

August 2025

Financing Survival

Australia's new climate finance goal and the global just transition



AUSTRALIAN
COUNCIL
FOR
INTERNATIONAL
DEVELOPMENT



CLIMATE
ACTION
NETWORK
AUSTRALIA

act:onaid



OXFAM
Australia



Until we are all equal

At COP29, governments agreed on a new global finance goal, tripling the previous commitment from US\$100 billion to US\$300 billion annually by 2035. This new target reflects the urgent need for scaled-up support to low-income countries, particularly for adaptation, resilience, loss and damage, and just transition efforts.

The agreement also mandates improved access to climate finance – especially for women, children and other vulnerable communities – and calls for reform of delivery mechanisms through multilateral development banks (MDBs) to ensure effectiveness and equity.

Australia's fair share of this global goal is AUD\$14 billion per year by 2035, delivered as public, grant-based finance that is new and additional to existing aid obligations. To meet this commitment, Australia must establish a new climate finance goal for 2025–2030, replacing its current target and aligning it with a strategic pathway to reach its 2035 fair share.

As the likely co-host of COP31 with Pacific partners, Australia has a unique opportunity – and responsibility – to demonstrate global climate leadership. A rapid and sustained increase in climate finance will be central to this leadership, enabling climate-vulnerable nations to adapt, rebuild, and transition away from fossil fuels. The recent advisory opinion of the International Court of Justice on climate change confirms that countries must provide climate finance to help achieve the goals of the Paris Agreement.

The provision of ambitious international climate finance must complement urgent domestic action to phase out fossil fuels. Furthermore, the Government should recognise the devastating and disproportionate impact of climate change on First Nations communities in Australia, and provide urgent and scaled up funding to enable these communities to adapt, build resilience, respond to loss and damage, and thrive.

Australia can fund its fair share of international climate finance as well as increasing funding for First Nations communities and the domestic fossil fuel phase out and just transition by introducing a climate pollution levy on coal, oil, and gas corporations, and by ending fossil fuel subsidies and redirecting public finance toward climate solutions.

Recommendations

Australia should demonstrate global climate leadership by:

- 1 Tripling its climate finance contributions to AUD\$11 billion over 2025–2030 in line with the tripling of the global climate finance goal. All climate finance should be new and additional to the aid budget.
 - This funding should primarily be delivered as public, grant-based finance.
- 2 Increasing development projects with a principal focus on climate change to 30 percent of official development assistance (ODA)-eligible climate finance by 2030, to ensure clear climate objectives are met through Australia's international development program.
 - Implement three new NGO climate funding windows to boost projects with a principal focus on climate change and improve access for local communities, women and girls, people with disabilities, and other marginalised groups.
 - ◊ A locally-led Climate Adaptation Window for the Pacific
 - ◊ A locally-led Just Transitions in South and South-East Asia
 - ◊ A Global Gender-Responsive Climate Adaptation Funding Window
- 3 Catalysing effective climate action that responds to the needs of the most climate-vulnerable countries and communities, by:
 - Continuing to prioritise adaptation funding to respond to the growing adaptation finance gap.
 - Increasing loss and damage funding to \$300 million over 5 years. This should include providing \$100 million in funding to the Pacific Resilience Facility to redress the ongoing financing shortfall.
- 4 Releasing a time-bound plan to achieve Australia's climate finance fair share by 2035 alongside a commitment to introduce a climate pollution levy on coal, oil, and gas corporations, end fossil fuel subsidies, and mobilise additional funds for international climate finance.
- 5 Increasing transparency on the climate and development impacts of climate finance delivered through blended finance tools and multilateral development banks to ensure it delivers strong climate change outcomes and meets development effectiveness principles.

Introduction

Pacific Island states and other developing countries are bearing the worst impacts of global heating, despite being the lowest historical emitters and having the fewest resources to respond. There is a substantial financing gap between the economic capacity of developing countries and funds that they need to implement emissions reduction targets, adapt to climate impacts, and recover from losses and damages. International climate finance is critical to filling this funding gap and enabling the most climate-vulnerable countries and communities to protect lives, livelihoods, and the environment in the wake of accelerating global heating.

Australia is on track to surpass its AUD\$3 billion climate finance target for the five-year period from 2020 to 2025. However, this target fell well short of our international fair share.

Australia should be contributing about 4.8 percent of the global target, yet our current contributions amount to less than 1 percent.

Furthermore, almost all of Australia's climate finance comes from within a chronically insufficient aid budget.

The Government has the opportunity to start redressing this shortfall by committing to triple its current climate finance contributions in its new 2025–2030 climate finance target and ensuring this target is met with new funds that complement the aid budget. As the likely host of COP31 in partnership with Pacific governments, Australia needs to demonstrate climate leadership domestically, as well as in our region and internationally. An immediate and sustained increase in Australia's climate finance contributions is a core element of this leadership, alongside urgent action to phase out fossil fuels and scale up funding for First Nations communities. Together, this leadership is critical in catalysing the local and global just transition and fostering transformative climate action for frontline communities in Australia and internationally.



Achieving Australia's climate finance fair share

Under the new global US\$300 billion climate finance goal, Australia and other wealthy countries' obligation to provide climate funding to developing countries has increased.

Using Oxfam International's Responsibility and Capability Index, which determines fair shares based on wealthy countries' historical emissions and economic capacity to pay, we estimate that **Australia's fair share of the new climate finance goal is AUD\$14 billion per year by 2035.** This is more than 15 times Australia's current annual contribution. A rapid and sustained increase in Australia's climate finance is urgently needed to ensure Australia does its part in implementing the global goal, and **we urge the Government to release a time-bound plan outlining how it will achieve its new climate finance fair share,** alongside the release of its new five-year climate finance target.

A pathway to climate leadership: releasing an ambitious 2025–2030 climate finance goal

Australia should take the following actions to enhance climate finance for climate vulnerable countries and communities and to set Australia on the pathway towards its fair share of the 2035 climate finance target.

1 Release an AUD\$11 billion climate finance goal for 2025–2030

As Australia develops its new 2025–2030 climate finance target, we urge the Government to triple its 2020–2025 climate finance contributions in line with the tripling of the global goal.²

Australia's new climate finance goal should be at least AUD\$11 billion between 2025–2030 for climate adaptation, mitigation and loss and damage initiatives.

This should be delivered primarily as public, grant-based finance.

Australia's climate finance should be new and additional to the aid budget to ensure that increased funding for climate action does not come at the expense of other critical development initiatives such as healthcare, education and gender equality.

2 Prioritise the delivery of public grant-based climate finance

Australia should ensure that its climate funding is primarily delivered as public, grant-based finance, which is most effective in delivering strong climate change and development outcomes in low-income countries. The delivery of public, grant-based finance is critical to ensuring Australia's climate finance does not worsen debt distress in low-income countries, particularly across the Pacific and South-East Asia. It will also ensure that climate change funding is accessible to local communities, women and girls and other marginalised groups.³

Australia has a strong track record of delivering its climate finance through public, grant-based finance. However, there has been a concerning upward trend in climate finance with terms that are not concessional enough to be counted as aid, including some loans and private finance mobilised.⁴ We urge the government to continue championing grant-based finance to catalyse effective climate action for the most climate-vulnerable countries and communities.

3 Increase development projects with a principal focus on climate change to 30 percent of ODA-eligible climate finance by 2030

To ensure that Australia's climate finance drives strong adaptation, mitigation and loss and damage outcomes, it is critical that Australia's climate funding targets projects that address climate change as the main objective.

Yet, between 2014–2023, only eight percent of projects were principally focused on climate adaptation or mitigation.

Increasing this to 30 percent under the 2025–2030 climate finance target will lead to more effective programming to address climate risks and advance the objectives of the Paris Agreement, rather than simply reclassifying existing aid.

4 To boost projects with a principal focus on climate change and improve access to climate finance for local communities, women and girls, people with disabilities and other marginalised groups, implement three new NGO climate funding windows:

Allocate \$400 million over the initial four years to a locally-led Climate Adaptation Window for the Pacific

Design and deliver a flexible funding pool for NGOs and local communities to propose and implement climate adaptation and resilience projects in the Pacific. Despite exponentially growing demand for adaptation finance in the Pacific, existing climate funds remain largely inaccessible to civil society organisations (CSOs).⁵ As the largest bilateral provider of grant-based finance to the Pacific region, Australia has an opportunity to establish a new financial mechanism that will address the community adaptation funding gap and climate risk. CSOs are embedded in local communities, have place-based knowledge and existing relationships, and are best placed to deliver adaptation programs. This investment will improve CSO access to climate finance and drive strong outcomes for affected communities.

Allocate \$400 million over the initial four years to a locally-led Just Transitions in South and South-East Asia

Design and deliver a funding pool for Australian NGOs (ANGOs) and local CSOs to work in partnership to support communities in achieving a just transition to renewable energy across South and South-East Asia. The transition from fossil fuels to renewable energy requires significant economic and societal transformation. Workers and communities whose livelihoods depend on fossil fuels require re-education, reskilling and redeployment into different industries, as well as social safety nets, for the transition to be just and fair – needs that ANGOs and CSOs are best placed to deliver. This funding window will also support ANGOs and CSOs to undertake rights-based advocacy in local communities to minimise the inequitable impacts of the energy transition, including increased demand for critical minerals, by promoting labour protections for workers and environmental conservation to safeguard the ecosystem services communities rely on.

Allocate \$300 million over the initial four years to a Global Gender-Responsive Climate Adaptation and resilience Funding Window

Design and deliver a \$300 million gender-responsive climate adaptation fund over four years to ensure Australia's climate finance is accessible to NGOs and local CSOs working at the intersection of gender equality and climate justice. Women and girls currently experience widespread exclusion from climate change decision-making.⁶ This results in the design of climate responses that overlook their needs, and creates barriers to accessing climate funding. A gender-responsive climate adaptation fund would support diverse women and girl leaders to engage in climate decision-making and drive gender-transformative climate programming and advocacy at all levels.

Women-led and gender-transformative climate programs have been proven to be more effective in meeting the needs of the most marginalised and climate-vulnerable communities and in driving strong climate adaptation outcomes, as reported by the UNFCCC's Standing Committee on Finance in 2023.⁷ For example, research shows that each additional year of schooling for girls significantly enhances a country's resilience to climate-related disasters.⁸ Further, projects that tackle the root causes of climate change and gender inequality concurrently have the double dividend of catalysing progress towards both climate and gender equality goals.

5 Prioritise adaptation funding to address the growing adaptation finance gap

Australia has demonstrated consistent support for adaptation finance. In 2022–2023, Australia allocated 62 percent of its climate finance towards adaptation, and in nominal terms, its adaptation funding has more than doubled since 2019, in line with the 2021 Glasgow Climate Pact's commitment to double adaptation funding by 2025. **However, the global adaptation gap is currently estimated at US\$187–359 billion per year until 2030** and continues to widen. The 2024 UN Adaptation Gap Report identified **East Asia and the Pacific as the region with the highest adaptation finance needs globally.**⁹

As the biggest donor to the Pacific region, Australia should continue prioritising adaptation finance to catalyse additional grant-based funding for adaptation efforts across the Pacific and globally. To support the implementation of effective adaptation programming, Australia should endorse the Principles for Locally-led Adaptation¹⁰ and take action to embed them within the Department of Foreign Affairs and Trade's climate change strategy.

6 Increasing loss and damage funding to \$300 million over five years. This should include providing \$100 million in funding to fill the Pacific Resilience Facility's finance shortfall

Accelerating global heating is driving a rapid increase in the frequency and severity of climate disasters, with devastating costs for frontline communities. Across the Pacific, communities are in a constant state of recovery due to frequent climate disasters and the exorbitant costs of repairing damaged homes, hospitals, schools, electricity and sewerage systems. The loss of livelihoods, cultural heritage, Indigenous knowledge, land and biodiversity has devastating immediate and long-term economic, social and cultural impacts.

We welcome Australia's pledge of \$50 million to the Fund for responding to Loss and Damage at COP29, which was an important first step in supporting communities to rebuild and recover in the wake of escalating climate disasters.

However, estimates suggest that loss and damage finance needs for low-income countries are at least US\$400 billion per year, and this amount will only grow if ambitious action is not taken to keep global heating to 1.5°C.

Between 2000 and 2022, loss and damage from extreme climate events already cost the Pacific Islands between US\$2.7 and \$7 billion.¹¹

We urge Australia to respond to the escalating costs of climate-induced disasters by enhancing its grant-based finance for economic and non-economic loss and damage and directing funding to local communities, particularly women and girls, people with disabilities and other marginalised groups.

7 Review funding delivered through blended finance tools and multilateral development banks against climate change and development effectiveness outcomes

Australia has been expanding its climate-related blended finance initiatives and non-aid climate finance loans in recent years.

Non-aid loans and mobilised private finance accounted for almost 15 percent of Australia's climate finance in 2023–24.

Australia should improve transparency and reporting of blended finance initiatives to ensure they deliver strong climate outcomes and meet development effectiveness requirements. Key limitations include prioritising mitigation, which is more likely to generate profits than adaptation and loss and damage initiatives, and favouring wealthier developing countries that have more developed infrastructure and institutions. This skews funding away from the countries that need it most, including those in the Pacific region as well as low-income and least developed countries.¹²

Private finance also favours large-scale projects, which can limit accessibility for women and other marginalised communities. This includes a prioritisation of large scale energy projects, including export-driven projects, which risks reinforcing energy monopolies rather than delivering a *just* energy transition that supports community ownership and equitable access to universal, affordable, and sustainable energy.

In addition to blended finance initiatives, Australia also continues to deliver a proportion of its climate finance through multilateral development banks, despite their reliance on debt-based mechanisms to deliver climate finance. **Between 2013 and 2022, MDBs delivered 89 percent of their finance as loans, with almost three-quarters provided on non-concessional terms.**¹³ MDBs also continue to direct finance towards fossil fuel projects and provide limited support to countries most vulnerable to climate impacts.

Australia should undertake a review of blended finance tools and MDB finance to ensure they support strong climate outcomes and comply with development effectiveness principles. Furthermore,

Australia should ensure that climate finance delivered through MDBs is not directed towards the continued production of fossil fuels.

8 Mobilise additional funds for climate finance by ending fossil fuel subsidies and introducing a climate pollution levy on coal, oil and gas corporations

To meet rising climate finance needs in low-income countries, Australia should explore new revenue sources. There is a range of innovative finance mechanisms that would enable Australia to generate new funding for climate finance, redirect finance away from fossil fuels and fast-track the transition to renewable energy. These include phasing out and redirecting fossil fuel subsidies, reforming tax systems, and introducing fossil fuel pollution levies. In addition to generating new funds for climate finance, these mechanisms could also play an important role in tackling global inequality.

In 2023–2024, Australian governments provided \$14.5 billion in subsidies to fossil fuel producers and major consumers¹⁴ – the equivalent of our annual fair share of the new global climate finance goal.

Redirecting just 20 percent of annual fossil fuel subsidies towards international climate finance would enable Australia to meet an \$11 billion goal for 2025–30.

Australia should also **introduce a climate pollution levy on coal, oil and gas corporations**. Existing price signals are insufficient for coal, oil and gas corporations to fast-track the transition to renewable energy. For example, BP recently indicated its intention to pull out of renewable energy investments and into gas as its more profitable.¹⁵ Putting a price on climate pollution could generate much needed revenue for the global just transition while making renewable energy investments more profitable than fossil fuels. The Superpower Institute has calculated that a **Carbon Solutions Levy on fossil fuel industries could raise \$100 billion per year starting in 2030. Allocating 10 percent of this funding each year towards international climate finance would put Australia well on track to achieve its fair share.**¹⁶

As a starting point, **we urge Australia to join the Global Solidarity Levies Taskforce** and send a clear signal that it will champion global efforts to raise climate finance from highly profitable polluting industries that are not contributing their fair share to the costs of climate damages. We also urge the government to **consider climate pollution levies in its forthcoming Economic Reform Roundtable** as a means to support the net-zero transition.

9 Improve transparency and accountability

Transparent and rigorous reporting on climate finance flows is critical in ensuring that climate finance estimates are accurate and that donor governments are accountable to their commitments and obligations. However, under the existing climate finance reporting system, there is a risk that climate funding may be overestimated, particularly when it is integrated with and counted alongside broader development programming. For example, **research by the Development Policy Centre found that since 2018, at least 400 development projects have been re-coded as having a ‘significant’ focus on climate change when they were not previously classified as having any climate focus.**¹⁷ This raises concerns about the assessment criteria for climate finance projects, as well as issues related to double counting of aid funding.

Australia should increase transparency in its reporting of climate finance to improve accountability for its climate finance contributions. This will also build trust with partners and stakeholders, enabling better planning and decision-making. In practice, this means **reporting full project lists with comprehensive funding details for each project, including the climate change elements and outcomes**. Reporting should also include details on funding additionality and the grant equivalents of climate finance disbursed (including the terms of any non-grant instruments), and the **share of climate finance reaching local actors**. Currently, less than 10 percent of climate finance reaches local initiatives.¹⁸ Globally only 2.9 percent of climate finance identifies gender equality as a principal objective, and only 2.4 percent supports child-responsive activities.¹⁹

Conclusion

2024 was the warmest year on record, as global average temperatures surpassed 1.5 degrees Celsius for the first time. To avoid the worst of the climate crisis, we need ambitious plans and unprecedented action. Yet, low-income countries lack the resources needed to accelerate adaptation, build resilience and drive a just transition away from fossil fuels.

The agreement of a new US\$300 billion climate finance target at COP29 obligates wealthy countries to increase their climate finance contributions. Australia must now translate the global agreement

into action by significantly increasing its support for communities on the frontlines of the climate crisis, in line with its international fair share. As climate disasters escalate, it is the most climate-vulnerable countries and communities that are paying the price. To demonstrate its leadership on the global stage, Australia should ensure its new climate finance goal provides the critical resources low-income countries need to scale up climate action, phase out fossil fuels and transition to a cleaner, greener and more just future for all.



Signatories



AUSTRALIAN
COUNCIL
FOR
INTERNATIONAL
DEVELOPMENT

act:onaid

ACT FOR PEACE
CONFRONTING INJUSTICE TOGETHER
THROUGH THE **act:alliance**



CLIMATE
ACTION
NETWORK
AUSTRALIA



GREENPEACE



Indigenous Peoples'
Organisation-Australia

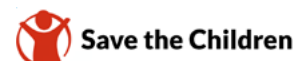
IWDA INTERNATIONAL
WOMEN'S
DEVELOPMENT
AGENCY



Banaban Human Rights Defenders Network
An initiative of the Rabi Island Community Hub



Pacific
Migration
Partners



Acknowledgments

Authors: Sophie Hardefeldt, Josie Lee, David Tran, Alex Edney-Browne and Si Qi Wen.

Published: August 2025

Designer: Hagan Fuller

Cover image: Ethel, an early childhood teacher at a primary school in the Solomon Islands.

Footnotes

1. Oxfam International's Responsibility and Capability Index determines Annex II countries' fair shares based on historical responsibility for climate change, measured as cumulative CO₂-equivalent (CO₂e) emissions since 1990 excluding LULUCF emissions, and economic capacity to pay, measured as 2023 Gross National Income (GNI) converted from local currency to current US\$ via the World Bank Atlas method.
2. Between 2020/21 and 2023/24, Australia delivered AUD\$2.52 billion in climate finance. Australia's 2024/25 climate finance contribution has not yet been released. A conservative estimate puts Australia's spend at AUD\$1.1 billion. As such, we estimate Australia's climate finance spend for 2020–2025 to be AUD\$3.6 billion.
3. Almost 90% of funds provided by multilateral climate funds (excluding funds leveraged from co-financing) for child-responsive projects were provided in the form of grants. This is welcome, as grants are inherently more child-responsive than loans. See Children's Environmental Rights Initiative (2023) *Falling short: Addressing The Climate Finance Gap For Children*, <https://ceri-coalition.org/addressing-climatefinance-gap-for-children/>.
4. Department of Foreign Affairs and Trade, *Delivering on our climate finance commitments*, <https://www.dfat.gov.au/international-relations/themes/climate-change/supporting-indo-pacific-tackle-climate-change/delivering-our-climate-commitments>
5. A review of key multilateral climate funds serving the UNFCCC and Paris Agreement — namely the Adaptation Fund, Green Climate Fund, and the Global Environment Facility's Least Developed Countries Fund and Special Climate Change Fund — over a 17-year period, found a limited focus on child-responsive interventions. Only one project identified education as its principal objective. Just 0.7% of projects (representing 2% of multilateral climate funding) addressed child-responsive health. Only 0.8% of projects (accounting for 0.3% of funding) included social protection measures. Very rarely — in only one percent of projects — is the involvement of children foreseen as part of the project's design and/or monitoring. See Children's Environmental Rights Initiative (2023) *Falling short: Addressing The Climate Finance Gap For Children*, <https://ceri-coalition.org/addressing-climatefinance-gap-for-children/>.
6. Less than four percent of projects, amounting to just seven percent of multilateral climate fund investment (\$2.58 billion), give explicit and meaningful consideration to the needs and involvement of girls, for example by identifying them as key beneficiaries of climate finance, or involving them in project activities. See Children's Environmental Rights Initiative (2023) *Falling short: Addressing The Climate Finance Gap For Children*, <https://ceri-coalition.org/addressing-climatefinance-gap-for-children/>.
7. UNFCCC Standing Committee on Finance (2023) *Report on the doubling of adaptation finance*, <https://unfccc.int/sites/default/files/resource/231120%20BLS23393%20UCC%20Adaptation%20Finance%20v04.pdf>
8. Brookings Institute (2017) *Three ways to link girls' education actors to climate action*, <https://www.brookings.edu/articles/3-ways-to-link-girls-education-actors-to-climate-action>
9. UN Environment Program (2024) *Adaptation Gap Report 2024*, <https://www.unep.org/resources/adaptation-gap-report-2024>
10. International Institute for Environment and Development, *Principles for locally led adaptation*, <https://www.iied.org/principles-for-locally-led-adaptation>
11. Vikrant Panwar, Ilan Noy, Emily Wilkinson, Jack Corbett (2023) *The Costs of Inaction: Calculating climate change-related loss and damage from extreme weather in Small Island Developing States*, ODI Working Paper, <https://odi.org/en/publications/calculating-loss-and-damage-from-extreme-weather-in-sids/>
12. ActionAid and Eurodad (2024) *Blended finance for climate action Good value for money?*, https://assets.nationbuilder.com/eurodad/pages/3326/attachments/original/1714126924/01_blended-finance-report-FINAL_%281%29.pdf?1714126924
13. OECD (2024) *Climate Finance Provided and Mobilised by Developed Countries in 2013–2022*, https://www.oecd.org/en/publications/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2022_19150727-en.html
14. The Australia Institute (2024) *Fossil fuel subsidies in Australia 2024*, <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2024/>
15. Simon Jack and Faarea Masud (2025) *BP shuns renewables in return to oil and gas*, BBC, 27 February 2025, <https://www.bbc.com/news/articles/c3374ekdlipo>
16. Ian MacKenzie (2024) *Ross Garnaut and Rod Sims have proposed a \$100 billion-a-year fossil fuel tax – and it's a debate Australia should embrace*, The Conversation, 16 February 2024, <https://theconversation.com/ross-garnaut-and-rod-sims-have-proposed-a-100-billion-a-year-fossil-fuel-tax-and-its-a-debate-australia-should-embrace-223722#:~:text=They%20claim%20it%20could%20raise%20A%24100%20billion%20in,as%20business%20groups%20and%20the%20fossil%20fuel%20industry>
17. Terence Wood (2024) *Presentation to the Australasian AID Conference*, Development Policy Centre, ANU, 4 December 2024, https://devpolicy.org/2024-Australasian-AID-Conference/AAC2024_1a_Climate.pdf
18. Oxfam International (2023) *Climate Finance Shadow Report 2023: Assessing the delivery of the \$100 billion commitment*, <https://oxfamlibrary.openrepository.com/bitstream/10546/621500/19/bp-climate-finance-shadow-report-050623-en.pdf>
19. Children's Environmental Rights Initiative (2023) *Falling short: Addressing The Climate Finance Gap For Children*, <https://ceri-coalition.org/addressing-climatefinance-gap-for-children>