

SUSTAINABLE FINANCE

Climate Finance: Mobilizing Funds for Climate Action



Corporate Sustainability, Made Simple



What is Climate Finance?



United Nations
Framework Convention on
Climate Change

Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.

Climate finance can be broadly categorised based on its purpose as follows:

Mitigation Finance

Funding projects to cut or reduce greenhouse gas emissions.

Examples: building solar and wind farms, improving energy efficiency, and expanding electric public transit.

Adaptation Finance

Funding projects to build resilience and protect communities against the unavoidable climate impacts.

Examples: building sea walls, developing early warning systems, planting drought-resistant crops.



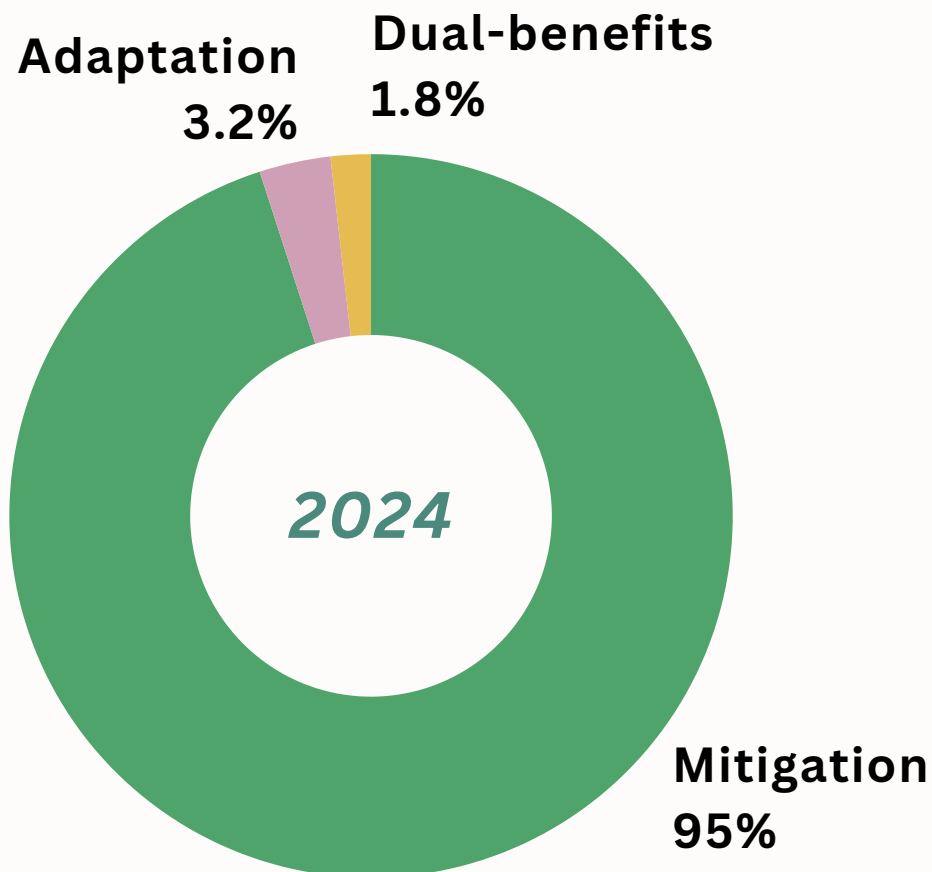
Dual-Benefit (Cross-Cutting) climate financing exists for projects that achieve both goals at once, such as sustainable agriculture that both stores carbon and improves local food security.



Loss and Damage Finance has also been instituted to provide specialized funding meant to help vulnerable countries recover from severe climate harms.

The Landscape

Global climate finance flows have reached **\$2 trillion** annually, driven primarily by private domestic investments in clean energy and low-carbon technologies.



As per a Climate Policy Initiative report, mitigation finance commands the vast majority of capital (nearly \$1.9 trillion) of the total \$2 trillion financed in 2024.

Energy systems and transport form the bulk of the projects financed.

Source: Climate Policy Initiative, Global Landscape of Climate Finance (June 2026)

- Climate finance flows are also categorised **by source** - public (governments, international bodies), private (commercial entities, individual investors) or blended. Private investment outpaced global public flows, exceeding **\$1.2 trillion** in 2024.
- Despite reaching the \$2 trillion milestone, current investments fall far short of the estimated **\$7.8 trillion needed annually from 2025 through 2030** to prevent the worst impacts of climate change

The Outlook

- The UN's New Collective Quantified Goal (NCQG) mandates a target of at least **\$300 billion per year by 2035** specifically to funnel public-private climate investments into developing nations.
- Countries have been developing their own finance frameworks to ensure fund allocation for climate action. India also released the official **Draft Framework of India's Climate Finance Taxonomy** in 2025.
- This makes India one of the major emerging economies actively formalising its green investment rules to unlock a massive **\$250 billion annual requirement for its energy transition**.
- **Standardising green definitions** globally will help eliminate greenwashing and give institutional investors the legal certainty to deploy capital at scale.

As robust taxonomies erase the risk of greenwashing and domestic private capital takes the lead, the future of climate finance depends entirely on how quickly the global financial architecture can scale from billions to trillions to bridge the multi-trillion-dollar investment gap.

