

DISCUSSION PAPER

Six Arguments for More International Climate Finance

Why the new Federal Government has to provide more climate finance

International climate finance is not charity. It is in our own best national interest and it is our historical and moral duty, as laid out by the following six arguments¹:

1. [International climate finance provides more security and stability.](#)
2. [In an increasingly fragmented world international climate finance is a dimension for stable partnerships.](#)
3. [Germany and the EU have a responsibility for providing international climate finance.](#)
4. [The German and the EU economy benefit from international climate finance.](#)
5. [International climate finance is already making a difference today.](#)
6. [The costs of the climate crisis have to be fairly distributed.](#)

1. International Climate Finance Provides More Security and Stability.

- Climate finance is of central importance for security and prosperity in Germany: Climate finance is a crucial contribution for human security and the possibility for future prosperity. Global and national stability, order and economic security are significantly affected – both internationally as well as in Germany and Europe. According to the World Economic Forum’s “Global Risk Report 2025” the five biggest global risks of the coming ten years are connected to the climate crisis.² Without sufficient climate finance to reduce greenhouse gases, to implement adaptive measures as well as dealing with losses and damages, this has negative consequences for international security and the global economy. Climate finance improves resilience against climate induced risks, lowers social inequities and prevents future crises and/or mitigates them. The national security strategy of the Federal Republic of Germany quite rightly sees the climate crisis as one of the three central security challenges for Germany. Germany and the EU have to honour their obligations and fill a major part of the gap created by the new U.S. administration’s destructive strategy. They should consistently advocate for increased climate finance in international fora and promote international cooperation to ensure security and prosperity both at the national and global level.

- Climate finance reduces risks for conflicts and regional destabilisation. The climate crisis is a major driver of poverty, famine and migration. Thus, a further 132 million people could be affected by poverty by 2030; already in 2022, 735 million people were going hungry and these numbers will further increase; by 2050 up to 216 million people could be forced to leave their home regions. Without rapid investment in climate mitigation and adaptation measures, the climate crisis will significantly exacerbate these problems.³ The climate crisis acts as “threat multiplier”⁴, amplifying existing stressors, increasing the risk of conflict, and negatively impacting the security of those affected. Climate finance can counteract these factors

¹ The order of the arguments does not indicate any ranking.

² See World Economic Forum, 2025, [Global Risks Report 2025](#) (accessed: 11 February 2025).

³ See BMZ, 2025, [Folgen des Klimawandels](#) (accessed: 10 February 2025).

⁴ See Center for Climate & Security, 3 January 2023, [Briefer No. 38](#) (accessed: 22 January 2025).

through preventive measures. These include rapidly reducing emissions, ensuring secure access to water and food, preventing social conflicts, stabilizing regions, and supporting pandemic prevention. Climate finance thus has a targeted impact on many levels.

- Climate finance is essential to prevent the climate system from crossing climate tipping points. If we continue on our current trajectory in the fight against the climate crisis, we are headed towards a world that could warm by up to 3 degrees. Now that the 1.5-degree target has been exceeded, every tenth of a degree increases the risk of crossing critical tipping points in the climate system: such as the collapse of the Atlantic Ocean's circulation (Atlantic Meridional Overturning Circulation (AMOC)), the desertification of the Amazon rainforest, or massive ice loss in Greenland or West Antarctica.⁵ This could lead to unforeseeable consequences and, in some cases, to chain reactions, thereby massively exacerbating the climate crisis. This would result in serious negative impacts on human security. For example, we are already approaching the tipping point of the AMOC.⁶ This plays a key role in heat distribution across the Atlantic; a change could lead to shifts in global heat and precipitation patterns, such as a cooling of the North Atlantic⁷ with direct consequences for Germany. To remain in line with the Paris Agreement and minimise the risk of exceeding these tipping points, more international climate finance is urgently required.⁸

2. In an Increasingly Fragmented World International Climate Finance is a Dimension for Stable Partnerships.

- International climate finance is an investment in social capital and strengthens Germany's position as a reliable partner. In a multipolar world, Germany can strengthen its position as a reliable partner by making appropriate contributions to climate finance. The shift to the right in many countries around the world, for example Donald Trump's election victory, will curb international climate finance. Trump has already made this clear with his first executive orders on US development cooperation, which also covers international climate finance. This could massively undermine the confidence of many stakeholders in Western industrialised nations as cooperation partners and open up this void for China, Russia, and Saudi Arabia. It is therefore all the more crucial that Germany and the EU now act as trustworthy partners and invest in strategic partnerships. This strengthens the international standing of Germany and the EU, as well as their bilateral relations and lays the foundation for long-term economic cooperation. The provision of international climate finance also opens up new trade opportunities such as integrated value chains, imports, or markets for new technologies.

- The establishment of new strategic partnerships through climate finance is becoming increasingly important. In an increasingly multipolar and rapidly changing world, where traditional partners such as the US are not particularly reliable, building new strategic partnerships is becoming increasingly important. International climate finance enables the establishment and strengthening of trusting relationships with countries in the Global South, such as India, Brazil, South Africa, Senegal, and Indonesia. The trust built through climate and energy partnerships can help to extend the partnership beyond the climate sphere. Many of the most vulnerable states, including Bangladesh, the Pacific Island nations, and Pakistan, play a significant geopolitical role not only regionally, but also globally. Strategic partnerships built through climate finance are highly relevant to Germany's foreign and security policy. We have the opportunity to fill a geopolitical vacuum through climate partnerships, a vacuum created by Trump's re-election and the

⁵ See Potsdam-Institut für Klimafolgenforschung, 2025, [Kippelemente-Großrisiken im Erdsystem](#) (accessed: 13 February 2025).

⁶ See Potsdam-Institut für Klimafolgenforschung, 2024, [Überblicksartikel: Nähert sich die atlantische Umwälzströmung einem Kippunkt?](#) (accessed: 13 February 2025).

⁷ See Purcell, C., Keary, M., 16 February 2023, [Wie die Wasserzirkulation des Atlantischen Ozeans ihren Kippunkt erreichen könnte](#), Germanwatch (accessed: 10 February 2025).

⁸ See Schultheiß, L., 16 February 2023, [Kippunkte und ihre Folgen für die menschliche Sicherheit](#), Germanwatch (accessed: 10 February 2025).

resulting withdrawal of US financial support for such partnerships. Especially now, as more countries are turning towards the West following a phase of euphoria vis-à-vis China, this presents opportunities for Germany and the EU. If these opportunities, especially on the African continent, are not seized, other countries such as the Gulf states, Russia, and Turkey are poised to fill this vacuum.

- **Climate finance is a commitment to multilateralism.** Some states are turning away from multilateral processes and increasingly adopting an approach based on the law of the strongest, rather than the strength of the law. It is therefore essential to strengthen multilateralism through international climate finance. For example, climate finance fosters partnerships in multilateral negotiations at the UN Climate Change Conference. The prosperity, security, and capacity for foreign policy action of the EU and Germany depend on alliances, multilateral and plurilateral organisations, and international agreements.⁹ As an exporting nation, Germany benefits from the stability and predictability of effective multilateralism in trade and the economy. Combating the climate crisis is only possible through global cooperation. Furthermore, climate and development finance supports realising the SDGs (Sustainable Development Goals). As a reliable actor bearing global responsibility, Germany can also encourage other states to provide climate finance or to increase it.

3. Germany and the EU are Responsible for Providing International Climate Finance.

- **It is Germany's historical and moral responsibility to provide international climate finance.** For Germany and other wealthy nations owe a significant part of their prosperity to the mass burning of fossil fuels. In doing so, they have contributed substantially to the warming of the atmosphere and consequently, to the climate crisis. In terms of historical emissions, Germany ranks sixth behind the USA, China, Russia, Brazil, and Indonesia, and thus bears far greater responsibility for the climate crisis than the vast majority of poorer countries in the Global South. At the same time, it is precisely the countries of the Global South that have contributed least to the climate crisis, but are hardest hit by its consequences: increasingly severe storms, floods, droughts, and other extreme weather events. Germany therefore has a special responsibility to support these poorer countries in dealing with the consequences of the climate crisis. The 'polluter pays' principle, which is enshrined in the United Nations Framework Convention on Climate Change, states that those who contribute significantly to the climate crisis also bear the responsibility to take appropriate countermeasures and to cover the costs and damages incurred.

- **International climate finance enables emerging and developing countries to stay within their carbon budgets.** In the global effort to reduce greenhouse gas emissions, Germany must support poorer countries, as Germany has exhausted its CO₂ budget and has even exceeded it.¹⁰ At the same time, we expect other countries not to follow suit, but to embark on a climate-friendly development path and perhaps even remain within a fairly distributed CO₂ budget, thereby offsetting our excess emissions. We do not want these countries to base their economic development on coal, oil, or gas, as we have done. Fortunately, a strategy based on renewable energy and efficient electrification is generally the most cost-effective option today. However, as poorer countries pay very high interest rates on loans, are often already heavily indebted, and face further investment risks, a significant degree of risk-sharing and cooperation is thus required. Climate finance for countries in the Global South is in all our interests. For climate adaptation and addressing loss and damage caused by the climate crisis, there is usually no viable business model for private investment. Public funds must therefore be made available on a substantial scale.

⁹ See Die Bundesregierung, 2021, [Gemeinsam für die Menschen: Weißbuch Multilateralismus der Bundesregierung](#) (accessed: 10 February 2025).

¹⁰ See Sachverständigenrat für Umweltfragen, 25. März 2024, [Umweltrat aktualisiert seine Berechnungen zum CO₂-Budget](#) (accessed: 10 February 2025).

- **Germany is legally obliged to mobilise international climate finance.** Based on the 1992 United Nations Framework Convention on Climate Change, the 2015 Paris Agreement and the resulting new climate finance target for the period after 2025, Germany is obliged under international law to provide climate finance to vulnerable countries in the Global South. Compliance with international treaties and commitments is one of the cornerstones of effective multilateralism.

4. The German and the EU Economy Benefit from International Climate Finance.

- **International climate finance ensures stable supply chains for Germany as a trading nation.** In our interconnected world, Germany, as one of the world's leading trading nations, is particularly reliant on stable and reliable supply chains. This applies both to the supply of parts manufactured abroad for domestic production and to the export of German products. The climate crisis and the associated extreme weather events threaten these essential structures, for example through disruptions to logistics. Such disruptions can have significant economic consequences, particularly for small and medium-sized enterprises.¹¹ Thus, in 2023, a drought led to low water levels in the Panama Canal, resulting in restrictions on transit and significant impacts on supply chain.¹² Targeted climate finance helps to counteract such risks by strengthening the resilience and smooth flow of global trade. This can be achieved primarily through adaptation financing, thus making supply chains more resilient.¹³

- **International climate finance helps stabilise prices.** Extreme weather events caused by climate change, such as droughts, storms, or floods, are driving up food prices. Products such as coffee, chocolate, olive oil, and orange juice are also affected.¹⁴ Price rises can already be felt today and will increase exponentially if climate change continues unchecked, as agricultural yields are increasingly under threat. In the long term, such developments could lead to inflationary effects in Germany,¹⁵ fuel political instability, and strengthen extremist groups. However, with sufficient international climate finance, preventive measures can be implemented to make farming regions more resilient, reduce crop failures, and cushion price shocks. Investments in sustainable agriculture, improved irrigation systems, and climate-resilient farming methods can help ensure food security and economic stability.

- **International climate finance creates economic opportunities for Germany, the EU, and the Global South.** Germany's climate finance and investments in other regions of the world pay off in the long term not only by preventing harm. International climate finance opens up new markets in the Global South, particularly for climate-friendly technologies as part of the global climate transition. According to the BDI, new markets will offer a potential turnover of more than 15 trillion euros by 2030 (together with the digitalisation and healthcare sectors).¹⁶ While new sales opportunities opening up for German companies¹⁷, Germany is, more importantly, simultaneously strengthening its competitiveness and securing its position as one of the

¹¹ See DMB, 2023, [Risiken des Klimawandels für KMU-Lieferketten](#) (accessed: 10 February 2025).

¹² See ecommerce magazin, 2023, [Lieferkette: Klimawandel führt zu mehr Störungen und höheren Logistikkosten](#) (accessed: 10 February 2025).

¹³ See World Economic Forum, 2023, [How a radical idea could protect our food supply chains from climate events](#) (accessed: 10 February 2025).

¹⁴ See Telepolis, 23. November 2024, [Preis-Schocks: Vier Lebensmittel, die durch den Klimawandel immer teurer werden](#) (accessed: 10 February 2025).

¹⁵ See Finck, D., Klein, M., Tillmann, P., 2024, [The Inflationary Effects of Global Supply Chain Shocks: Evidence from Swedish Microdata](#) (accessed: 10 February 2025).

¹⁶ See BDI, 2024, [Transformationspfade für das Industrieland Deutschland](#) (accessed: 10 February 2025).

¹⁷ See GTAI, February 2024, [Welt: Geschäftschancen für GreenTech Made in Germany](#) (accessed: 10 February 2025).

leading economies. This creates jobs both in partner countries and within German companies.¹⁸ A study by the KfW shows that for every euro spent on development cooperation (including climate finance) German exports of goods increase by 0.36 euros.¹⁹ In addition, more than 80,000 jobs in manufacturing companies and a further 50,000 jobs in the service sector in Germany can be attributed to development cooperation.²⁰

5. International Climate Finance is Already Making a Difference Today.

- International climate finance successfully helps particularly vulnerable countries to prevent human suffering, damage and losses caused by the climate crisis. Vulnerable countries such as Bangladesh and small island states in particular, are facing existential threats from the impacts of climate change. They are more exposed to extreme weather events such as storms, heatwaves, and floods, as well as to slow-onset processes such as rising sea levels, than Western industrialised nations. Their capacity to adapt and cope is more limited due to their greater dependence on agriculture, their regional risk profile, and, above all, their financial resource limitation. According to estimates, between 2009 and 2019, damage amounting to an average of 143 billion US dollars annually worldwide was attributable to the climate crisis as a result of extreme weather events.²¹ With more international climate finance such costs could be avoided.

- International climate finance could help reduce humanitarian crises and the humanitarian aid required to address them. The climate crisis is one of the three main causes of the current and future rise in demand for humanitarian aid. All the same, humanitarian aid is being scaled back internationally.²²

- International climate finance is effective and makes a difference. Allocated funds are already showing an impact and improving the living conditions of people in crisis situations. Effective and comprehensive climate risk management, including prevention and preparedness (e.g. through early warning systems), can significantly reduce loss of life and economic damage. A look at Bangladesh shows: thanks to improved risk prevention and adaptation, the mortality rate caused by cyclones there has fallen dramatically. In 1970, a cyclone claimed around 500,000 lives; while a cyclone of similar severity in 2007 claimed only around 4,000 lives.²³

- Every euro spent on international climate protection and adaptation measures prevents many times that amount in damage. The costs of inaction are many times higher than the climate finance currently available. Every US dollar invested in more resilient infrastructure in low- and middle-income countries saves around 4 US dollars that would otherwise have to be spent on future losses and damage.²⁴ It is estimated that, overall, investment in ambitious climate action costs only one-sixth of the total damage that would occur if such investment were not made.

¹⁸ See BMZ, 2020, Klimaschutz: [Deutschland verstärkt Ausbau erneuerbarer Energien in Entwicklungsländern mit 500 Millionen Euro](#) (accessed: 10 February 2025); Focus Online, 27 November 2024, [Staatssekretär wird bei Peru-Radwegen deutlich: „Deutsche Unternehmen profitieren davon“](#) (accessed: 10 February 2025); Africa Business Guide, 2025, [Entwicklungszusammenarbeit: Lukratives Geschäft für Unternehmen?](#) (accessed: 10 February 2025).

¹⁹ See KfW, 30 October 2024, [New study: expenditure on development cooperation creates prosperity and jobs in Germany](#) (accessed: 10 February 2025).

²⁰ See MDR, 30 October 2024, [Aktuelle Studie: Deutsche Exportwirtschaft profitiert von Entwicklungshilfe](#) (accessed: 10 February 2025).

²¹ See Newman, R., Noy, I., 2023, [The Global Costs of Extreme Weather that are Attributable to Climate Change](#) (accessed: 10 February 2025).

²² See UN OCHA, 31 October 2024, [Global Humanitarian Overview 2024](#) (accessed: 10 February 2025).

²³ See Haque, U. et al., 2012, [Reduced Death Rates from Cyclones in Bangladesh: What More Needs to be Done?](#) (accessed: 10 February 2025).

²⁴ See Hallegatte, S., Rentschler, J., Rozenberg, J., 2019, [Lifelines: The Resilient Infrastructure Opportunity](#) (accessed: 10 February 2025).

6. The Costs of the Climate Crisis Have to be Fairly Distributed.

- International climate finance must not be at the expense of already disadvantaged groups in Germany; the costs must be fairly distributed. Some stakeholders argue that the funds required for international climate finance are not available. To avoid domestic social conflicts, which are often fuelled by right-wing and populist parties, it is essential to prioritise social justice when allocating these funds, rather than pitting the poor against those who are even poorer. International climate finance must not come at the expense of low-income groups who are already disadvantaged. Where then should the money for the necessary expansion of international climate finance come from? Various analyses show that, due to political priorities, the available funds are being channelled into direct and indirect subsidies for fossil fuels, or are not being raised in the first place due to a lack of taxation on the super-rich. Private banks alone have invested more than 6.9 trillion US dollars in fossil fuels over the last eight years²⁵ and the ten richest people in the world possess 1.59 trillion US dollars in assets.²⁶

- Germany must phase out environmentally harmful subsidies and redirect some of those funds towards international climate finance. Subsidies that are harmful to the environment, particularly those in the form of tax breaks, result in lost revenue for the state and exacerbate social inequalities. The "Forum Ökologisch-Soziale Marktwirtschaft" estimates that phasing out such subsidies could save 24 billion euros annually.²⁷ A reform of the company car allowance in Germany alone, could generate between 3.5 and 6.1 billion euros.²⁸

- At the same time, Germany should tap into new sources of funding. New sources of revenue for international climate finance should be tapped through climate-friendly taxes and levies; examples include: increasing taxation on company cars, reforming the inflation adjustment mechanism for energy taxes and the carbon price, and reintroducing a wealth tax (excluding privately saved pensions), with a total potential of between 30 and 100 billion euros annually. Even if only 20 per cent of these funds were channelled into international climate finance, this would amount to 6 to 20 billion euros annually.²⁹ Moreover, closing tax loopholes for private jets and introducing higher tax rates for business and first-class flights could generate around 560 million euros annually.³⁰ In addition, Germany should advocate at EU level for an extension of energy taxation to cover marine diesel and kerosene, which could generate just under 12 billion euros annually in the medium term.³¹

- There are various proposals at the global level for tax measures to hold the main contributors to the climate crisis accountable. Proposals currently under discussion globally include: (1) Taxing the world's largest oil and gas companies; this could raise around 900 billion US dollars for climate finance by 2030.³² (2) A two per cent tax on the wealth of the world's 3,000 richest billionaires could generate

²⁵ See urgewald, 13 May 2024, [Neuer Banken-Report: Fast 7 Billionen Dollar für Fossile seit Paris](#) (accessed: 10 February 2025).

²⁶ See Forbes, 1 April 2024, [Die 10 reichsten Menschen der Welt](#) (accessed: 10 February 2025).

²⁷ See Hirsch, T., Ahmed, S. J., November 2024, [Deutschlands Handlungsoptionen bei der internationalen Klimafinanzierung](#), p. 34, Klima-Allianz Deutschland (accessed: 10 February 2025).

²⁸ See *ibid.*, p. 35 (accessed: 10 February 2025).

²⁹ See *ibid.*

³⁰ See Transport & Environment, 29 May 2024, [T&E Studie: Bundesregierung muss zur Finanzierung von E-Kerosin Subventionen für Privatjets und Business-Class-Flieger streichen](#) (accessed: 10 February 2025).

³¹ See *ibid.*

³² See The Guardian, 29 April 2024, [Taxing Big Fossil Fuel Firms 'Could Raise \\$900bn in Climate Finance by 2030'](#) (accessed: 10 February 2025).

around US dollars 250 billion a year.³³ (3) A global levy on aviation and shipping could raise up to US dollars 200 billion annually.³⁴

- **Those primarily responsible for the climate crisis must foot the bill.** Clear and fair rules on how fossil fuel companies should contribute to the costs of addressing the impacts of climate change and adaptation measures would be another important step towards mobilising climate finance at a global level.

³³ See Politico, 26 July 2024, [G20 Countries Agree on Need to Tax the Super-Rich — but Later](#) (accessed: 10 February 2025).

³⁴ See Climate Action Network Europe, June 2023, [New Sources of Public Climate Finance](#) (accessed: 10 February 2025); ACT Alliance, [Innovative Climate Funds from Shipping and Air Traffic - a Win-Win](#) (accessed: 10 February 2025).

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