

CLIMATE FINANCE FOR JUST TRANSITION: HOW THE FINANCE FLOWS

ActionAid's third annual How the Finance Flows report

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EXECUTIVE SUMMARY



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Barely any climate finance is going to support workers and communities to undertake just transitions.

This is absurd.

The climate crisis continues to escalate, but the cost-of-living crisis and rising economic insecurity are fuelling resistance to climate action around the world. It is therefore time for climate policy makers to learn key lessons, and to make sure that people's priorities are front and centre of every climate response. An approach to climate action known as "just transition," which addresses the needs of workers, women and communities, must form the basis of climate action.

The alarming approach of the Paris Agreement's 1.5°C warming threshold is a clear sign that action on climate change has been, and continues to be, deeply insufficient. There is an urgent need to phase out polluting energy and agriculture sectors, and to scale up renewable energy and agroecology. In spite of this, the two industries most responsible for causing climate change – fossil fuels and industrialised agriculture – continue to expand relentlessly.

Public recognition of industrial agriculture's contribution to climate change is far lower than for fossil fuels, however, even though the agriculture and the land sector isare the second most polluting sector after fossil fuels.¹ The bulk of these emissions are caused by industrialised agriculture's driving of deforestation, dependence on fossil fuelled-fertilisers, and aggressive use of factory farmed livestock.² As COP30 climate negotiations come to the Amazon city of Belém, industrial agriculture's role in destroying the "lungs of the Earth" for soy, corn and beef is now in the climate spotlight.

At the same time, agriculture is not only the sector most vulnerable to the impacts of climate change, but is also the world's biggest employer, providing **the livelihood for one quarter of the world's population**, nearly half of whom are women.³ This highlights the need for just transition approaches to be carefully applied to climate action in agriculture and food systems, in addition to other sectors such as energy and the extraction of critical minerals.

Indeed, in many parts of the world workers, farmers and community members who have good reasons to be worried about climate change are even more concerned that narrow carbon-counting logic and top-down climate policies might harm their livelihoods, their food security or their access to land and energy. Fossil fuel and industrial agriculture farmers and workers may feel demonised, defensive, and blamed for the climate crisis. But most are themselves overburdened, squeezed, exploited and often trapped. Many fear that climate action will either add to their impossible burdens – or take away their livelihoods altogether.

These concerns can contribute to local and political resistance to climate action. Increasingly, such concerns are also being cynically exploited by actors seeking to polarise debate and boost climate scepticism. Approaches to climate action must therefore address and not ignore people's valid concerns about precarious livelihoods, the cost of living, and of course their human rights to land, water and safety.

It is therefore time for climate action to learn from its own successes and failures, and to update and evolve into a people-centred process shaped by just transition. In other words, it's time for just transition to form the basis of **"Climate Action 2.0"** to unlock, unleash and accelerate climate transformations.

Just transition approaches put people at the centre, ensuring that those most affected by climate and economic shifts are not left behind but are empowered and supported. ActionAid's four principles of just transition can ensure that both the PROCESS and the OUTCOME of climate action are truly just.

1

Ensure participatory and inclusive processes to give workers, women and communities a meaningful chance to voice their concerns, and to shape futures that are better for them and the climate.

2

Develop comprehensive plans and policy frameworks to support people to make transitions and cope with potential impacts on their livelihoods, for example with regional strategies for economic diversification, training and reskilling, and provision of income support where needed.

3

Address – and don't exacerbate – inequality, for example by making sure people have decent jobs, affordable food and energy, access to public services, secure rights, and that the needs of women and marginalised communities are centred.

4

System change for people, nature and the climate that goes beyond narrow carbon-counting logic and corporate greenwashing, to systemic change away from fossil fuels and harmful industrial agriculture, towards transformative solutions that protect ecosystems and people's rights.

Climate finance is a critical enabler of climate action and just transition. Much analysis of the challenging politics around climate finance has focused on the woeful insufficiency of climate finance provided by rich countries, and the frustrating fact that two-thirds of climate finance has so far been in the form of loans rather than grants.⁴ When it comes to the impact of climate finance, however, there are further questions to ask about which activities are (and are not) getting support, and whether climate finance is really doing enough to put people at the centre of climate action.

In this report, therefore, we review the policies and analyse the funding proposals of the world's two largest multilateral climate-specific funds for which data was publicly available: the **Green Climate Fund (GCF)** and the **Climate Investment Funds (CIF)**. We developed a quantitative analysis of mitigation and cross-cutting projects, to understand the extent to which the multilateral funds are financing and enabling just transitions in efforts to cut emissions.

New research by ActionAid finds that:

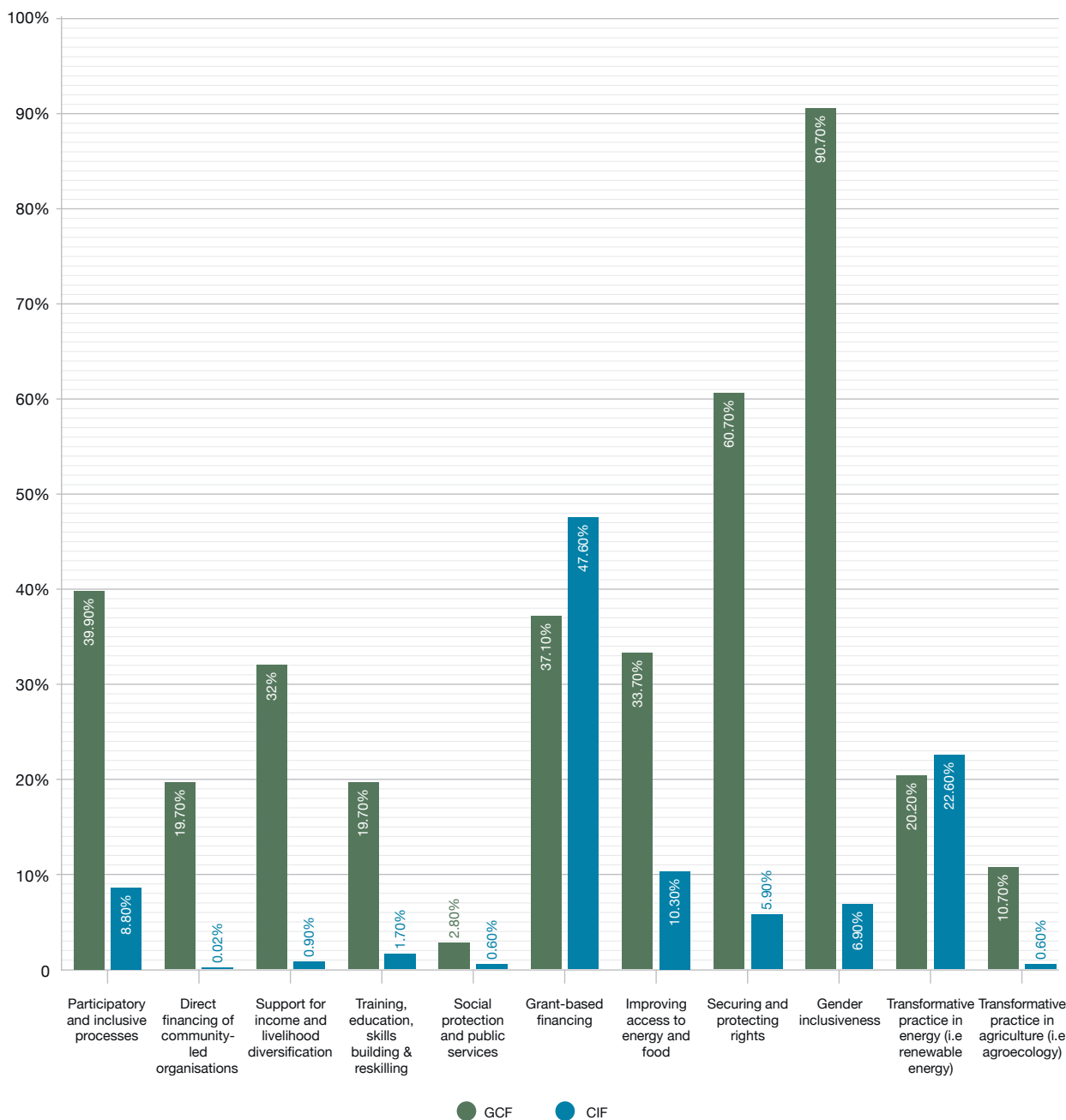
- **A shockingly low 2.8% of multilateral climate finance for mitigation has gone towards supporting just transitions - just US\$630 million over more than a decade.**
- **This means just one dollar in every 35 has been spent supporting just transitions. Just transition approaches to climate action are jaw-droppingly under-funded.**
- **Less than one in 50 projects (1.9%) supported by the GCF and the CIF were found to be adequately listening to and supporting workers, women and community through just transition.**
- **Almost all just transition projects were found to be funded through the GCF, where fewer than one in 18 projects (10 out of 178 projects, or just 5.6%) adequately fulfilled just transition criteria. Only two CIF projects out of 466 (0.4 %) were found to be supporting just transition.**
- **Billionaire Jeff Bezos has spent more on purchasing and running his superyacht (US\$635 million),⁵ than multilateral climate funds have spent on just transition across the Global South.**

Climate finance flows are clearly failing to address the need for just transition in climate action, and are not sufficiently prioritising people's participation, their rights or livelihoods. Meanwhile the institutional policies of

the GCF, the CIFs and their implementing institutions have only partial policies on paper, and major gaps in practice when it comes to supporting just transitions.

The lack of sufficient climate finance, rising climate scepticism and corporate greenwash are holding back the urgent and transformative action needed to avert runaway climate breakdown. There is an urgent need to re-shape climate policies, climate financing and climate proposal writing to make just transition a core approach to climate action. Climate policies and the finances flowing to support them must now learn key lessons and prioritise people-centred just transitions to address communities' needs, unlock resistance, and unleash transformations.

Percentage of GCF and CIF mitigation project proposals aligned with just transition indicators



Recommendations:

- 1. Climate finance:** Wealthy polluting countries must do their fair share and provide trillions of dollars in grant-based climate finance each year, so that Global South countries on the front lines of the climate crisis can take the necessary steps to ensure a just transition. Governments at COP30 must clearly recognise that private finance instruments such as loans, investments or carbon offsets are no substitute for real grant-based public finance, and cannot “fill the gap” when it comes to just transitions or urgently-needed climate action.
- 2. Multilateral climate funds:** The Green Climate Fund (GCF) must increase its support for just transitions through improved guidance, allocations, proposal formats and institutional policies. Countries and institutions developing projects must actively integrate just transition into their planning and proposal writing, in collaboration with workers and communities. Meanwhile, the failure of the Climate Investment Funds (CIFs) to support just transition projects and their poor performance on the majority of just transition indicators exposes the fundamental shortcomings of the CIFs and their MDB-led governance. Our recommendation is therefore that the CIFs “sunset” (wind up) as originally intended when they were set up. Any new or existing projects should centre communities’ and workers’ participation, and include robust monitoring to ensure rights are respected and just transition principles are followed.
- 3. Just transitions at national and sub-national level:** Government policies relating to energy, agriculture and extractives must phase out fossil fuels and harmful industrial agriculture, and accelerate the shift to renewable energy, agroecology and responsible sourcing of minerals. These should be guided by just transition approaches that include participatory planning, reskilling, economic diversification, social protection, public services, gender inclusiveness and safeguarding rights. Just transition approaches must be integral to the design and funding of projects to implement these policies.
- 4. UNFCCC climate negotiations at COP30** must agree to a new **Belém Action Mechanism (BAM)** for a global just transition under the Just Transition Work Programme (JTWP). The proposed BAM must cover a whole-of-the-economy approach including energy, agriculture and minerals, and coordinate action within and outside the UNFCCC to align a shared direction of travel; build a global network for shared learning and collaboration; and support implementation by making just transition more eligible for finance, capacity building and technology transfer, as well as finding pathways to address barriers to just transition such as unfair trade, investment and debt policies.

ENDNOTES

1. IPCC (2023) “6th Assessment Report: Synthesis Report”, <https://www.ipcc.ch/report/sixth-assessment-report-cycle/>, pp. 12, 15
2. Pew Commission on Industrial Farm Animal Production (2022) “Impact of industrial farm animal production on rural communities”, <https://clf.jhnsph.edu/sites/default/files/2022-03/impact-of-industrial-farm-animal-production-on-rural-communities.pdf>; Hendrickson, M.K., et al. (2020) “The Food System: Concentration and its impacts”, <https://farmaction.us/wp-content/uploads/2020/11/Hendrickson-et-al.-2020.-Concentration-and-Its-Impacts-FINAL.pdf>
3. FAO (2023) Estimating global and country-level employment in agri-food systems <https://www.fao.org/3/cc4337en/cc4337en.pdf>
4. Oxfam (2024) “Climate Finance Short Changed 2024 update CSNA Estimate Methodology Note” <https://www.oxfam.org/en/press-releases/rich-countries-overstating-true-value-climate-finance-88-billion-says-oxfam>
5. Calculated as the total from superyacht Koru (\$500 mn), support yacht Abeona (\$75 mn), maintenance costs of Abeona (\$5-10mn for two years since purchase), annual running costs of Koru (\$50 mn for two years since purchase). Data from: Yahoo Finance News (2024) “An Inside Look at Jeff Bezos’ \$500 Million Superyacht and What It Costs To Keep It Afloat”, <https://finance.yahoo.com/news/inside-look-jeff-bezos-500-153431694.html>