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G20 FACTSHEET #6: CLIMATE FINANCE

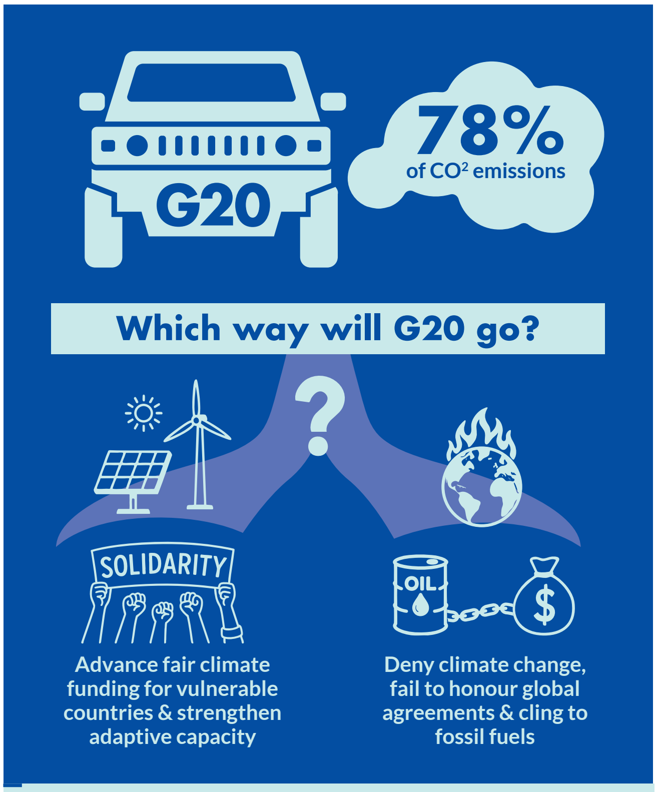
INSTITUTE FOR ECONOMIC JUSTICE
RESEARCH POLICY ADVOCACY

Who Should Pay for the Planet's Bill?

Introduction

From South Africa to Ethiopia, farmers are dealing with climate disasters they didn't cause. Droughts are leading to crop failures, and floods are destroying homes. At the same time, an estimated 96% of oil and gas companies are exploring and developing new reserves across 129 countries.[1] Top coal-producing countries, including China, India, the United States, Indonesia, and Australia, continue using fossil fuels despite a worsening climate crisis. Despite the harmful effects and scientific agreement that fossil fuels must be left in the ground, extraction continues at a cost to people and the planet.

The Paris Agreement, adopted in 2015, was formulated to establish mechanisms and tools for sourcing and distributing funds for climate resilience and clean energy; yet, the countries least responsible for emissions now bear the brunt of the consequences. G20 countries, who contribute around 78% of global CO^2 emissions,[2] face crucial questions: Will they advance fair climate funding for vulnerable countries to avoid debt traps and strengthen adaptive capacity? Or will they deny climate change, fail to honour their global agreements, and cling to energy sources that harm our planet?



What is climate finance?

Over time, human activities such as burning fossil fuels for energy, deforestation for agricultural settlements, and industrial agriculture have emitted greenhouse gases (GHGs). These gases heat our planet, leading to a wide range of climate impacts, including drought, flooding, and other extreme weather events. To limit future heating and secure a livable planet, we must urgently transition away from fossil fuels and implement a comprehensive strategy that prepares for climate impacts (adaptation), reduces future harm (mitigation), and recovers from unavoidable climate shocks (loss and damage). Collectively, these interventions are often referred to as climate action.

THIS FACTSHEET IS PART OF OUR SERIES ON THE 2025 G20

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Climate action requires the mobilisation of financial resources necessary to address climate change. This funding can come in the form of grants (with no repayment), debt (including green bonds, guarantees, loans, and debt swaps), or equity (investment in green technology). Other tools include carbon taxes and carbon credit trading.[4] Often, countries rely on one or more of these methods to raise money for climate action.

Despite the urgency of climate change and the documented need for climate finance worldwide, funding for mitigation, adaptation, and loss and damage remains limited, particularly grant-based funding. Developing countries need $5 trillion to $6.9 trillion to implement their national climate plans by 2030.[5] In 2010, developed countries pledged to mobilise $100 billion annually to support climate action for vulnerable countries by 2020, but failed to honour it. These contributions were later tripled to $300,000 at the Conference of the Parties (COP) 29 in Baku, Azerbaijan. Civil society organisations played a crucial role here, as many of them have joined vulnerable countries to advocate for a fairer climate finance regime. Despite these efforts, additional funding is still needed to adequately address the impacts of climate change.

Fair climate financing is a growing necessity

Climate funding is non-negotiable, and inaction is killing us. Since the 1980s, climate activists have proven that climate change is an existential threat. Yet our governments and corporations continue to fail us, leading to devastating consequences for people and the planet. Experts have observed that there were 250,000 additional deaths due to climate change-induced malaria, malnutrition, diarrhoea, and heat stress between 2020 and 2025.[6] The World Food Programme has also predicted a 20% increase in climate change-related global hunger and malnutrition by 2050.[7]

Climate change, therefore, affects the realisation and protection of human rights. We have witnessed human rights violations in the wildfires that have ravaged North America, Australia, and Europe, the cyclones that have devastated Mozambique, Malawi, and Zimbabwe, and the floods and droughts that are occurring at an increasing rate and severity.[8] These climate disasters have threatened millions of lives, denying people their rights to an adequate standard of living, access to education, water and sanitation, food, housing, health, work, development, and freedom of movement.[9]

Climate finance is causing unfair debt vulnerability

Climate crises and debt distress in developing countries are deepened by the way climate finance is structured. Rather than supporting true climate justice, current mechanisms often trap countries in further debt. Take South Africa's Just Energy Transition Plan (JETP), where 96% of its financing comes from loans, not grants.[10] Furthermore, it is heavily dependent on private sector investment, which tends to prioritise profit over equity, raising debt service costs for consumers and undermining long-term sustainability.

GREEN BONDS refer to loans borrowed for projects that help the environment through 'green' projects of mitigation and adaptation.[3]

GUARANTEES are financial commitments made by the government to ensure specific financial or operational outcomes for private entities. These guarantees serve to reduce risk for private investors and make projects financially attractive.

LOANS are financial instruments used by governments, organisations, and individuals to fund various activities, including public expenditure. They could either be concessional (meaning they are offered at favourable terms, such as low interest rates or more extended payment periods) or market-rated (provided at standard interest rates).

DEBT SWAPS are financial arrangements that provide debt relief in exchange for commitments from the debtor to invest in climate action initiatives.

A CARBON TAX is a tax levied on businesses or individuals for each ton of greenhouse gas emissions released. It is designed to incentivise the reduction of carbon emissions and promote environmentally sustainable practices.

CREDIT TRADING is a system where companies can buy or sell permission to pollute. If a company pollutes less than allowed, it can sell its extra allowances to another company that needs more, helping to reduce the overall pollution.

20%
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WFP

Such loan-heavy approaches push already indebted countries into a dilemma that requires them to choose between repaying debt, funding their development, and taking climate action. Today, 3.4 billion people live in countries that spend more on debt repayments than on health and education.[11] Poorest climate-vulnerable nations end up needing to spend over twice as much servicing debt as they do on climate adaptation.

Fair climate finance must reflect responsibility. Principles that should define a justice-based global response to climate action include "polluter pays" (reaffirmed in the 2024 G20 Rio Declaration) and the UNFCCC's "Common but Differentiated Responsibilities" (CBDR). These principles call for those who caused the problem and have the capacity to finance solutions to take responsibility. Passing the cost of climate action onto countries that contributed least to the crisis perpetuates unequal development, undermines global justice, and burdens future generations.

How has the G20 previously addressed climate finance?

The G20 has positioned itself as a leader in mobilising climate finance, but its approach is riddled with flaws that prioritise private profits over public welfare. As far back as the 2009 Pittsburgh Summit, the G20 committed to phasing out inefficient fossil fuel subsidies.[12] Over the years, it has emphasised aligning financial flows with the Paris Agreement goals, including mobilsing $100 (now revised to $300) billion annually to support developing countries. Notable key initiatives also included the establishment of the Green Finance Study Group (later renamed the Sustainable Finance Working Group (SFWG)), as well as the Compact with Africa partnership (2017) and the Sustainable Finance Synthesis Report (2018) which explored tools like green bonds, blended finance, and public private partnerships (PPPs) to attract private investment for climate projects.

A cornerstone of the G20's strategy has been its reliance on Multilateral Development Banks (MDBs) to scale up climate finance. The G20 has consistently pushed MDBs to expand lending, integrate climate considerations, and mobilise private capital for projects aimed at transitioning away from fossil fuels.

While some may argue that G20 efforts have helped channel significant resources, its approach is problematic because it employs a de-risking strategy, which allows for the use of public funds to absorb risks for private investors.[13] Governments are often required to provide guarantees or subsidies to make projects appealing, ensuring that private financiers are protected from risks such as currency fluctuations or project failures. However, this creates significant fiscal liabilities for governments and debt vulnerabilities. This puts a strain on national budgets, pushing countries closer to debt distress, and reduces the ability to invest public funds in essential services like healthcare, education, and infrastructure.

De-risking models also commodify public goods like energy, tying them to volatile financial markets. For example, South Africa's JETP, which is heavily backed by G20 countries, actually locks the country into fixed high-cost contracts with Independent Power Producers (IPPs), allowing them to charge consumers high electricity tariffs and maximise profits regardless of future energy price changes. This occurs because IPPs benefit from contracts allowing guaranteed electricity tariffs over the lifecycle of their projects, often spanning 20 years or more. As a result, energy prices stay high, deepening energy poverty. Moreover, de-risking tools like PPPs accelerate the privatisation of essential infrastructure, including energy systems. By transferring control of public goods to private companies, governments lose sovereignty over critical resources and services.[14]

To deliver climate solutions that are truly just, the G20 must shift its focus. Public investments, not private profits, should drive the transition to renewable energy systems. Transparency in financial mechanisms, equitable access to resources, and structural reforms are needed to ensure climate finance serves the public interest. Without these changes, the G20's climate finance agenda risks continuing global inequalities and preventing socially just solutions to the worldwide climate crisis.

BLENDED FINANCE refers to financing projects through combining public funds (like grants or concessional loans) with private investments. This public money thus reduces risks for private investors, making projects more attractive to them.

PUBLIC-PRIVATE PARTNERSHIP refer to agreements where governments and private companies work together to build or manage public services or infrastructure, like roads, power stations or hospitals.

MULTILATERAL DEVELOPMENT BANKS (MDBS) are institutions that are established, owned, and managed by multiple national governments. They aim to support economic and social development across nations. Some notable MDBs include the World Bank and the IMF.

DE-RISKING refers to a policy approach that governments adopt to encourage investment. It typically involves the governments absorbing risks as a strategy to mobilise private finance for specific developmental projects

What is currently on the G20 Agenda?

South Africa has highlighted the role of climate finance in exacerbating debt crises, thereby pushing discussions in both the SFWG and the Environment and Climate Sustainability Working Group (ECSWG). The South African government is using the G20 to ask how developing countries can access climate financing without incurring debt burdens.[15]

The SFWG will discuss:

- How to address the $6 trillion/year climate finance shortfall identified by the India G20 presidency by finding ways to unlock larger-scale financing pipelines, channel grants and loans more effectively and redirect private funds to fill gaps where public funds fall short;
- How to increase money that will help countries deal with climate impacts and the transition to renewable energy, and
- How to generate additional money by letting polluters buy 'carbon credits' to balance out the effects that their actions have on the environment.

The ECSWG will discuss:

- The need to curb the high costs of capital for developing countries, allowing them to invest in climate action and green initiatives.
- Fair ways to switch to renewable energy; and
- How to increase annual contributions from developed countries to ensure that the world's efforts towards addressing climate change are sufficient.

South Africa's call for growing climate finance without developing countries incurring more debt is noble; however, the agenda needs to reflect a more intentional assessment of the general approach the G20 has to climate financing. More was needed to address the de-risking approaches adopted by the G20 and how those decisions impact welfare.

How can citizens and activists get involved?

The fight for equitable climate finance is a call to action for all of us activists. The resilience and victories of past movements should inspire us. We should be inspired by the community of Xolobeni, which successfully resisted the awarding of mineral rights to an Australian company, citing environmental concerns and the impact on livelihoods, as they mainly rely on subsistence farming, fishing, and ecotourism.[16] Their efforts show that communities can harness collective power and demand equity and action.

TOGETHER, WE CAN:

BUILD STRONG MOVEMENTS. The Xolobeni community has shown us that building strong movements can lead to positive change.

BUILD GLOBAL SOLIDARITY. When our governments attend the UNFCCC Conference of Parties (COP) (the principal global forum for climate negotiations), we should form global alliances to hold our governments accountable for the outcomes of that forum. We should ensure that COP outcomes secure urgent and equitable progress on climate action. We should also ensure that we deeply interrogate the outcomes of the G20, as its commitments have a massive impact on COP outcomes.

PUSH FOR PUBLIC ACCOUNTABILITY IN CLIMATE ACTION. Countries like Kenya and Indonesia have pioneered mechanisms to monitor if their governments spend money in ways that promote climate goals.[17] These examples show the power of transparency in holding governments accountable.

DEMAND PUBLIC OVERSIGHT OF LOAN AGREEMENTS. Most of climate financing is reflected through accumulating more debt. These loans are often not transparent and need legal processes to be made publicly available. As activists, we should envision a world where every loan agreement is scrutinised by parliament, ensuring it meets the people's needs.

SUPPORT GREEN POLICIES. Countries like China and Bangladesh have used green credit policies to drive renewable energy investment. We should vote for political parties which drive this kind of agenda on a national scale.

The debate does not end here

- **Is the G20 doing enough to save our people and planet? Is your government doing enough?**
- **Should we oppose the G20 recommendations of blended finance as the norm for climate financing?**
- **What should developing countries do to fight debt dependency created by climate action?**
- **How should people mobilise each other to put more pressure on governments to invest in climate action?**

Further readings

- **Fair Finance Southern Africa** - Fair Financing for Climate Justice: An Activist Guide
- **Climate Ambition to Accountability Project** - Advocating for Rights-Based Climate Investment Plans in Developing Nations to Realise a Just Transition

Endnotes

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17 Climate Accountability Project. 2025. A call to action: Moving towards holistic climate-responsive budgeting