



## What is climate finance?

[Climate finance](#) refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change. The Convention, the Kyoto Protocol and the Paris Agreement call for financial assistance from Parties with more financial resources to those that are less endowed and more vulnerable. This recognizes that the contribution of countries to climate change and their capacity to prevent it and cope with its consequences vary enormously. Climate finance is needed for mitigation, because large-scale investments are required to significantly reduce emissions. Climate finance is equally important for adaptation, as significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate.

In accordance with the principle of “common but differentiated responsibility and respective capabilities” set out in the Convention, developed country Parties are to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC. The Paris Agreement reaffirms the obligations of developed countries, while for the first time also encouraging voluntary contributions by other Parties. Developed country Parties should also continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.

It is important for all governments and stakeholders to understand and assess the financial needs of developing countries, as well as to understand how these financial resources can be mobilized. Provision of resources should also aim to achieve a balance between adaptation and mitigation.

Overall, efforts under the Paris Agreement are guided by its aim of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Assessing progress in provision and mobilization of support is also part of the global stocktake under the Agreement. The Paris Agreement also places emphasis on the transparency and enhanced predictability of financial support.