



Baselines for the New Climate Goal: Why \$200 Billion Means No Ambition

 Ian Mitchell and Edward Wickstead

A major shortcoming of the \$100 billion climate finance goal agreed in 2009 was the absence of a clear baseline. With draft negotiating [text](#) for a new climate finance goal now available, we set out some relevant starting measures and amounts to inform the negotiations going into COP29 and make recommendations for an ambitious but coherent target.

We argue that a \$200 billion per year target would amount to a “no-ambition” target. Equally, an ambitious target over \$400 billion with no extra fiscal commitment would mean major cuts to wider development finance. We would prefer to see a grant-equivalent target, and we provide the baseline figures for such a target below. We also provide figures for a combined climate and development finance target which would ensure additional resources for climate and put an end to greenwashing.

This remainder of this note looks at the options in the negotiations; it then examines finance under the existing and potential new measures in 2022 and projects them to 2035. It also looks at the scale of potential new providers’ contribution before concluding on which measures create the best incentives for tackling climate change.

Where are we on a new climate goal

When countries signed on to the Paris Agreement in 2015, they agreed to establish a new collective quantified goal on climate financing (NCQG) to replace the \$100 billion goal by 2025. The NCQG is high on the agenda for the upcoming COP29.

Negotiators and other parties are a long way from agreeing on the magnitude of the new goal. The draft text on “Structural goal formulations” includes a target to provide or “mobilise” finance in the range of \$100 billion to \$2 trillion per year, perhaps in grant equivalent terms, designated “option 1”:

13. Decides to set an NCQG [of USD X] [from a floor of USD 100 billion][of at least USD 1 trillion] [of USD 1.1 trillion][of USD 1.3 trillion] [of USD 2 trillion] per year [in grant equivalent terms] [from 2025 to 2029][from 2025 to 2030] [from 2025 to 2035][from 2026 to 2035] [by 2030] provided and mobilized by developed country Parties to address the evolving needs and priorities of developing country Parties;

The text also includes a separate option, preferred by developed countries, for a “global investment goal” with a “core international support goal.” This option also “urges contributions” from developed countries “that meet the criteria set out in the annex” (more to come from us on this, see our [fair shares](#) work).

The importance of a baseline

Many understood the previous \$100 billion per year goal to be “[new and additional](#),” (i.e., provided on top of existing development assistance) but this concept was never clearly defined. There was no routine assessment of how much climate finance existed, nor any agreement on what constituted climate finance or how to measure it—indeed, [there still isn't](#), with multilaterals using either the ‘[harmonised methodology](#)’ or Rio markers and countries all using Rio markers but with [many different approaches](#). In agreeing the NCQG, parties should be clear about what is being measured or risk another 15 years of disagreement on what counts.

Negotiators have focussed on the “developing country needs” which must “inform” the goal. Different studies have different estimates (most cite the trillion dollars per year from the [Bhattacharya, Songwe, and Stern report](#)), but all agree that these needs are substantial. But here we focus on amounts actually being provided, and how they can be scaled up.

The most familiar figures are the [OECD tracking](#) of climate finance, which calculated \$115.9 billion was “provided and mobilised” by developed countries to developing countries in 2022. Another is the total volume of [official development assistance](#) (ODA), which in 2023 was \$223.7 billion. We argue that neither of these figures is a sound basis for the target. The first is [riddled with](#) inconsistencies and exaggerations, and ODA includes items irrelevant to international finance, particularly \$31 billion spent within donor countries to host refugees. The adaptation and mitigation figures that flow from these reports suffer similar flaws. Still, we set these headline figures out in Table 1 below.

We also generate indicative numbers for 2035 by scaling up the 2022 figures according to providers’ potential future GNI growth and inflation. The underlying assumptions are that providers make no additional fiscal effort relative to their national incomes, leave climate fixed as a share of all finance, and achieve a similar level of mobilisation, or “stretch,” as now. Projected GNI growth is just under 2 percent per year for existing provider countries (Annex II) based on the Shared Socioeconomic Pathway ([SSP2](#)) used by the IPCC and inflation of 3 percent per year (it was 3.3 percent [over the last](#)

decade). Of course, these could vary wildly depending on actual economic growth, inflation, and the dollar exchange rate (a risk of international goals expressed in dollar terms).

We also calculate a “stretch” variable. This is simply the ratio of “mobilised” climate finance expressed as a multiple of the grant-equivalent spend (see Table 2).

Table 1. Baseline of climate and development finance, existing measures

MEASURE	DESCRIPTION	2022	2035
ODA	Official development assistance (ODA)	\$209 billion 0.37% GNI	\$400 billion 0.37% GNI
OECD mobilised climate finance	Mobilised amount at face value inc. bilateral (inc. lending) and multilateral (inc. development banks from reflows/ balance sheet) and mobilised private finance.	\$116 billion	\$222 billion
Stretch	Ratio of mobilised climate finance to public grant-equivalent	3.1	3.1

Sources: Authors calculations of OECD data; [SSP2 growth rate](#) (Basic Drivers 31).

Notes: ODA data includes EU countries but excludes South Korea as a non-Annex II provider. See text above on explanation of 2035 baseline projection. Stretch is calculated based on second row of Table 2.

Ambition and risk in a mobilisation target

Table 1 shows that, in the current formulation of climate finance mobilisation, \$200 billion per year by 2035 is actually no ambition—we would expect current provider countries to provide \$222 billion through economic growth and inflation alone.

Our model also shows how an apparently ambitious mobilisation figure can be achieved by shifting resources away from other development priorities. For example, if providers divert 50 percent of all development finance into climate (in 2022 this was 23 percent, 19 percent for bilateral finance and 33 percent for multilateral), this would generate almost \$450 billion of climate finance in 2035 – at the cost of cutting over a third from non-climate aid in real terms.

Our model also illustrates the power of more fiscal effort. If providers gave an extra 0.1 percent of grant-equivalent finance by 2035 (i.e., to 0.39 percent of GNI from 0.29 percent), this would be an extra \$100 billion in grant equivalent terms. But if all of that increase went to climate, and its mobilisation rate (“stretch” of 3.1, as above) held up, this could generate over \$500 billion in mobilised climate finance in 2035.

Each of these approaches would “mobilise” over \$400 billion for climate finance—but one involves cutting health, education, and humanitarian support by a third. This is the risk with a mobilisation target that lacks fiscal support.

So, are there better figures to use as a baseline?

The fuel for finance mobilisation

We are pleased to see negotiators considering an explicit grant-equivalent goal to support the mobilisation goal:

14. [Also decides that developed country Parties provide [USD X] [at least USD 441 billion] per year [in grant-equivalent terms] [to support the achievement of] [in addition to] the mobilization goal referred to in paragraph 13 above;]

This is a good way to ensure that providers actually increase climate support—finance is recorded on a comparable basis and a target in these terms would avoid existing resources being stretched ever-more thinly. Nearly all relevant (climate and other development) finance is fuelled by grants (or capital). If grant-equivalent financing doesn't go up, we are largely just stretching existing funds more thinly (though [MDB reform](#) can make more use of existing resources). Expressing the target in grant terms would also remove the artificial incentive to provide loans instead of grants and encourage more focus on adaptation. So, below we calculate grant equivalent figures and focus on relevant elements of ODA that reflect cross-border flows (see [here](#) for more details).

We would also urge parties—especially developing country negotiators—to argue that this target should reflect climate and development. This would avoid shifting existing resources into climate.

Table 2. Grant-equivalent baselines for climate and development finance (developed countries)

MEASURE	DESCRIPTION	2022	2035
Climate and development finance	Grant-equivalent, cross-border flows	\$162 billion 0.29% GNI	\$311 billion 0.29% GNI
Climate finance	Total - Bilateral (Rio Markers) - Multilateral core Climate share of total	\$38 billion - \$21bn - \$16bn 23%	\$72 billion - \$41bn - \$31bn 23%
Adaptation	Total (bi + multi core) As a share of climate finance	\$11 billion 30%	\$21 billion 30%

Sources: [CGD calculations on OECD DAC1](#); [Bilateral Rio Markers](#); [Imputed multilateral shares for climate](#)

Notes: to calculate and project climate finance, we use two metrics: the share of climate and development finance focussed on climate, and a "stretch" figure based on how grants are spread into loans, or to mobilise private finance. In an earlier version of this note, the projected total adaptation finance in 2035 reflected a scenario in which countries provided a larger volume of climate and development finance as a percentage of GNI. It has now been corrected to reflect the baseline scenario.

Some technical points for those looking to replicate these numbers: we ignore the small amount of grant equivalent climate finance that is not reported as ODA. To calculate bilateral spend, we follow the approach of each bilateral, i.e., using "Rio" markers assigned to projects to calculate the percentage on climate. For multilateral climate spending, we use total core contributions multiplied by the weighted average of (OECD) climate shares of multilateral outflows (this is 33 percent).

What about new providers?

Our work on fair shares suggests non-Annex II countries could provide around 20 percent of any global climate finance total. We have also included baseline analysis for 12 countries for which we gather Finance for International Development data. However, we have no reliable data on their climate share or the face value of that finance. In the below table, we assume the former is at 5 percent now (not dissimilar to China's share); but that it rises to the current level of OECD countries (24 percent). These countries are expected to grow more quickly—at 3.8 percent per year.

Table 3. Baselines for 12 potential new providers

MEASURE	DESCRIPTION	2022	2035
Climate and development finance	Grant-equivalent of bilateral and multilateral, latest year	\$19 billion 0.06% GNI	\$43 billion 0.06% GNI
Public climate finance (grant equivalent)	Illustrative climate share of 5% in 2022 23% in 2035	\$1 billion	\$10 billion
Mobilised climate finance	Stretch of grant-equivalent (based on OECD 3.1 ratio)	\$3 billion	\$32 billion

Source: Finance for International Development, latest year available and authors assumptions

Notes: New providers include 12 major economies: Argentina, Brazil, Chile, China, Indonesia, Israel, Mexico, Russia, Saudi Arabia, South Africa, Türkiye, and the United Arab Emirates. This is likely a partial estimate but captures the most up to date official data.

These figures are largely speculative, but in this 2035 baseline scenario, these new providers would provide 14 percent of developed countries' climate and development spend.

Alternative target structure options

The idea of a target expressed relative to GNI seems to be a non-runner. That's a shame as it would make clear the fiscal effort expected, and protect against inflation, or economic stagnation. But with the US against the idea and developing countries failing to prioritise it, it seems unlikely. As we've noted, fiscal effort on climate and development finance is unchanged over the last 15 years.

A grant-equivalent climate and development target?

For over a decade, recipients have called for grant-based climate finance which actually reaches recipients and is more focussed on adaptation. We have argued before that the best way to achieve additional resources for climate is to have a target that covers climate and development. The second row of Table 2 shows how this could work—the baseline is for that figure to rise from \$162 billion to \$311 billion. The new target could specify:

“developed country Parties provide [at least USD 311 billion] per year in grant-equivalent cross-border finance with the climate and adaptation share rising to support the evolving needs and priorities of developing country Parties.”

This formulation is not an increase in effort, so the figure would need to be increased to reflect ambition. If the share of GNI on climate and development rose from 0.29 percent to 0.39 percent, this would generate an extra \$100 billion.

Such a target would also incentivise providers to move ODA into genuine cross-border finance, stop moving finance away from other development goals, and avoid artificial climate badging.

Can a mobilisation goal be consistent with additionality?

If we end up with the same type of target as now—a climate finance mobilisation goal—is there any way to ensure finance is additional?

One option is to specify the shares of different types of finance that would be counted. For example, the method could specify “up to 40 percent” of total MDB finance could be counted as climate, and “up to 30 percent” of total bilateral finance (the baseline for those shares is \$306 billion in 2035). The actual share spent on climate could be higher in practice—but only a defined portion could be counted. This would also avoid greenwashing once agencies had reached these levels.

Which to choose

The climate finance target should incentivise the outcome that we want. Developing countries need finance that is genuinely additional, not just existing amounts stretched more thinly. Governments should be ready to provide a greater volume of grant-equivalent finance relative to their GNI. If the NCQG is not decided at COP29, we’d like to see this considered more seriously for COP30 and at the [Financing for Development Conference](#) next year.

A grant-equivalent target may be within reach. We’d still like to see it expressed as climate and development finance—and doing so would enable a grant-equivalent target to exceed \$100 billion per year.

If COP29 results in a face-value mobilisation target, we urge countries to set out a simplified measurement approach that limits the share of development finance that can be reported to prevent providers from shifting their existing finance levels from other objectives into climate.

An unrealistic goal will undermine trust or shift money away from other development goals. We hope this blog helps to avoid that outcome, and would be glad to discuss or develop our projection model further.

If you'd like to discuss these results, or to ask us to model other scenarios, please reach out to ewickstead@cgdev.org

Note: While finalising the model for publication, we noticed an error in our calculations in which we applied an additional year's worth of growth in 2022. This means projections cited above were 2.5 percent too high for existing climate finance providers (Tables 1 and 2) and 4.5 percent too high for potential new providers (Table 3). Our conclusions and recommendations remain the same. The [downloadable spreadsheet](#) reflects these corrections.

IAN MITCHELL is a senior policy fellow and co-director of the Europe program at the Center for Global Development.

EDWARD WICKSTEAD is a research assistant at the Center for Global Development.

Suggested citation:

Ian Mitchell and Edward Wickstead. 2024. "Baselines for the New Climate Goal: Why \$200 Billion Means No Ambition" CGD Note 382. Washington, DC: Center for Global Development. <https://www.cgdev.org/publication/baselines-and-ambition-new-climate-goal-why-200-billion-means-no-ambition>



www.cgdev.org

This work is made available under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License.

