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## MAGAZINE NOTES

# Climate Finance — Bridging the Trillion-Dollar Gap

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CURATED &amp; WRITTEN BY

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# Climate Finance — Bridging the Trillion-Dollar Gap

■ Yojana    Chapter 2    ·    2 min read    ·

Climate finance refers to **local, national, and transnational financial flows** — drawn from public, private, and alternative sources — that support mitigation, adaptation, and resilience-building.

## Global Legal Framework

| AGREEMENT                         | KEY PROVISION                                                                           |
|-----------------------------------|-----------------------------------------------------------------------------------------|
| UNFCCC                            | Foundational framework; CBDR-RC principle                                               |
| <b>Kyoto Protocol</b>             | Binding emission reduction targets for developed countries                              |
| <b>Paris Agreement (2015)</b>     | Universal participation; NDCs; 1.5°C/2°C targets                                        |
| <b>Article 9, Paris Agreement</b> | Developed countries must lead in mobilising climate finance                             |
| <b>Principle</b>                  | <b>Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC)</b> |

## Major International Climate Funds

| FUND                                         | ESTABLISHED          | KEY FEATURE                             |
|----------------------------------------------|----------------------|-----------------------------------------|
| <b>GEF</b> (Global Environment Facility)     | 1992                 | Oldest multilateral environmental fund  |
| <b>GCF</b> (Green Climate Fund)              | 2010                 | <b>World's largest climate fund</b>     |
| <b>SCCF</b> (Special Climate Change Fund)    | Under UNFCCC         | Technology transfer, adaptation         |
| <b>LDCF</b> (Least Developed Countries Fund) | Under UNFCCC         | Supports LDCs' NAPAs                    |
| <b>Adaptation Fund (AF)</b>                  | Under Kyoto Protocol | Funded by CDM share of proceeds         |
| <b>Loss and Damage Fund</b>                  | <b>COP-28 (2023)</b> | Operationalised with World Bank support |
| <b>Standing Committee on Finance (SCF)</b>   | Under UNFCCC         | Coordination of climate finance flows   |

## India's Climate Finance Needs

| PARAMETER                          | FIGURE                                 |
|------------------------------------|----------------------------------------|
| Net-zero target year               | <b>2070</b>                            |
| Total climate finance demand       | <b>USD 1 trillion</b> over next decade |
| Mitigation requirement by 2030     | <b>USD 2.5 trillion</b>                |
| Adaptation requirement (2015-2030) | Additional <b>USD 1 trillion</b>       |
| Current finance gap                | <b>Less than 25%</b> of needs are met  |

## India's National Climate Finance Mechanisms

| MECHANISM                                                  | DETAILS                                                                                                          |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <b>NAFCC</b> (National Adaptation Fund for Climate Change) | Est. 2015; NABARD as implementing agency; supports climate-vulnerable states/UTs                                 |
| <b>PSL for Renewable Energy</b>                            | Bank loans up to <b>₹35 crore</b> for RE classified as priority sector credit                                    |
| <b>First green bond</b>                                    | <b>YES Bank (2015)</b> ; SEBI-regulated framework                                                                |
| <b>Sovereign Green Bonds (SGrBs)</b>                       | Announced <b>Union Budget 2022-23</b> ; fund RE, waste management, sustainable agriculture                       |
| <b>RBI Sustainable Finance Group</b>                       | Est. 2021; addresses climate-related financial risks                                                             |
| <b>India joined NGFS</b>                                   | 2021 through RBI (Network for Greening the Financial System — global central banks network)                      |
| <b>RB-CRIS</b>                                             | Climate Risk Information System — standardised national database for carbon emissions, physical/transition risks |
| <b>CCFU</b>                                                | Climate Change Finance Unit; est. 2011, Ministry of Finance; nodal agency for climate finance coordination       |

## Climate Finance Instruments

- Grants and concessional loans
- Domestic budgetary allocations
- Green bonds and green deposits
- Blended finance and risk-sharing mechanisms

## UPSC Angle

- **GS3:** Climate change, climate finance, international funds, carbon markets

- **GS2:** International agreements (Paris Agreement), multilateral cooperation, CBDR-RC principle
- **Interview:** “Should India continue demanding climate finance from developed nations, or should it develop self-financing models for its climate transition?”

Sources: [NextIAS Yojana January 2026](#) , [EduRev Yojana January 2026 Part 2](#)



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