

SUBMISSION TO THE UNFCCC

Work Programme on Climate Finance

Including Article 9.1, in the Context of Article 9 of the Paris Agreement

Submission jointly developed by the following organizations: Observatório do Clima, WWF-Brasil, Plataforma CIPÓ, Instituto de Estudos Socioeconômicos (Inesc), Geledés - Instituto da Mulher Negra, Greenpeace Brasil, LACLIMA.

Summary

Climate finance remains profoundly inadequate relative to what Paris Agreement implementation requires. The financing gap is not merely a numerical shortfall — it is a structural failure with cascading consequences for climate implementation, socio-environmental resilience, and long-term economic stability in developing countries. A central reason for this structural failure is the design of the dominant climate finance paradigm itself. As international cooperation shifts from donations based on the historical responsibilities related to climate change — as reflected in the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC) and the polluter pays principle — to investment opportunities, the so-called derisking model has gained prominence. This model, which positions public finance primarily as a tool to collateralize private capital, is increasingly being advanced as a central mechanism for driving decarbonization.

This submission sets out our expectations for the **Work Programme on Climate Finance under Article 9 of the Paris Agreement**, with a view to ensuring that it delivers concrete, actionable, and equitable outcomes, including a critical examination of the underlying macro-financial architecture of current climate finance approaches.

Key Messages

- Scaled-up public finance provision under Article 9.1 — grant-based and highly concessional — is the non-negotiable foundation of credible climate action. Private mobilisation complements but cannot substitute for it.
- The dominant derisking paradigm — in which public finance adjusts risk-return profiles to attract institutional capital — is structurally insufficient for the scale, speed, and equity demands of the green transition, especially in the Global South.
- Developing countries face compounding constraints: limits to fiscal space, high cost of capital, and debt burdens partly caused by climate vulnerability itself.
- The financing gap → implementation gap → socioenvironmental risk → economic loss logic must anchor the work programme.
- Concrete outputs should include advancing a common understanding of climate finance, grounded in the provisions and principles of the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement; a transparent plan for the delivery of the USD 300 billion goal by 2035, including its public finance provision component under Article 9.1; a credible pathway to at least triple adaptation finance, reaching a minimum of USD 120 billion per year by 2035; measures to address debt burdens and reduce the cost of capital in developing countries; simplified and direct access modalities for Indigenous Peoples, Afrodescendants, and local communities (IPADLCs); and strengthened transparency, tracking, and reporting of climate finance flows.

I. Introduction and Macrofinancial Framing

The climate finance system faces a dual crisis: a quantitative gap and a qualitative and architectural failure. The quantitative gap is stark. At COP29 in Azerbaijan, Parties agreed on a New Collective Quantified Goal on Climate Finance (NCQG) of USD 300 billion per year by 2035, alongside a commitment to develop a roadmap toward USD 1.3 trillion. However, projections of actual needs, particularly for developing countries, are estimated to be five to six times higher than this USD 1.3 trillion benchmark. Adaptation is where the wider gap is. UNEP's Adaptation Gap Report 2025 finds that developing countries need USD 310–365 billion per year for adaptation by 2035 while international public finance delivered only USD 26 billion in 2023, a shortfall of factor 12–14. Conversely, staying on a 1.5°C-consistent pathway is estimated to require approximately USD 7.4 trillion per year through 2030 (CPI, 2024).

The architectural failure is less discussed but equally consequential. Gabor and Braun (2025) identify four green macrofinancial regimes — combinations of monetary, fiscal, and financial institutions shaping the speed and nature of decarbonization — organized around two axes: scale of public spending and degree of discipline on private (carbon) capital. The dominant regime is derisking: states adjust risk-return profiles to attract private institutional capital (pension funds, insurers, asset managers) rather than investing directly. Under **weak derisking**, governments partner with institutional finance via public-private partnerships (PPPs), power purchase agreements, and carbon contracts for difference. Under **robust derisking**, the state subsidizes manufacturing capital expenditure via tax credits. Both variants leave capital “in the driver's seat”, producing coordination failures — markets cannot allocate at the required scale or to the right sectors — and distributional failures, with regressive outcomes at national and global levels. A third regime, **carbon shock therapy**¹, imposes discipline through carbon pricing and austerity, placing adjustment burdens on the least capable. A fourth, the **big green state**, combines high public spending with discipline on private capital through planning, directed credit, and performance penalties (taxonomy).

Derisking models tend to systematically disadvantage countries in the Global South. Countries in the lower tiers of the global monetary hierarchy face conditions of “financial subordination” (Alami et al., 2023), driven in part by the influence of major credit rating agencies headquartered in the Global North. In this context, Global South countries face higher financing costs, constrained fiscal space, and growing debt burdens. Climate vulnerability itself raises the cost of capital, constraining investment, which deepens vulnerability — a vicious cycle the derisking model cannot break. Extending carbon shock therapy to these contexts without compensating investment risks compounding harm (Gabor & Braun, 2025; Stubbs & Kentikelenis, 2023).

This submission draws on this macro-financial analysis to frame expectations for the Work Programme on Climate Finance, with particular attention to public finance provision under Article 9.1 of the Paris Agreement and the fiscal constraints faced by developing countries.

II. Overall Expectations and Concrete Outputs

The absence of a clear and operational definition of climate finance continues to generate significant divergences in interpretation and reporting. In practice, it allows different actors to define and account for climate finance flows according to varying methodologies and interests, thereby undermining consistency and comparability and creating risks of double counting. Addressing this gap should

¹ The notion of “carbon shock therapy,” associated with scholar Daniela Gabor, refers to policy approaches that seek to rapidly increase carbon prices to drive behavioral and structural change; however, in the absence of prior public investment, accessible low-carbon alternatives, and adequate social protection, such measures risk generating regressive impacts, increasing energy and production costs, and exacerbating existing inequalities—particularly in the Global South—while failing to address the core constraint of limited access to affordable, long-term finance for the transition, raising concerns regarding alignment with equity considerations and the principles underpinning the Paris Agreement. Available at: <https://www.ft.com/content/1d2dc4c4-4de2-4e87-ab1f-574a32c5e0e2>

therefore be a central priority of the work programme, with a view to strengthening the integrity, transparency, accountability, and effectiveness of climate finance under the UNFCCC.

Equally important, the work programme should clarify how the USD 300 billion goal will be delivered as finance provided by developed country Parties under Article 9.1 of the Paris Agreement, including by providing greater clarity on the scope and characteristics of such finance, with particular emphasis on public, grant-based, and highly concessional resources. In this context, it should strengthen methodological guidance to clearly distinguish such provision from the mobilization of private finance under Article 9.2, thereby safeguarding accounting integrity and avoiding double counting.

Finally, it should generate actionable recommendations that address the structural inadequacies of the current climate finance architecture, with a view to enhancing its effectiveness, equity, and responsiveness to the needs and priorities of developing countries.

Expected Outputs

<ul style="list-style-type: none"> • Advance a common understanding of climate finance, grounded in the provisions and principles of the UNFCCC and its Paris Agreement, in order to enhance transparency, comparability, and trust among Parties. • Develop a transparent delivery plan for achieving the USD 300 billion goal by 2035, including interim milestones for 2028 and 2030, and clearly specifying the public finance provision component under Article 9.1. • Establish a credible pathway to at least triple adaptation finance, reaching a minimum of USD 120 billion per year by 2035, with clear roles for grant-based and concessional instruments. • Undertake analytical assessment of the structural limitations of derisking approaches, as well as the conditions required to strengthen State fiscal space and public planning capacity. 	<ul style="list-style-type: none"> • Provide guidance on measures to reduce the cost of capital and address debt burdens in developing countries. • Strengthen methodologies for tracking, reporting, and verification of climate finance, including the use of grant-equivalent metrics and enhanced scrutiny of off-budget instruments and PPPs. • Develop recommendations to improve direct access and simplified access modalities, particularly for community-led and locally driven initiatives. • Produce best-practice guidance for aligning financial flows with the objectives of the Paris Agreement, including safeguards for human rights, biodiversity, and IPADLCs rights.
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III. Thematic Pillars and Subtopics

Pillar 1 — Public Finance Provision (Article 9.1)

Objective: Establish Article 9.1 public provision as the non-negotiable foundation of the climate finance architecture, with clear volumes, milestones, and delivery pathways. The tendency of derisking regimes to substitute public provision for private mobilisation is analytically inadequate and legally inconsistent with the Paris Agreement.

Infrastructure and capital investment at the scale required for Paris-consistent pathways cannot be met without large-scale public spending — not because private capital is absent, but because it consistently fails to allocate to the right sectors and geographies without strong state and multilateral

coordination. In this context, the polluter pays principle and progressive taxation, especially in developed countries, can play a key role in expanding the capital availability for climate finance.

Key subtopics:

- Agree the public provision volume within the USD 300 billion goal; clarify “new and additional” finance definitions.
- Increase grant-based and highly concessional finance, especially for adaptation, loss and damage, and just transition — sectors in which derisking is structurally inadequate.
- Scale adaptation finance: pathway to triple by 2035, reaching at least USD 120 billion per year.
- Just transition finance: prioritize non-debt-inducing instruments; address workforce transformation and ecosystem restoration; develop social and environmental safeguards.

Developing country implications: Financial subordination (Alami et al., 2023) means that even modest improvements in concessionality significantly expand the range of feasible climate investments nationally. Unpredictable public provision translates directly into reduced fiscal space and compounding vulnerability.

Pillar 2 — Mobilization, Additional Sources, and Financial Flow Alignment

Objective: Clarify mobilization as complementary to — not a substitute for — Article 9.1 provision, and explore additional sources while addressing the structural coordination and distributional failures of derisking regimes.

The derisking model produces two systemic failures. First, coordination failure: decentralised market allocation cannot manage the scale, complexity, and uncertainty of the transition. Second, distributional failure: in the Global South, financial subordination risks “unequal ecological exchange”, as countries export commodities and generate financial yields while green value-chain participation remains blocked.

Key subtopics:

- Develop credible pathways to the USD 1.3 trillion collective objective without diluting public finance obligations.
- Explore progressive, equity-based sources: environmental taxation, fossil fuel subsidy phase-out, with safeguards ensuring subsidy elimination in developing countries is paired with compensating public investment, not carbon shock therapy.
- Examine the role of MDBs, IMF, and credit rating agencies in enabling or constraining access to finance and portfolio alignment.
- Link to the UN Framework Convention on International Tax Cooperation for progressive environmental taxation.
- Discuss the international monetary architecture, focusing on central bank market neutrality principles and their implications for green credit policy.

Pillar 3 — Access, Quality, and Equity

Objective: Ensure climate finance reaches developing countries, locally led actors, and frontline communities on appropriate terms. Access barriers are structurally embedded in a derisking model designed around institutional capital pool preferences, not recipient country.

Key subtopics:

- Simplify and harmonize access procedures; strengthen direct access modalities for national and local institutions.
- Improve finance quality: appropriateness of instruments, concessionality levels, and terms to prevent debt distress.
- Address mitigation/adaptation balance; ensure just transition finance reaches communities and supports ecosystem restoration.
- Develop robust safeguards for human rights, IPADLCs rights, labour rights, and biodiversity.

Risk of inaction: Finance fails to reach the communities and ecosystems most in need. Even under robust derisking, the state lacks tools to ensure equitable distributional outcomes — a key condition for sustained political support for climate policies.

Pillar 4 — Fiscal Space, Debt Sustainability, and Cost of Capital

Objective: Directly address the structural fiscal constraints — financial subordination, high cost of capital, debt burdens — that are central barriers to climate action in developing countries, and that the derisking model systematically ignores.

For many developing countries, the cost of borrowing is significantly higher than for developed economies — reflecting their position in the global monetary ecosystem. Climate vulnerability itself raises sovereign risk premiums, constraining investment and deepening vulnerability in a vicious cycle. Promotion of carbon pricing and subsidy cuts in highly indebted contexts — without compensating investment — risks carbon shock therapy, imposing disproportionate adjustment costs on those least capable.

Key subtopics:

- Debt-related measures, debt-for-climate swaps, and tools to reduce financing costs without exacerbating vulnerabilities.
- Appropriate balance of debt-inducing vs. non-debt-inducing instruments; strong preference for grants and highly concessional finance for the most vulnerable.
- MDBs reform, IMF facilities, and credit rating methodology reform to reduce cost of capital for developing countries.
- Link climate finance to national budgets and progressive environmental taxation — with explicit safeguards against shock therapy dynamics.
- Discussion of monetary architecture and inflation targeting as determinants of green investment financing conditions.

Pillar 5 — Transparency, Accountability, and Reporting

Objective: Ensure that climate finance reported by developed country Parties as provided or mobilized is credible, comparable, and verifiable. Transparency deficits are structurally connected to the derisking model: off-budget instruments (PPPs, contingent liabilities, blended finance structures) conceal true fiscal costs and risk exposures.

Key subtopics:

- Enhanced methodologies for reporting and verifying climate finance, including grant-equivalent reporting and clear provision/mobilization distinctions.
- Scrutiny of off-budget and contingent liability instruments to reveal true fiscal costs.
- Avoid overestimation and double-counting; improve transparency on concessionality, terms, and conditions.
- Link to Global Stocktake, SCF Biennial Assessments, and Enhanced Transparency Framework.

- Strengthen developing country capacity to track, verify, and report on finance received through capacity building and facilitative process by the secretariat.

IV. Modalities and Organizational Structure

Inclusive and Balanced Participation

- The work programme should be Party-driven, with complementary high-level support at the ministerial and presidency levels, and ensure the full, effective, and meaningful engagement of non-Party stakeholders in an inclusive and transparent manner.
- Participation should encompass all Parties, with particular attention to the meaningful engagement of Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States, including their structured representation across thematic discussions.
- It should also include a broad range of non-Party stakeholders, such as international financial institutions, academia, civil society organizations, and private-sector actors, with particular emphasis on those facing structural barriers to accessing climate finance. This includes IPADLCs, women, peasants, and youth, who should be ensured equitable and meaningful opportunities for participation.
- Participation modalities should be inclusive and accessible, including through hybrid formats, multilingual documentation, and adequate advance notice, to enable the effective participation of under-resourced stakeholders.
- Finally, the work programme should guard against supply-side bias, ensuring that it is not dominated by provider-country and financial sector perspectives.

Technically Robust Work Modalities

- To enhance effectiveness and avoid fragmentation, the work programme should actively draw upon, complement and reinforce relevant UNFCCC processes and bodies, including Standing Committee on Finance, the Enhanced Transparency Framework, the Financial Mechanism and its operating entities, other funds under the Convention, and thematic workstreams such as the Global Goal on Adaptation and the Just Transition Work Programme.
- Thematic technical workshops should integrate SCF assessments, IPCC reports, UNEP Adaptation Gap Reports, and emerging macrofinancial scholarship.
- The work programme should be supported by background analytical papers on key issues, including fiscal constraints and the cost of capital; the international monetary architecture and its implications for green credit policy; and methodologies for assessing grant equivalency.
- Periodic synthesis notes prepared by the UNFCCC secretariat should ensure continuity, coherence, and transparency across the work programme.

Actionable and Outcome-Oriented Process

- The work programme should be guided by a two-year workplan, with clear milestones leading to deliverables at CMA 9 and CMA 10. Interim outputs should inform ongoing deliberations on the NCQG and the Global Stocktake under the Paris Agreement.
- The work programme should also ensure cross-pillar coherence, such that outcomes related to provision, access, transparency, and alignment are mutually reinforcing.

V. Conclusion

The Work Programme on Climate Finance represents a critical opportunity, but only if it engages substantively with the structural inadequacies of the current climate finance architecture, rather than focusing solely on aggregate volumes.

The dominant derisking paradigm has produced coordination failures, regressive distributional outcomes, and systematic underinvestment in the sectors and geographies most in need. Staying on a Paris-consistent pathway requires public investment and state planning at scale and character that private markets, even when appropriately derisked, cannot deliver.

Developing countries face compounding fiscal constraints, including financial subordination, high cost of capital, unsustainable debt, that are in part caused by climate change itself. Extending carbon shock therapy logic to the Global South deepens these constraints.

We stand ready to engage constructively in the work programme, contributing evidence, analysis, and advocacy in support of a climate finance system that is equitable, needs-aligned, and genuinely commensurate with the Paris Agreement's ambition.

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