The Roadmap from Baku to Belem: Delivering on the climate finance agenda

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PCC Commission Meeting

13 June 2025

Key outcomes from COP29 on the finance goal

8. Reaffirms, in this context, Article 9 of the Paris Agreement and decides to set a goal, in extension of the goal referred to in paragraph 53 of decision 1/CP.21, with developed country Parties taking the lead, of at least USD 300 billion per year by 2035 for developing country Parties for climate action:

(a) From a wide variety of sources, public and private, bilateral and multilateral, including alternative sources;

(b) In the context of meaningful and ambitious mitigation and adaptation action, and transparency in implementation;

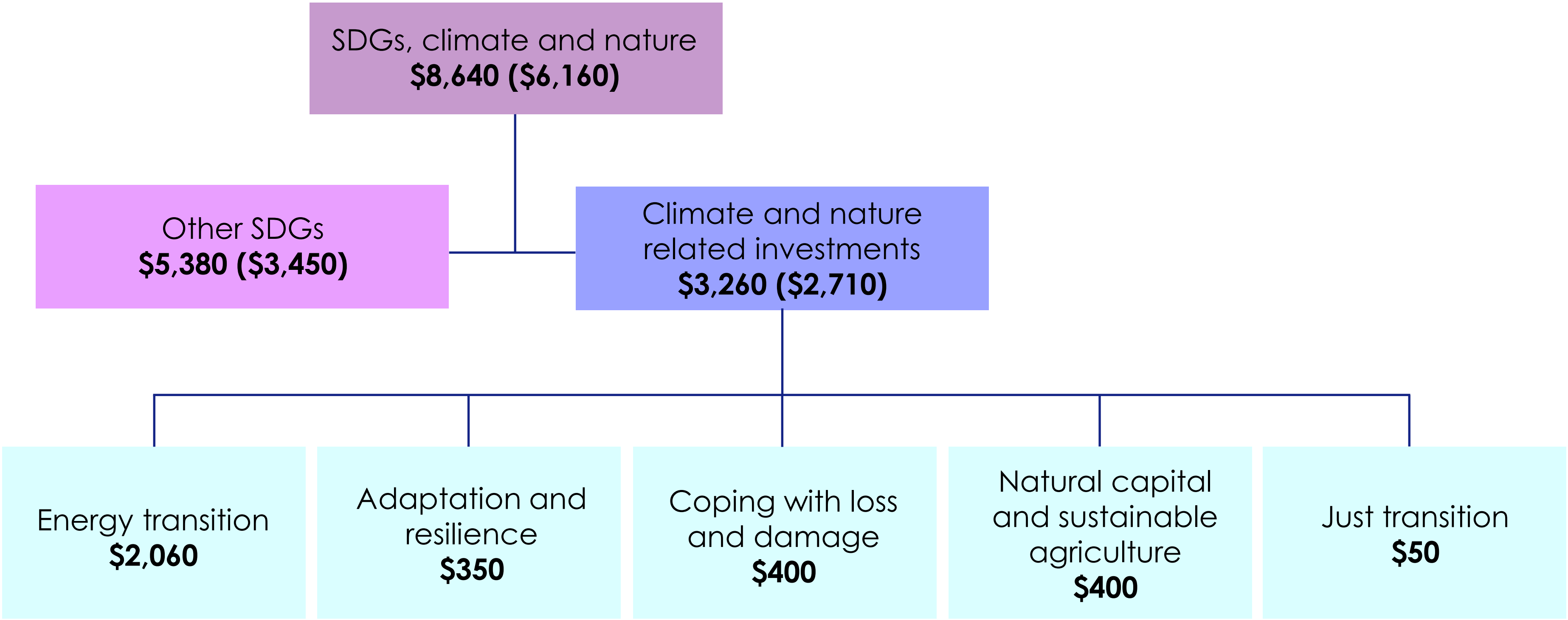
(c) Recognizing the voluntary intention of Parties to count all climate-related outflows from and climate-related finance mobilized by multilateral development banks towards achievement of the goal set forth in this paragraph;

7. Calls on all actors to work together to enable the scaling up of financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035;

27. Decides to launch, under the guidance of the Presidencies of the sixth and seventh sessions of the CMA, in consultation with Parties, the "Baku to Belém Roadmap to 1.3T", aiming at scaling up climate finance to developing country Parties…

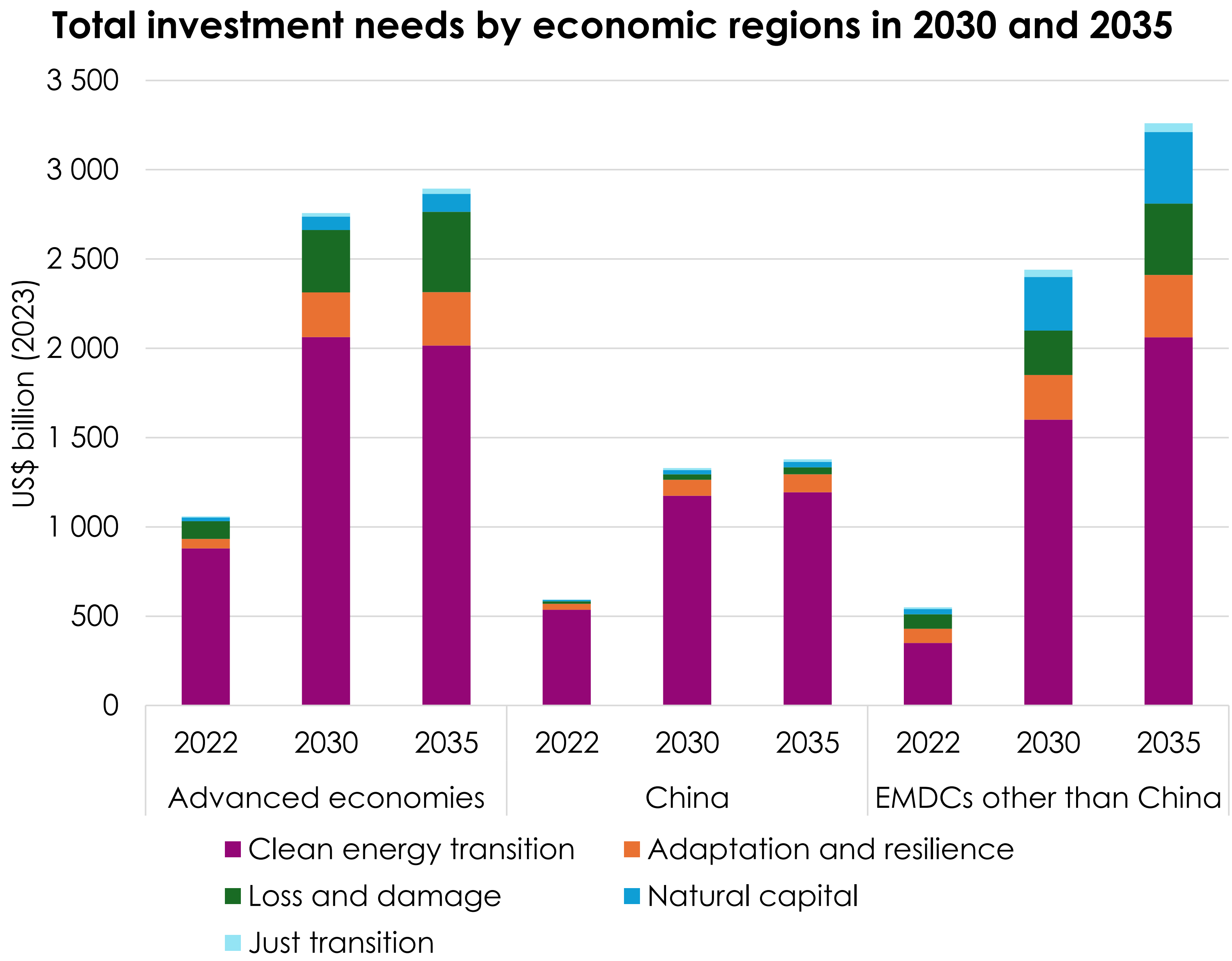
The investment imperative (2035)

Investment / Spending Requirements for Climate and Sustainable Development
($ billion per year by 2035, increment from current in parentheses)



Sources: Bhattacharya et al. (2023), G20 IEG Triple Agenda Report (2023)

The investment imperative and opportunity



Large savings arise from the shift to a low-carbon, climate resilient economy

Clean energy investments

Direct savings

1. Reduced fossil fuel investments in exploration and production
2. Reduced fuel costs from fossil fuel consumption and reduced imports
3. Reduced energy costs from renewables and efficiency
4. Reduced operation & maintenance (O&M) costs
5. Phased-out fossil fuel subsidies

Nature investments

Direct savings

1. Phased out environmentally-harmful subsidies
2. Reduced input costs from pesticides and fertilizers

All climate investments (energy, adaptation and resilience, loss and damage, nature, just transition)

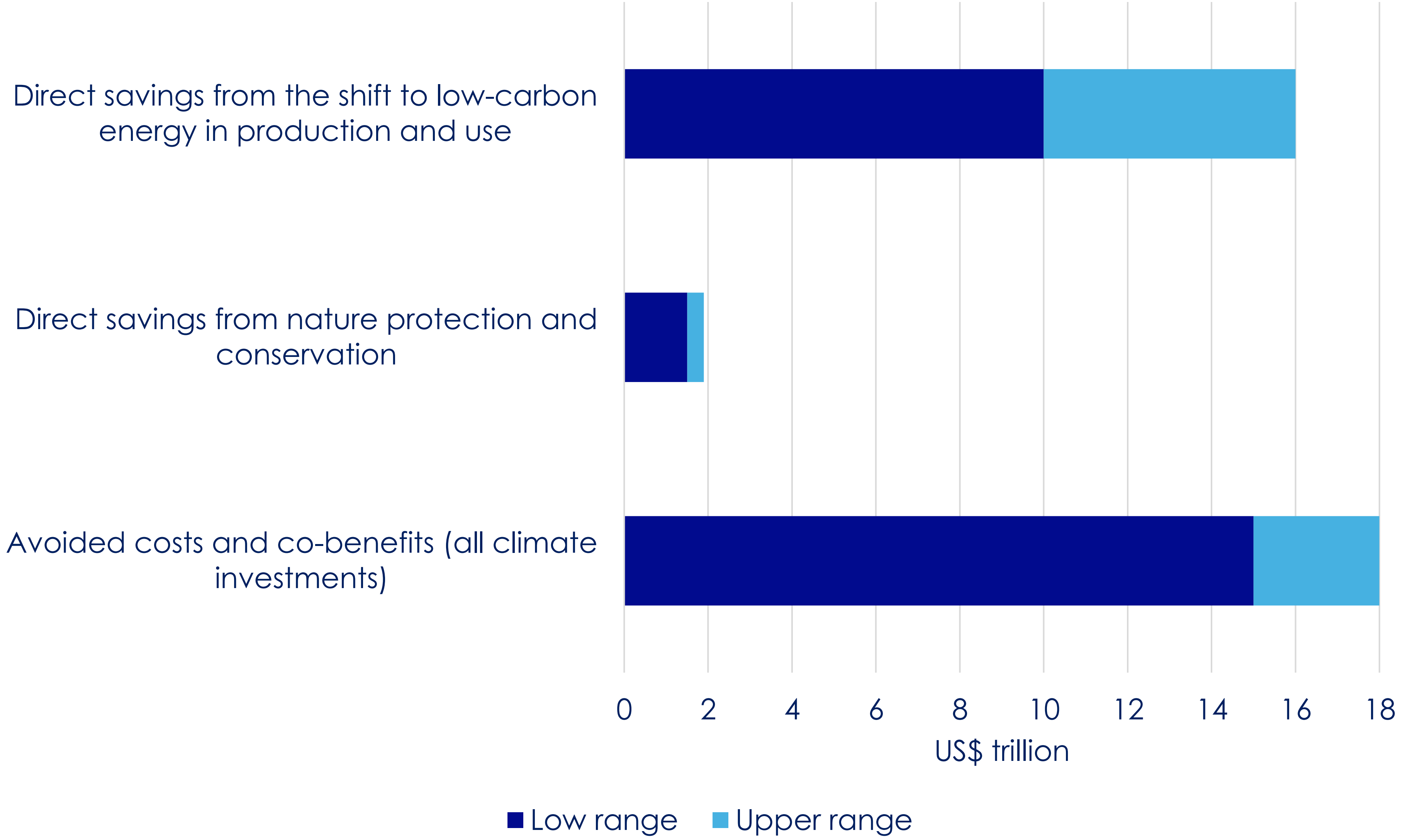
Avoided costs (or cost of inaction)

1. Reduced economic costs (including impacts on productivity, damages to assets and capital, disruptions in global economic activity such as trade and tourism, stranded assets)
2. Reduced environmental and social costs (including health and wellbeing, loss of biodiversity and nature, conflict and migration, global and local inequalities)

Co-benefits

1. Growth and development benefits (such as increased productivity from the use of more efficient technologies, improved ecosystem services, job creation, enhanced investment viability through risk reduction)
2. Social co-benefits (including strengthened social stability and overall societal wellbeing)

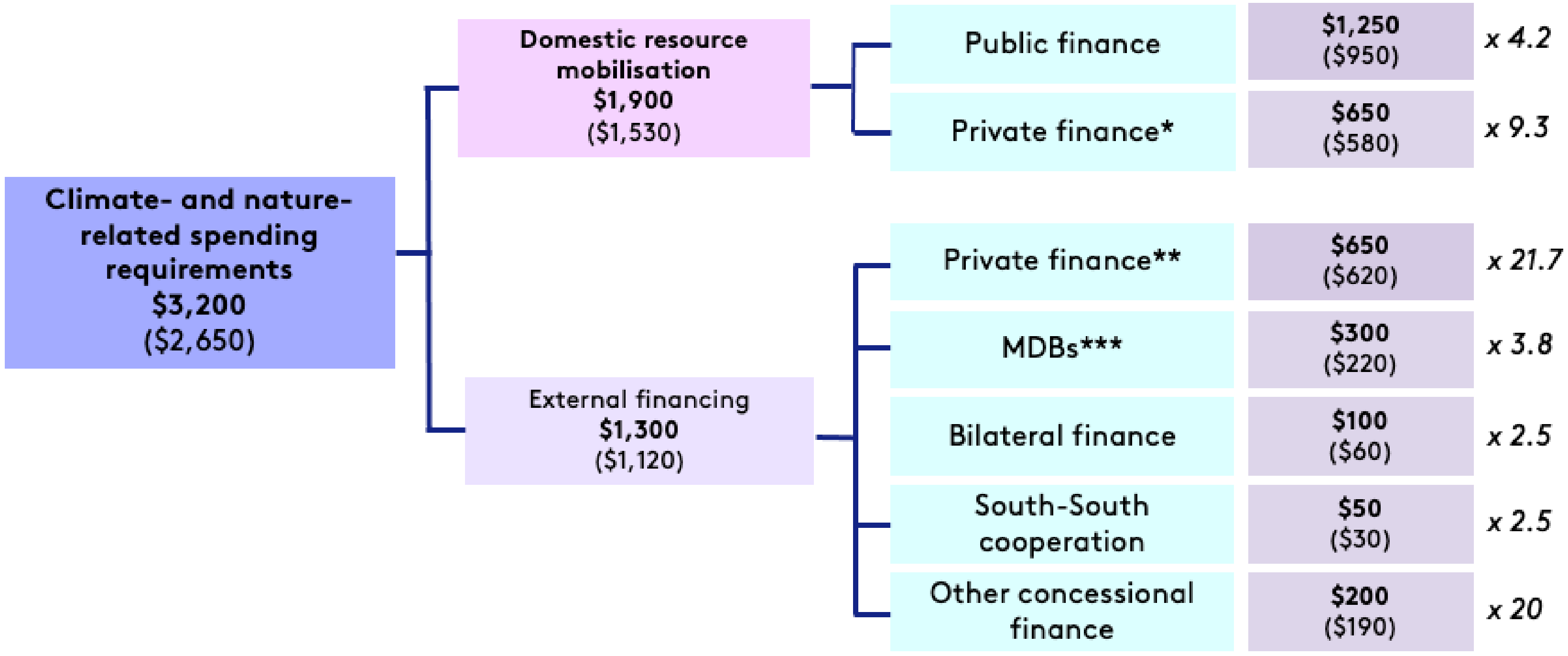
Large savings arise from the shift to a low-carbon, climate resilient economy



Financing implications for 2035 and options

Mobilising the necessary financing for adaptation and resilience in EMDCs other than China

($ billion per year by 2035, increment from current in parentheses)



Notes: *Includes household savings. **A significant proportion of this private finance would be directly and indirectly catalysed by MDBs, other development finance institutions and bilateral finance. ***Includes multilateral climate funds.

Matching investment needs to the right mix of finance

Countries must utilise the complementary strengths of all sources of finance - domestic public and private, external private, MDBs, DFIs, and concessional. Different investment opportunities require different types of capital, based on risk profile, time horizon, and returns.

Enhancing the quality and impact of finance

Increasing finance does not by itself guarantee effective investment. Successful investment strategies must be inclusive, prioritizing vulnerable groups, including women, youth, the elderly, ethnic and religious minorities, Indigenous people, and refugees.

An integrated climate finance agenda

1. Investment and technology as drivers of transformative change
2. Foundations for the $1.3 trillion target:
   a) Country-led investment frameworks and country platforms
   b) Tackling debt and fiscal space
   c) Boosting domestic resource mobilization
   d) Ensuring a just transition
3. Delivering on the $1.3 trillion in external finance:
   a) Mobilising private finance at scale and reducing cost of capital
   b) An MDB and DFI system that works for climate action and sustainable development
   c) Tapping the potential of carbon markets
   d) Delivering and expanding options for concessional and low-cost finance
   e) Aligning finance with sustainability and enhancing quality of climate finance