attention to the tropical forest conservation issues.

LTF и \$100 billion: in 2026, the SCF report on progress towards the \$100 billion goal is planned to be published; 2027 is set to see the completion of the track on LTF and discussions on NCQG.³²

²⁶ Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement. Report by the co-chairs. UNFCCC. [URL](#)

²⁷ Decision 9/CMA.5, para. 14. [URL](#)

²⁸ Decision 3/CMA.6, para. 8. [URL](#)

²⁹ Decision 1/CMA.3, para. 18. [URL](#)

³⁰ Annual adaptation finance needs are estimated to be around \$215–387 billion, while international public adaptation finance flows totaled just \$28 billion in 2022. Adaptation Gap Report 2024. UNEP. [URL](#)

³¹ Tropical Forest Forever Facility (TFFF) - Concept Note 2.0 - Version for discussions. [URL](#)

³² Decision 4/CP.26, para. 18. [URL](#)