Advancing a Fair and Funded Transition Away from Fossil Fuels

Policy-makers' briefing to support negotiators at SB 62 and COP 30

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Executive Summary

At the 28th United Nations Climate Change Conference (COP 28) in 2023, countries for the first time agreed to "transition away from fossil fuels in energy systems," thus promising to address the single biggest source of greenhouse gas emissions. However, since COP 28, global fossil fuel production and consumption has continued to increase. Wealthy countries with the greatest responsibility and capacity to act, like the United States and Canada, have instead led in expanding oil and gas production.[1] Most of the third round of nationally determined contributions submitted thus far do not include concrete plans to implement the COP 28 outcome to transition away from fossil fuels.

Key obstacles to the transition, and to progress in the negotiations, are unfair global economic and financial rules, a lack of adequate finance provided on fair terms, and inadequate sums promised under the New Collective Quantified Goal adopted at COP 29, particularly in the Global South. Current and promised climate finance flows do not meet the needs[2] and are largely provided as loans rather than grants, worsening the debt crisis already affecting many Global South countries (Organisation for Economic Co-operation and Development, 2024).

[1] The United States and Canada are responsible for the largest increases in volume of oil and gas extraction since the COP 28 decision (Rystad Energy, 2025).

[2] According to UN Trade and Development (2024), by 2030, USD 1,800 billion a year is needed to fulfil climate finance needs. The adopted USD 300 billion target and the USD 1,300 billion mobilization target, both to be reached by 2035, fall short of this figure. International public energy finance currently largely flows from rich countries to other rich countries rather than to low-income countries (O'Manique et al., 2024).

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Mobilizing climate finance is also more challenging in an environment of rising trade protection and geopolitical instability. Inflation caused by supply chain disruptions and tariffs undermines both household and government budgets. In this context, governments often prioritize cost of living relief over climate action. But it does not need to be a choice: fiscal policies such as fossil fuel subsidy reform can liberate revenues for social protection, while also decarbonizing the economy. Support for renewable energy can stimulate jobs and economic growth. Shifting capital investment by energy state-owned enterprises from fossil to renewable energy can diversify energy sources, improving their resilience against economic and trade disruptions.

It is estimated that rich countries can mobilize well over USD 5,000 billion per year for climate finance and other pressing priorities, including social welfare, by ending their fossil fuel subsidies, making polluters pay, and changing unfair global financial rules: ensuring more equitable governance of international financial institutions and debt, putting creditors and debtors on an equal footing, and advancing tax justice and debt sustainability (Tucker, 2024).

Meanwhile, global consensus on the need to transition away from fossil fuels is being undermined, including through the aggressive promotion of fossil fuels at home and abroad by powerful governments. Worldwide, countries are increasingly adopting unproven, fossil fuel-friendly abatement and removal technologies that divert attention from phasing out fossil fuels and, worse, justify prolonged and new fossil fuel activities (see Box 1).

In this context, it is essential that all countries, especially those that consider themselves climate leaders,[3] champion concrete and equitable pathways to turn the commitment to transition away from fossil fuels into action. This briefing outlines recommendations for countries to advance this agenda at SB 62 in Bonn and COP 30 in Belém.

On a just transition away from fossil fuels, we recommend negotiators and countries support the following:

- **A declaration by leading heads of state and governments** reiterating the commitment to transition away from fossil fuels and acknowledging that this commitment requires an immediate end to new expansion.
- **A COP 30 decision adopting differentiated timelines in phasing out fossil fuel** production and use based on countries' respective wealth, capacities, and historical responsibility, as well as an end to new fossil fuel exploration and the development of new coal mines and oil and gas fields.
- **An annual report mandated by COP 30** and produced by the UN Framework Convention on Climate Change Secretariat on global progress toward transitioning away from fossil fuels.
- **The scope of the United Arab Emirates dialogue should cover mitigation and adaptation**, in addition to means of implementation. It should explicitly include

[3] Such countries include members of the Alliance of Small Island States, High Ambition Coalition, Beyond Oil and Gas Alliance, Clean Energy Transition Partnership, and Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies.

consideration of an equitable, differentiated energy transition and action aimed at transitioning away from fossil fuels, as well as financial support.

- **The second global stocktake** should include, in its technical assessment phase, of an assessment of implementation of transitioning away from fossil fuels.
- **A bold just transition decision that directs climate finance to just transition policies and coordinates all the actors of just transition finance through the launch of the Belém Action Mechanism for Just Transition at COP 30**. This initiative aims to coordinate fragmented initiatives across multilateral actors, build the space for workers and communities to co-decide how to take climate action, and recognize transitioning away from fossil fuels as one of the challenges it must address.

On financing the transition, we recommend negotiators and countries support the following:

- A decision on Article 2.1(c) including the following elements:
  - **Call on Parties to end international and domestic public financing, as well as finance going to capital expenditure of energy-related state-owned enterprises, for fossil fuels**, in addition to phasing out their fossil fuel subsidies that do not address energy poverty or just transition, and they should submit national action plans including timeframes for doing so, with developed countries taking the lead.
  - Call on Parties to **regulate private finance** to align with the goals of the Paris Agreement.
- The Baku to Belém Roadmap to 1.3T should include the following elements:
  - The Roadmap should **clarify what can and cannot be considered climate finance** and explicitly exclude fossil fuels, false solutions, and carbon credits.
  - The Roadmap should **prioritize grants and highly concessional public finance**.
  - The Roadmap should **set out options for countries to free up public funds and increase fiscal space** for a just energy transition and climate-resilient sustainable development, such as fossil fuel subsidy reform.

1.0 A Just and Equitable Transition Away From Fossil Fuels

1.1 Advancing and Institutionalizing a Just, Orderly, and Equitable Phase-Out of Fossil Fuels

The global stocktake (GST) decision to transition away from fossil fuels in a just, orderly, and equitable manner was a significant achievement after three decades of climate negotiations that had failed to respond to the primary driver of the climate crisis. The decision sent a strong political signal that countries have an obligation to plan and accelerate the end of the fossil fuel era, which should not be delayed due to problematic technologies like "abatement

and removal technologies such as carbon capture and utilization and storage […] and low-carbon hydrogen production" (see Box 1).

Both consumption and production of fossil fuels have continued to grow since COP 28 (International Institute for Sustainable Development, 2024), further threatening the objectives of the Paris Agreement. Some of the richest countries in the world have continued propping up oil and gas infrastructure at home and abroad, and they have no plans to stop: Oil Change International analysis shows that over two-thirds of planned new oil and gas production from new fields and fracking wells is set to come from Global North countries between 2025 and 2035, led by the United States, Canada, Norway, and Australia.[4]

Under the Paris Agreement architecture, the third round of nationally determined contributions (NDCs) are due to be submitted in 2025. These NDCs should reflect the main outcomes of the GST, including the energy objectives of paragraph 28. However, to date, very few countries have submitted revised NDCs; of those submitted, including from major fossil fuel producers, most do not reflect serious attempts at transitioning away from fossil fuel production and use.

The United Kingdom's commitment in its NDC to end new oil and gas exploration licensing provides a positive example. It is especially urgent that other countries include such commitments to end fossil fuel expansion in their NDCs. Research is unequivocal that there is no room for new coal mines or new oil and gas fields in pathways aligned with 1.5°C (Bois von Kursk et al., 2022; Green et al., 2024). This is important not just for climate reasons but for economic reasons: in 1.5°C pathways, new coal mines and oil and gas fields will become stranded assets. Some countries, such as members of the Beyond Oil and Gas Alliance, have paved the way by ending new licensing for oil and gas exploration. But other countries need to urgently follow suit.

At a time of geopolitical volatility and attempts by some countries to erode the COP 28 decision to transition away from fossil fuels, COP 30 must send strong political signals that countries are still committed to the implementation of the GST and that it must happen in a just, equitable, and differentiated manner between countries.

A package of outcomes on fossil fuels at COP 30 should include:

- **A declaration, resulting from a dedicated event on energy attended by leading heads of state and governments**, that:
    - acknowledges the ambition gap arising from the NDCs and commits to address it,
    - reiterates countries' commitment to accelerating the implementation of the GST outcome agreement to transition away from fossil fuels, adding that any expansion of fossil fuels is inconsistent with a global average temperature increase of 1.5°C, and
    - Commits to collaborate on unlocking a just and equitable energy transition.

[4] The Oil Change International analysis assessed data from the Rystad Energy UCube (May 2025).

- **A COP 30 decision accelerating the implementation of the GST commitment to transition away from fossil fuels and operationalizing the equity dimension of the commitment** by adopting differentiated timelines for phasing out fossil fuel production and use between countries. These timelines should be based on equity and common but differentiated responsibilities and respective capabilities, stressing the urgent need for developed country fossil fuel producers to phase out first and fastest. The decision should also agree on an end to new fossil fuel exploration and an end to the development of new coal mines and oil and gas fields.
- As part of these efforts, **governments should avoid promoting problematic technologies** like "abatement and removal technologies such as carbon capture and utilization and storage […] and low-carbon hydrogen production" that serve to extend fossil fuel use and enable further expansion (see Box 1).

In addition to these substantive elements, there is merit in adopting procedural elements. A key way that the transition away from fossil fuels can be advanced is through institutionalizing it within the UN Framework Convention on Climate Change (UNFCCC) system. A challenge with the GST outcome is that it is a stand-alone statement lacking procedural hooks for implementation and accountability. To remedy this situation, we recommend the following decision elements at COP 30:

- **Mandate an annual report by the UNFCCC Secretariat on global progress toward the "transitioning away from fossil fuels" paragraph of the GST outcome**. This report could take into account biennial transparency reports, NDCs, national energy plans, and submissions from Parties and non-Party stakeholders.
- **The scope of the UAE dialogue should cover mitigation and adaptation, in addition to means of implementation**. It should explicitly include consideration of an equitable, differentiated energy transition, action to transition away from fossil fuels, and financial support for the transition.
- **The second GST should include, in its technical assessment phase, an assessment of implementation of transitioning away from fossil fuels**. NDCs should be assessed regarding the extent to which they implement the GST decision on transitioning away from fossil fuels.

Box 1. Technologies that perpetuate fossil fuel use

The primary reason to transition away from fossil fuels is to reduce greenhouse gas emissions. Many technologies aim to reduce emissions from fossil fuels, including carbon capture and storage (CCS), ammonia cofiring, fossil-based hydrogen production, and geoengineering. However, these technologies are expensive and inefficient means to reduce emissions. Some of these technologies were encouraged in the GST decision as solutions, although they undermine efforts to transition away from fossil fuels by diverting public resources from more effective solutions, extending fossil fuel use, and enabling fossil fuel expansion.

Public finance and climate finance should not be used for these dangerous distractions. Rather, these funds should be prioritized for the communities that need them most and used for proven infrastructure for a just energy transition, such as renewable energy and energy efficiency. In implementing Article 2.1(c) on aligning financial flows with low-carbon development pathways, governments must avoid any loopholes that allow continued financing for these technologies (see section 2.5).

These technologies have technical failures and are diverting enormous amounts of public funds from real climate solutions:

- CCS has barely stored 51.9Mt of carbon dioxide (CO_2) in all of the technology's existence, the last 40 years, while 73% of captured CO_2 is used to extract more fossil fuels (Oil and Gas Climate Initiative, 2024; Robertson, 2022). Despite a 78% project failure rate, the industry has pocketed over USD 80 billion in public subsidies (Stockman et al., 2024). Research shows that CCS-heavy scenarios will cost USD 3,000 billion more than less CCS-dependent pathways by 2050 (Bacilieri et al, 2023), and the Intergovernmental Panel on Climate Change (IPCC) ranks CCS among the most costly and least effective climate solutions (IPCC, 2022).
- Hydrogen is overwhelmingly (99%) produced from fossil fuels (International Energy Agency [IEA], 2024a) and, in 2023, its production emitted about as much as the global aviation industry (IEA, n.d.; IEA, 2024a). Moreover, many of the claimed future uses of hydrogen either are not proven or could be fulfilled by renewables in a more efficient and less expensive way (Dilwyn Fisher, 2024).
- Offsetting and "carbon credit" projects, including those under Article 6, often fail to cut emissions, harm Global South communities, and let polluters avoid real reductions (Pande, 2024). Less than 16% of carbon credits issued across 2,346 mitigation projects (1 billion tonnes of CO_2 equivalent) constitute real emission reductions (Probst, et al., 2024). This system masquerades as a solution while prolonging fossil fuel production and use.
- Technological CO_2 removal depends on costly, speculative technologies with harmful social and environmental impacts. Research shows it raises pollution, energy use, and emissions more than switching to proven renewable technology (Jacobson et al., 2025). The IPCC warns that technological removals are uncertain and are not equivalent to avoiding emissions (IPCC, 2018).
- Geoengineering (such as solar radiation management) fails to address the root causes of climate change, instead prolonging fossil fuel production and posing significant and unprecedented risks to systems, ecosystems, and people (Muffett & Feit, 2019).

Planned expansion of other emission-intensive, fossil fuel-based industries, such as the petrochemical and agrochemical industries, also poses a threat to a full fossil fuel phase-out and the goals of the Paris Agreement. A full phase-out of fossil fuels will require such industries to transition away from fossil fuels.

1.2 Just Transition

The COP 28 agreement to transition away from fossil fuels stated that this must be done in a "just, equitable, and orderly manner." The Just Transition Work Programme (JTWP) established at COP 27 aims to promote pathways to ensure the goals of the Paris Agreement are achieved justly and equitably. The sectoral implications of a just transition must include and go beyond the energy sector to address agriculture and food systems, ecosystems and nature, industrial processes, transport, public services, and the care economy. However, for the purposes of this briefing, we focus on how UNFCCC negotiations can support a just transition away from fossil fuels. Establishing clear and justice-centred principles for just transition can serve as a foundation for new development pathways that break away from extractive and debt-dependent models, while ensuring that communities, workers, and Indigenous Peoples are meaningfully involved in decision making and fully protected throughout the transition.

A decision at COP 30 that outlines concrete international actions to advance and accelerate just transition pathways is essential. This decision must include the establishment of the Belém Action Mechanism for Just Transition, aimed at enabling holistic, equitable, and inclusive transition across all sectors and regions. The Belém Action Mechanism for Just Transition would coordinate international cooperation based on common but differentiated responsibilities and respective capacities. It would focus on identifying and filling policy and implementation gaps, facilitating access to non-debt-inducing finance, improving technology transfer, and building capacity.

Building on past experiences, the Belém Action Mechanism for Just Transition should be supported by a UNFCCC Coordinating Entity with meaningful inclusion and participation of constituency observers (with each having a full seat at the table) and other stakeholders. It should also include a knowledge-generation component (which could be based on the JTWP) and an action and support component.

The BAM should explicitly address just transition pathways related to the international and national just transition dimensions of transitioning away from fossil fuels: advancing agriculture and food systems transitions, improving industrial decarbonization, deploying renewable energies (including managing demand for transition minerals), and prioritizing the role of care, public services, and social protection in advancing just transition strategies, among other key areas.

The COP 30 JTWP decision should affirm shared principles to guide just transition pathways, ensuring they are people-centered, rights-based, and rooted in dignity for all within planetary boundaries and that they align with the Paris Agreement and Decision 1/CMA.4 para.51 covering energy, socioeconomic, workforce, and other relevant dimensions.

Finally, the COP 30 JTWP decision must recognize that just transition policies, plans, programs, and practices are essential to ensure public support for climate ambition and to meet the Paris Agreement goals. Just transition-focused projects should therefore be eligible to receive climate finance. Examples of such policies, plans, programs and practices include the provision of social dialogue and consultation mechanisms, social protection policies (including policies related to care), ecosystem restoration, skills and re-skilling policies, and economic diversification.

2.0 Financing a Just Transition Away From Fossil Fuels

2.1 Transitioning Away From Fossil Fuels Is Feasible, But Fair Finance Is Key

Transitioning away from fossil fuels and toward renewables and energy efficiency is technically and economically feasible (IPCC, 2022). However, a lack of finance delivered on fair terms and to where it is most needed, coupled with current financial and economic rules that hinder developing countries from investing in just energy transition, remains a key obstacle. This lack of adequate finance also erodes trust, hindering progress in UNFCCC negotiations on fossil fuel phase-out:

- Energy transition investments have overwhelmingly flowed to wealthier countries and communities, with low- and lower-middle-income countries receiving only 7% of clean energy investments despite making up 42% of the global population (IEA, 2023).
- Many of the key solutions remain drastically underfunded, such as grids that can cope with a high share of variable renewable energy, energy efficiency, and worker transition packages.
- The finance provided by Global North governments has prioritized mitigation over adaptation and loss and damage projects, and it has largely been provided as loans rather than grants, exacerbating already crushing debt levels in the Global South (Zagema et al., 2023).

Despite the inadequate current finance practices, the climate finance needs are entirely financeable and are insignificant compared to the cost of inaction. The total energy transition finance needs are likely to be in the range of USD 7,000 billion a year (Tucker & O'Manique, forthcoming). One widely cited estimate for the costs of a global 1.5°C-aligned energy systems transition is the IEA estimate of USD 4,500 billion a year by 2030.[5] However, this figure underestimates the potential for energy efficiency gains and reductions in excessive energy consumption in the Global North. It relies on 1.5°C pathways that make unrealistic assumptions on the role of CCS and other risky technologies (see Box 1). It also omits fossil fuel phase-out costs, such as economic diversification investments and social protection for impacted communities.

2.2 Freeing Up Public Money to Fund a Just Energy Transition

In 2025 many developed countries cut their aid budgets, raising concerns about constrained fiscal space for the transition. However, fiscal space can be found by redirecting and harnessing counterproductive financial flows that are currently supporting the fossil fuel

[5] This total includes energy production as well as the changes needed to transition to net-zero energy end-use in the building, transportation, and industrial sectors (Strinati & Baudry, 2025; IEA, 2024b; International Renewable Energy Agency, 2024; UN Trade and Development, 2023).

industry or are in the hands of ultra-wealthy individuals. The world's 10 richest individuals hold more than USD 1,000 billion in combined wealth, and fossil fuel companies made on average USD 1,000 billion in annual profits over the last decade (Forbes, n.d.; Statista, 2024). In 2023, governments allocated USD 1,500 billion in fossil fuel subsidies, public finance, and energy state-owned enterprise investments (Gerasimchuk et al., 2024).

We estimate that through a package of measures including taxing the ultra-wealthy, taxing polluters, and ending public financial support for fossil fuel, Global North countries could free up more than USD 5,000 billion each year in public money for climate finance and other pressing priorities, including social welfare. Globally, well over USD 10,000 billion in public money could be reallocated through these efforts if the international financial architecture is updated to ensure fairer governance, with debtor and creditor countries on equal footing, debt sustainability, and tax justice (see section 2.5) (Tucker, 2024).

At the UNFCCC, opportunities to make progress on this agenda and deliver public climate funds can be found in the Sharm el-Sheikh dialogue on Article 2.1(c), as well as the Baku to Belém Roadmap to 1.3T (see sections 2.3 and 2.4). In parallel, progress can be achieved at the Fourth International Conference on Financing for Development (FfD4), the G20, and through the UN Tax Convention negotiations (see section 2.5).

2.3 Sharm el-Sheikh Dialogue on Article 2.1(c)

Article 2.1(c) of the Paris Agreement contains the objective of "making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." Article 2.1(c) is about both scaling up finance aligned with 1.5°C and shifting finance away from activities not compatible with 1.5°C. Given the outcomes of the GST at COP 28, implementation of Article 2.1(c) requires shifting finance away from fossil fuels toward a just, clean energy transition.

The Sharm el-Sheikh dialogue on "Article 2.1(c) and its complementarity with Article 9 of the Paris Agreement" was launched at COP 27 (UNFCCC, 2022) and has held two workshops each year since then. A decision on Article 2.1(c) is expected at COP 30 (UNFCCC, 2023). This is a prime opportunity to capture lessons from the workshops about how to implement Article 2.1(c). The decision should be not only procedural (for instance, welcoming the reports of the workshops and re-mandating the dialogue for another two years), but also substantive. Substantive elements should include decisions on phasing out fossil fuel finance, as well as funding a just energy transition.

The decision on Article 2.1(c) adopted at COP 30 should:

- **Call on Parties to shift international and domestic public financing for fossil fuels to renewable energy and energy efficiency, with developed countries taking the lead**. Similar language was proposed at COP 29 but was not included in the final text. It should include an end-of-2027 timeline, and an exception for limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement. Members of the Clean Energy Transition Partnership have demonstrated marked progress on ending international public

finance for fossil fuels, reducing it by two-thirds (Jones et al., 2024). Other countries should follow suit.

- **Invite Parties to submit national action plans, including timeframes, for phasing out their fossil fuel subsidies that do not address energy poverty or just transition**. Parties agreed at COP 26 and COP 27 to phase out their "inefficient fossil fuel subsidies." At COP 28 this agreement was further clarified to include "inefficient fossil fuel subsidies that do not address energy poverty or just transition." The next step in the implementation of this commitment is to develop national action plans that identify which subsidies qualify as addressing energy poverty or just transition, assess whether alternative support measures could fulfill the same objective, and set out a roadmap for phase-out. In their national action plans, Parties should prioritize phasing out any support measures to fossil fuel exploration and production, since the science is clear that there is no room for new oil and gas production under a 1.5°C-compatible pathway (Green et al., 2024). Producer subsidies do nothing to tackle energy poverty, as any cost reductions are spread across all industrial and household customers, rather than being offered only to the vulnerable.
- **Call on Parties to redirect finance going to capital expenditure of energy-related state-owned enterprises for fossil fuels, and instead finance renewable energy, by 2030**. National oil companies alone are on course to invest approximately USD 1,800 billion in upstream capital expenditure, USD 1,200 billion of which is misaligned with 1.5°C pathways (Manley et al., 2023). These funds could be productively redirected to renewable energy and economic diversification.
- **Call on Parties to regulate private finance to align with the goals of the Paris Agreement**. This recommendation requires an immediate end to any investments in new coal, oil, or gas extraction and production, and associated infrastructure. Private companies and investors need to set aside funding for just transition support, including support for cleanup, decommissioning, and transition support for workers.
- **Call on Parties to end international and domestic public financial flows for false solutions** (see Box 1).
- **Call on Parties to free up public finance for climate action** through supporting concrete progress on international financial and economic systems reforms (see section 2.5).

2.4 Baku to Belém Roadmap to 1.3T

At COP 29 the Azerbaijan and Brazil COP presidencies were mandated to, by COP 30, issue a report—the Baku to Belém Roadmap—on how countries can scale up their international climate finance to USD 1,300 billion by 2035. The Brazil Presidency has established a COP 30 Circle of Finance Ministers to support the development of this roadmap. To date, it remains unclear whether there will be any follow-up on this process post COP 30.

We recommend the following priorities for the Baku to Belém Roadmap related to a just energy transition:

- **Defining and measuring climate finance**: The roadmap should clarify what can and cannot be considered climate finance to ensure good quality and effectiveness. This definition should be considered to be part of the Circle of Finance Ministers' strategic priority focused on strengthening regulatory frameworks for climate finance.
    - It should decide that all climate finance must be consistent with pathways limiting global heating to 1.5°C and should explicitly exclude fossil fuels and dangerous distractions from climate finance, including carbon credits (Box 1). Commercial loans should not be counted as climate finance, as these are investments primarily focused on generating profits. Just transition support should be eligible for climate finance (see section 1.2).
    - It should establish a reporting methodology through the UNFCCC that requires Parties to report on the share of their finance provided as grants and that does not count commercial loans nor overly weigh and incentivize the value of market-rate finance toward the USD 300 billion and USD 1,300 billion goals.
    - In providing climate finance, all Parties must respect, protect, and fulfill human rights and adhere to social and environmental safeguards.
- **Prioritizing grants and highly concessional public finance**: While some components of the energy transition are profitable and lower risk and can be financed on market or near-market terms, many of the most-needed projects for a just energy transition require grants and highly concessional public finance, including renewable-ready grids and worker transition packages. This requirement links up with the COP 30 Circle of Finance Ministers' strategic priority focused on concessional finance and climate funds. It is essential to adopt a pragmatic approach toward private capital mobilization, which is relevant to the Circle of Finance Ministers' strategic priority focused on innovative financial instruments for private capital mobilization. Economic models used to calculate energy transition costs make assumptions around the potential to mobilize private finance that are five to seven times greater than what we see in reality (Tucker & O'Manique, forthcoming). This risks resulting in future funding shortfalls for a just energy transition. Grants and concessional finance are also essential to avoid adding to already-unsustainable debt levels.
- **Setting out options for countries to free up public funds and increase fiscal space for a just energy transition and climate-resilient sustainable development**: The roadmap should point to concrete options for countries to free up public funding for a just energy transition, climate-resilient sustainable development, and other climate finance priorities. These options include ending subsidies and public finance for, and state-owned enterprise investments in, fossil fuels (see section 2.3), making polluters pay including through fossil fuel levies and wealth taxes, and changing unfair financial rules (see section 2.5).

There is currently no clarity on the continuation of the various finance-related work streams at the UNFCCC post-COP 30, whether this concerns the Sharm el-Sheikh Dialogue, the Baku to Belém Roadmap, the work of the Standing Committee on Finance, or the New Collective Quantitative Goal. It is critical that Parties and the COP 30 Presidency ensure there is a clear way forward for one or more of these agendas after COP 30 to ensure countries align their

finance flows with climate goals and developed countries deliver the adequate and good-quality finance that is essential to fulfill the goals of the Paris Agreement and support a fair fossil fuel phase-out.

2.5 Transforming Our Global Financial Architecture

The lack of quality climate finance for fossil fuel phase-out in many countries is compounded by record levels of debt and inequality, which severely constrain the fiscal space available for such transitions in the Global South. Governments in the 144 UN-classified developing countries spend an average of 42% of their national revenues on foreign debt service (Martin & Waddock, 2024). Under the current global financial architecture, most countries in the Global South have very limited tools to prioritize climate action or other public goods over repaying external creditors. The global financial system also does not adequately address illicit financial flows, tax ultra-wealthy individuals, or make polluters pay. In addition, the governance of the current international financial system, including international financial institutions and global debt, gives Global North countries and particularly the United States and G7 countries an outsized say. This imbalance contributes to growing multilateral distrust and disfunction and fails to put debtor and creditor countries on equal footing. As access to concessional finance declines and official development assistance falls, the risk of a broader systemic crisis grows—especially given heightened global economic fragmentation.

Viable opportunities exist to address these issues in fora beyond the UNFCCC. The most critical near-term opportunity is the once-in-a-decade FfD4, where a strong commitment in the outcome document to see a debt relief initiative that goes beyond the Common Framework for Debt Treatments adopted by the G20 would be of the essence. Countries should agree to form a UN Framework Convention on Sovereign Debt that addresses the necessary reforms in the global debt architecture for the prevention and resolution of debt crises (Civil Society Financing for Development Mechanism, 2025), which would help avoid contractionary policy responses and provide a predictable, rules-based pathway out of recurring debt distress. Similarly, strong language in Bonn on the need to decrease the debt burden of low-income countries would be invaluable to put pressure on the G20. At FfD4, a commitment to prioritize public financial support for development and climate action, rather than a narrow focus on private finance mobilization, is also key to avoid further raising unsustainable debt levels. In parallel, there are opportunities to make polluters pay and address illicit financial flows through progress in the ongoing negotiations on the UN Tax Convention.

3.0 Conclusion

The transition away from fossil fuels and toward clean energy offers countries the opportunity to reduce their exposure to volatile oil and gas markets, diversify energy sources, and access price-stable and increasingly affordable clean energy technologies, while reducing climate-related risks. The benefits of action will be tangible at the national level, but international cooperation is needed to ensure the benefits are achieved, particularly by lower-income countries. As non-party stakeholders, we stand ready to support countries willing to champion advancing this agenda in Bonn and toward COP 30.

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