

Climate Finance to Developing Nations

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Introduction

- The issue of **climate finance** is a critical topic in global discussions on climate change.
- As the world faces increasingly severe environmental challenges, the burden falls disproportionately on **developing nations**.
- These countries often bear the brunt of climate impacts, such as floods, droughts, and extreme weather events, while having contributed the least to global emissions.
- The **29th Conference of the Parties (COP29)**, scheduled to be held in **Baku, Azerbaijan** from **November 11 to 22, 2024**, will focus heavily on climate finance, making it a crucial meeting for addressing this global inequality.

What is Climate Finance?

- According to the **United Nations Framework Convention on Climate Change (UNFCCC)**, climate finance refers to **local, national, or transnational financial flows** that support efforts to **mitigate** and **adapt** to climate change.
- These funds can come from **public, private, and alternative sources**.
- Key uses of climate finance include:
 - **Mitigation**: Reducing or preventing greenhouse gas emissions.
 - **Adaptation**: Helping vulnerable regions and communities adapt to the impacts of climate change.
- **Developed countries** are expected to contribute the bulk of climate finance, given their historical responsibility for emissions, while **developing nations** need this support to manage both their developmental needs and climate action.

Why Do Developing Nations Need Climate Finance?

- Developing countries are among the **most vulnerable** to climate change due to:
 - **Geographical factors:** Many are located in regions more prone to extreme weather conditions.
 - **Economy reliance on agriculture:** Sectors like agriculture, which are particularly sensitive to climate change, are often the backbone of their economies.
 - **Limited resources:** These nations have fewer financial and technological resources to adapt to climate change or recover from climate-related disasters.
- For example, the **International Energy Agency (IEA)** reported that in **2021**, around **675 million people** in the developing world lacked access to electricity.
- These countries face not only developmental challenges but also the urgent need for climate-friendly energy solutions, which are often more expensive.

About Copenhagen Accord

- The Copenhagen Accord is a political agreement that was reached in 2009 at the 15th session of the UNFCCC.
- At the **Copenhagen Accord**, developed nations pledged to provide **\$100 billion annually** in climate finance by **2020** to help developing countries combat climate change.
- However, this goal has not been fully realized. Key issues with this commitment include:
 - **Over-reporting:** Developed nations often report **commitments** rather than actual **disbursals** of funds.
 - **Reclassification of aid:** Existing development aid is sometimes rebranded as climate finance, reducing the impact of new and additional funding.
 - **Loans vs. Grants:** A significant portion of the reported climate finance consists of loans, not grants, adding to the debt burden of developing countries.
- For instance, in **2022**, **69.4%** of international public climate finance was in the form of loans, with only **28%** provided as grants.
- Developing nations argue that climate finance should be predominantly **grants** or at least **concessional loans** (loans with low-interest rates), to avoid increasing their financial burdens.

India's Climate Finance Needs

- India is a prime example of a country with ambitious climate goals but significant financial needs. India's climate targets include:
 - **500 GW of non-fossil fuel capacity by 2030.**
 - **5 million metric tonnes of green hydrogen (GH2)** production capacity annually.
 - **Electric Vehicle (EV) penetration** across various categories by 2030.
- The cost to achieve these goals is enormous:
 - An estimated **₹16.8 lakh crore** will be required for renewable energy projects by 2030.
 - India's **Green Hydrogen Mission** alone requires an additional **₹8 lakh crore** in investments.
 - To meet its **electric vehicle (EV)** targets, consumers will need to spend **₹16 lakh crore** on EVs.

- Looking further ahead, **India requires ₹850 lakh crore in investments between 2020 and 2070** to meet its **net-zero emissions** target.

New Collective Quantified Goal (NCQG)

- As the current \$100 billion climate finance target expires in 2025, there is a push for a new, more ambitious goal, called the **New Collective Quantified Goal (NCQG)**. The **NCQG** must include:
 - **Actual disbursements**, not just commitments.
 - **New and additional funding**, beyond existing aid.
 - **Public capital** in the form of direct grants.
 - **Mobilized private capital** that results from public funding initiatives.
- A high-level expert group at **COP26** and **COP27** determined that developing countries (excluding China) will need around **\$1 trillion** in external climate finance annually by **2030**.

Challenges in Climate Finance

- The road to securing adequate climate finance for developing countries is fraught with challenges:
 - **High capital costs**: Developing countries often face **twice the cost** of capital for green technologies, such as solar photovoltaics, compared to developed nations.
 - **Competing developmental needs**: Developing nations need to balance economic growth with climate action, often needing external financial support to do so.

Conclusion

- As the world prepares for **COP29**, climate finance remains at the forefront of global negotiations.
 - Developing countries, including India, need substantial external financial assistance to meet their climate goals and adapt to the growing impacts of climate change.
 - The ongoing debate around the **\$100 billion commitment** and the push for a more ambitious **NCQG** highlights the urgency for **developed countries** to fulfil their responsibilities and ensure that **vulnerable nations** have the resources they need to fight climate change effectively.
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Q1. What is the UNFCCC and what do they do?

The UNFCCC secretariat (UN Climate Change) is the United Nations entity tasked with supporting the global response to the threat of climate change. UNFCCC stands for United Nations Framework Convention on Climate Change.

Q2. What is the difference between mitigation and adaptation?

In essence, adaptation can be understood as the process of adjusting to the current and future effects of climate change. Mitigation means preventing or reducing the emission of greenhouse gases (GHG) into the atmosphere to make the impacts of climate change less severe.

News: [On climate finance to developing nations | Explained](#)

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