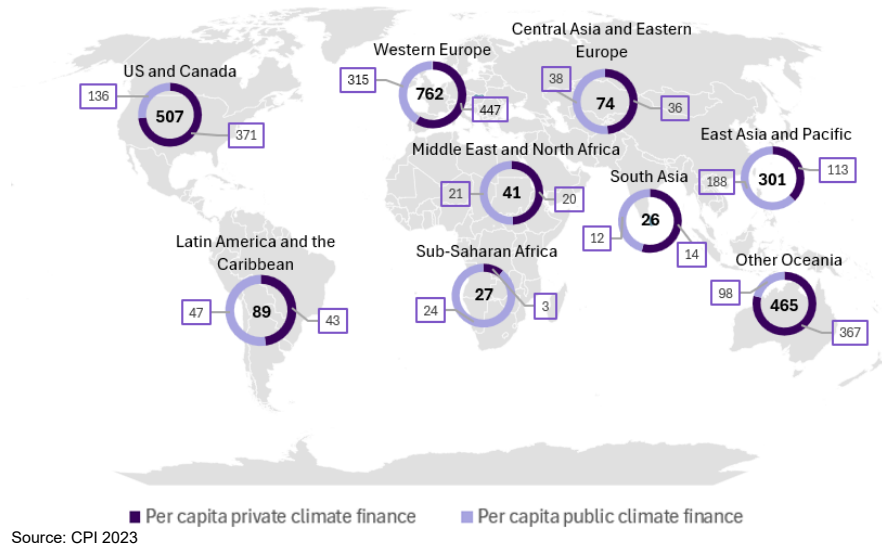


The private sector has the potential to deliver on the COP climate finance goals

At COP29, participating countries committed to new goals and ambitions for climate finance, transferring funds from developed to developing countries. To achieve these commitments of USD 300 billion and USD 1.3 trillion by 2035, climate finance levels must increase by respectively 2.6 times and 11.2 times the amounts seen in 2022. The private sector will play a crucial role in meeting these climate finance goals, but barriers to unlocking private climate finance have to be addressed. COP30 in Brazil will be essential for turning these ambitions into actionable solutions.

Figure 1: Private climate finance is driving the green transition
 Climate finance broken down by region and source (USD per capita)



Climate action is one of the solutions to rising geopolitical tension, because it can enhance resilience and bolster energy security

Private sources of climate finance are driving the green transition

Participating countries at COP29 agreed on new goals and ambitions for climate finance

1. Climate finance in a new geopolitical environment

The impacts of climate change are increasingly apparent, emphasised by unprecedented temperature records and extreme weather events. Currently, the green agenda faces challenges due to rising geopolitical tensions, which complicate the efforts to address climate change. In these uncertain times, climate action through climate finance can bolster European competitiveness by enhancing resilience and energy security. Investments in climate finance for developing countries will drive the expansion of new markets and foster new global partnerships, which are essential in this geopolitical climate. At COP29, participating countries committed to advancing climate finance efforts. Denmark, holding the EU presidency, will play a crucial role in driving these commitments forward at COP30 in Brazil. To support this effort, Danish Industry has decided to update its September 2024 analysis, highlighting the necessity for increased climate finance and emphasising the pivotal role of the private sector in effective climate action.

Figure 1 shows the per capita climate finance mobilised in 2021. Western Europe was the largest provider of per capita climate finance, with the private sector delivering more than half of the total climate finance. However, this figure encompasses all climate finance mobilised, with a significant portion circulating predominantly within developed countries. The picture changes when viewed through the lens of the COP29 climate finance goal, which focuses exclusively on the climate finance mobilised by developed countries for developing countries. In addition, the COP29 goal only focuses on private finance mobilised through public initiatives and thus does not reflect the entire effort by the private sector.

Amid rapidly shifting geopolitical landscapes, ambitious climate action is far from guaranteed globally. With some countries diverging from their climate goals, the climate finance needed to achieve these ambitions is also at risk. Carbon Brief (2025) predicts that at least 10 pct. of global climate finance for developing countries is already at risk of being cancelled. This could be detrimental to global climate action efforts, and thus it is crucial to bolster commitments to climate finance.

2. COP29 and a new goal for climate finance

At COP29, countries agreed on a New Collective Quantified Goal (NCQG) for climate finance, replacing the previous target of USD 100 billion agreed at COP15. The new agreement specifies that *developed countries* must contribute at least USD 300 billion annually to climate financing for developing countries by 2035. In addition, the broader ambition under the Baku-to-Belem Roadmap is for *all countries* to mobilise USD 1.3 trillion per year in climate finance for developing countries by 2035. Despite ongoing geopolitical conflicts, this decision underscores the ability of countries to come together and prioritise enhanced action to address climate change.

Climate finance is USD 52 billion short of reaching the USD 300 billion goal

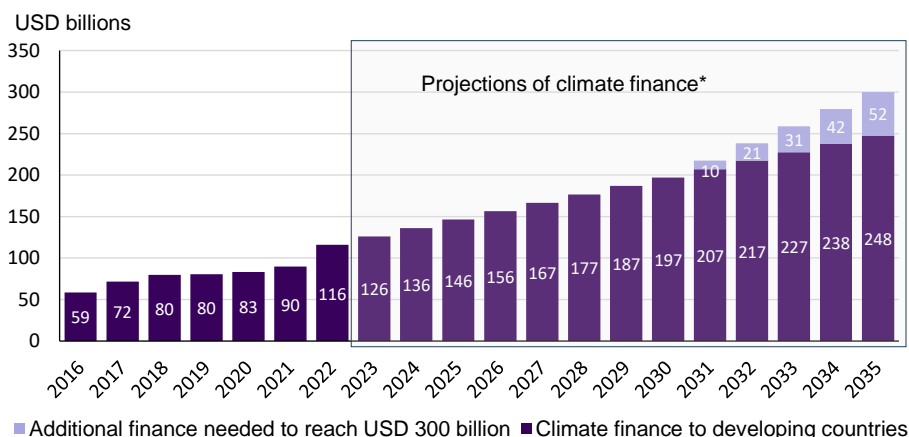
In the long run, green transition is good business

Natural Resources Defense Council (NRDC) projects that, under a scenario based on pledges by developed countries with no additional efforts, global climate finance to developing countries will reach USD 197 billion in 2030, as shown in figure 2. This corresponds to an annual increase of USD 10.1 billion in climate finance from 2022 to 2030 or an average percentage increase of 7 pct. If this trend in climate finance continues until 2035, we can expect to be USD 52 billion short of the USD 300 billion goal in 2035. This gap can be closed by developed countries raising their ambitions of mobilising climate finance by an additional USD 10,5 billion each year from 2031 to 2035.

Raising the amount of climate finance will also foster stronger economic growth. A preliminary analysis conducted by the OECD and UNDP indicates that, if countries commit to reduction targets aligned with the Paris Agreement, the global GDP will increase by 0.2 pct. by 2040, 3 pct. by 2050 and up to 13 pct. by 2100 – which underscores the synergies between climate action and economic growth. On the other hand, temperatures above the Paris Agreement temperature goals will make the world significantly poorer. While the green transition costs money in the short run, these investments will save billions of dollars in the future.

Figure 2: With current level of finance we are not on track to meet the NCQG

Current trajectories of climate finance and the needs in order to meet the NCQG



Note: *Estimates of the trajectory of climate finance for 2030 is based on pledges by developed countries and agreed reforms by financial institutions but assumes no additional efforts. Years before 2030 are calculated by extrapolation and years after 2030 is calculated by extending the trend.
Source: NRDC 2025; OECD 2024

The needs for climate finance to developing countries are higher than current goals and ambitions

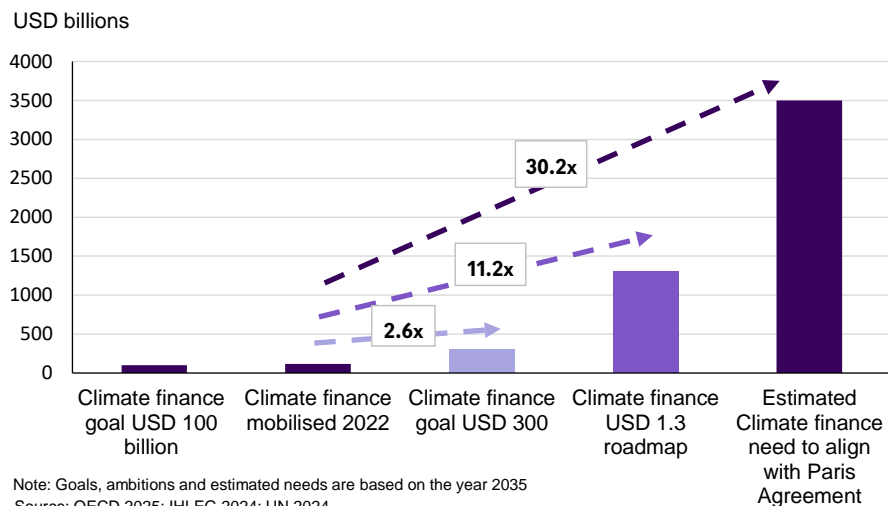
There are several potential shortcomings of the USD 300 billion goal. Firstly, expert groups widely concur that the actual climate investment needs for developing countries are significantly higher. The Independent High-Level Expert Group (IHLEG) on Climate Finance released a report in November 2024, estimating that developing countries require between USD 3.1 and 3.5 trillion by 2035 to achieve the Paris Agreement goals (IHLEG, 2024). The report underscores the necessity for substantial investments in the clean energy transition for developing countries, emphasising that current climate finance levels are insufficient to secure this transition. As illustrated

in Figure 3, the world remains far from reaching this climate finance level. In fact, the level of climate finance in 2022 would have to increase thirtyfold to align with the Paris Agreement. Even the new goal of mobilising USD 300 billion per year by 2035 represents less than 9 percent of IHLEG's estimated required amount.

Another shortcoming of the COP29 agreement is that it obliges only a limited group of countries to deliver the USD 300 billion in climate finance, exempting nations such as China and Saudi Arabia, which are still classified as developing countries despite their significant economic capabilities. However, the 'Roadmap from Baku to Belém' encourages not only developed countries but all countries to work towards increasing the mobilisation of climate finance to USD 1.3 trillion by 2035. This broader ambition means that the pool of countries expected to contribute to the USD 1.3 trillion will be significantly larger than that for the USD 300 billion climate finance goal.

Figure 3: The current level of climate finance is not enough

Comparing current levels of climate finance with ambitions from COP29 and estimated needs



Carbon credits is one tool to mobilise climate finance for developing countries

Carbon credits

At COP29, countries agreed on a new framework for carbon credit trading under Article 6 of the Paris Agreement. This framework includes two key

Carbon credits are investments to reduce greenhouse gas emissions. Originally part of the Kyoto Protocol, they allowed developed countries to achieve CO₂ reductions through projects in less developed nations. Certified carbon credits can be traded to finance CO₂ reduction projects and support climate strategies. Now operating in a voluntary market, these reductions do not count towards formal emissions targets or CO₂ tax obligations.

Companies drive the green transition

components: Article 6.2, which enables bilateral agreements for trading carbon credits, termed 'internationally transferred mitigation outcomes' (ITMOs); and Article 6.4, which establishes an UN-managed system to ensure quality and integrity through authorisation procedures, expert involvement, stakeholder engagement, and a registry for tracking emissions reductions.

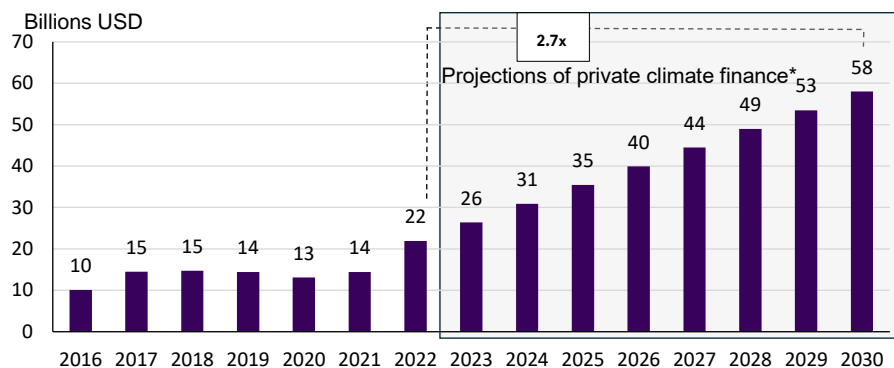
Carbon credits can unlock private climate financing, enhance demand for eco-friendly products, and offer cost-effective climate solutions by overcoming geographical limitations. They enable climate actions and projects, often in developing countries, to be funded by stronger economies, potentially providing cheaper CO₂ reductions. Further development of standards and tools in the UN framework will be necessary to ensure transparency and credibility for businesses.

3. The role of the private sector

Private sources of climate finance will be imperative to meet both the USD 300 billion goal and the USD 1.3 trillion roadmap. The private sector manages over USD 210 trillion in assets—far surpassing the financial capacity of public institutions (World Economic Forum, 2024). In 2022, private climate finance reached an all-time high, marking a 52 percent increase from the previous year.

Figure 4: Private climate finance is expected to increase 2.7 times by 2030

Current trajectories of private climate finance to developing countries



Source: *Projections for 2030 is based on pledges by developed countries and agreed reforms by financial institutions but assumes no additional efforts. Years before 2030 are calculated by extrapolation
Kilde: NRDC 2024; OECD 2024

Companies can drive the green transition by investing in climate projects, which in turn can enhance their corporate reputation, brand value, and market attractiveness. Through climate finance initiatives, companies stimulate further investments, assume responsibility for environmental impacts, and create synergies that support local development and stability. Their involvement in multistakeholder partnerships also builds trust and ensures effective local climate actions. The graph below only reflects private climate finance mobilised through public initiatives, underscoring the need for attractive public financial instruments to incentivise private investment.

Private climate finance is facing barriers that need to be addressed

Despite its significant potential, several barriers hinder the flow of private climate finance to both mitigation and adaptation projects in developing countries. Key challenges include a lack of investor confidence in climate projects, insufficient data on climate risks, and inadequate coordination by public institutions. The perception of higher risks associated with climate adaptation projects, due to the uncertainty of climate impacts, further complicates investment decisions. Moreover, the voluntary nature of the carbon credit market means that CO₂ reductions achieved through private investments do not count towards formal emissions reduction targets or CO₂ tax obligations for countries or companies, raising concerns about "greenwashing" and the real impact of these efforts. Addressing these impediments is essential to unlock the full potential of private sector contributions to climate finance and meet the global climate goals set by international agreements.

4. Recommendations

To address the barriers that hinder the mobilisation of private climate finance and enable the private sector to effectively contribute to the NCQG and the USD 1.3 trillion roadmap, DI has outlined five overarching recommendations.

Table 1: Recommendations

1. Creating an enabling environment

2. Fostering fruitful collaboration

3. Empowering developing countries

4. Embracing diverse climate finance sources

5. Addressing local regulations and currency challenges

1. Creating an enabling environment:

Creating a supportive environment where public institutions and financial regulations align with business opportunities is crucial for attracting private investors. Public institutions can enhance market credibility by ensuring regulatory frameworks, skills, education, health systems, and supply chains are established. Investing more public finance in enablers like grid build-out is essential to reduce risks and attract private investments, i.e. in renewables.

2. Fostering fruitful collaboration:

Effective collaboration requires better communication and partnerships among stakeholders like finance providers, fund managers, project developers, and civil society. Addressing KPIs and fostering collaboration can improve tracking and align financial models. Establishing a think tank or investment team can unify efforts and enhance mutual benefits.

3. Empowering developing countries:

Empowering developing countries requires ensuring they have ownership of climate projects and initiatives. This involves robust systems, clear metrics, enhanced transparency, and finance guarantees to derisk projects and support local planning. Addressing geographical imbalances is crucial, as developing countries offers significant investment opportunities yet most climate finance circulates in developed countries. Prioritising country ownership and addressing imbalances will ensure climate finance is mobilised effectively.

4. Embracing diverse climate finance sources:

As countries develop, climate finance must evolve from fundraising to strategic investments. Starting small and scaling quickly can be effective, though paths will vary. Diverse funds are needed, as the private sector cannot rely solely on grants. Public capital should be directed to early-stage equity to stabilise financing, lower debt-to-equity ratios, and enhance credibility, attracting more private climate finance. Blended finance models should catalyse private capital where needed most. Properly used, carbon credits can also help increase climate finance for developing countries, but transparent standards are needed to ensure the credibility of carbon credits, maintaining trust and maximising their impact on global emissions reductions.

5. Addressing local regulations and currency challenges:

Local regulations and currency issues compound risks in climate finance, affecting project and country-wide risk profiles. Currency hedging and risk management strategies are crucial for managing fluctuations. Addressing these risks is essential for secure investments in sustainable development. Enhancing risk assessment and management strategies will mitigate challenges and foster a resilient climate finance ecosystem.

Sources:

1. Carbon Brief (2025): [Analysis: Nearly a tenth of global climate finance threatened by Trump aid cuts - Carbon Brief](#)
2. CPI, 2023: [Global Landscape of Climate Finance 2023 - CPI](#)
3. Energistyrelsen, 2024: [Danmarks globale klimapåvirkning - Global afrapportering](#)
4. Independent High-Level Expert Group on Climate Finance, 2023: [Raising-ambition-and-accelerating-delivery-of-climate-finance_Third-IHLEG-report.pdf](#)
5. NRDC, 2024: <https://www.nrdc.org/bio/joe-thwaites/getting-here-there-scaling-climate-finance-ncqg>
6. OECD, 2024: [Climate Finance and the USD 100 billion goal | OECD](#)
7. OECD, 2025: [investing-in-climate-for-growth-and-development-the-case-for-enhanced-NDCs-key-messages.pdf](#)
8. UN, 2024: [New collective quantified goal on climate finance | UNFCCC](#)
9. World Economic Forum, 2024: [Private climate finance: 4 things to consider | World Economic Forum](#)
10. World Resources Institute, 2023: [How to Attract Private Finance for Climate Adaptation | World Resources Institute](#)