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India's International Climate Finance Trajectory

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Summary

India stands at a crossroads in the global climate finance landscape – demanding justice and accountability from the developed countries while emerging as a meaningful contributor in addressing the climate ambitions of the developing countries.

India embodies a dual identity at global climate finance discussions and negotiations. First, it serves as an advocate for rights and equity, ensuring sufficient financial flows occur to the developing countries. And second, it is simultaneously a responsible contributor and actor by using and deploying its capital for projects abroad. Internally, this divide manifests in distinct behaviour at various climate negotiations where it advocates for increased climate finance from the wealthy countries and mobilises both public and private capital investments for climate purposes. The challenge lies in balancing both ambitions and needs with delivery to ensure broader climate finance translates into sustainable, inclusive and systemic transitions in India and the global south.

India's positions on climate finance are shaped by four broad themes and dimensions. First, India has been the voice of reason and responsibility at global climate discussions, calling for greater equity, transparency and adequacy vis-à-vis climate finance flows to the developing countries. At the recent SB62 climate conference in Bonn, India led negotiations, alongside G77+China, Like-Minded Developing Countries, Alliance of Small Island States, Least Developed Countries and the African Group, to demand greater clarity for the developing countries in terms of finance. India positioned itself not only as a defender of the developing countries' interests but as a bridge builder for equitable mechanisms ahead of COP30 in Brazil. India demanded that the developed countries provide a New Collective Quantified Goal of US$1.3 trillion (S$1.755 trillion) per year until 2035, with a substantial portion in grants and highly concessional loans. India also emphasised the principle of Common But Differentiated Responsibilities and defended the developing countries' right to equitable and fair support.

Second, India is now an emergent climate finance donor, not just a recipient. In 2022, through multilateral development banks (MDBs), India contributed approximately US$1.287 billion (S$1.737 billion), outpacing contributions from several developed nations such as Greece and Ireland. This marks an evolution in its global role – from primarily recipient to a hybrid donor, particularly in MDB finance. Moreover, the emergence of major funds such as the India-Japan Low-Carbon Project Fund (US$600 million [S$810 million]), backing renewables, e-mobility and waste management, further underscores India's role as a co-investor and financier on climate projects. India's external grants for climate purposes are usually structured as loans, lines of credit or technology transfer, not outright grants. That said, India's outbound climate finance is small compared to the developed countries.

Third, India is transforming its domestic climate finance landscape and ecosystem. New Delhi announced a Draft Climate Finance Taxonomy in May 2025, which offered a lifeline to green investors by defining clear criteria for climate-aligned and transition activities, spanning mitigation, adaptation, and support for hard-to-abate sectors. This taxonomy protects against greenwashing while channelling capital toward impactful climate solutions. It is a critical policy step because it clarifies definitions, helps build investor confidence and aligns domestic finance with global climate goals while keeping India's developmental needs intact. The framework could also funnel more green capital flows into India, positioning it to be a climate finance hub. New Delhi could then channel finance into genuine low-carbon, resilient development while strengthening India's bargaining position at international climate finance debates.

Fourth, India continues to receive considerable climate finance from various development banks. For instance, the Green Climate Fund is investing US$200 million (S$270 million) into India via its 'Green Finance Facility' for renewable energy and energy efficiency – part of a broader US$1.2 billion (S$1.62 billion) disbursement across Asia and Africa in mid-2025. This aspect is a source of friction with the developed countries increasingly calling for India not to receive such assistance, given its growing economic might. At COP29, other developing countries challenged India's eligibility for climate assistance, arguing that New Delhi should contribute more, not receive. Such calls are met with derision and a rejoinder that India remains a developing country when measured in per capita income terms and that historically its emissions remain modest.

India has become a serious and proactive climate finance stakeholder. New Delhi still receives climate finance because it still qualifies under international rules, has lower per capita emissions, faces high climate vulnerability and needs massive investment to transition and adapt without sacrificing development interests and objectives. This imperative is both a matter of equity and practical necessity in the global climate regime. Simultaneously, India is normatively advancing the need to generate more climate finance for the developing countries, reforming its domestic policy ecosystem to elicit more green capital and providing financing for other countries through collaborative initiatives. India will have to balance all these burdens and demands as it continues to grapple with climate change.

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