The Coalition of Finance Ministers for Climate Action

Discussion Note: Why COP Negotiations and Outcomes Matter for Finance Ministries and How to Engage in the process?

This note summarizes the Coalition's "COP30 Negotiations 101" information session for our Finance Ministry members, held in October 2025, and provides updates on topics relevant to COP31. The session was designed to help Finance Ministries prepare for climate finance discussions at COP30. This note reflects the discussion on negotiations process and explores the key topics and issues in climate finance talks, including an outline of the various models for Finance Ministries' involvement. It also captures on how different ministries engage within the COP framework and the experiences of members shared from their own countries. Finally, it highlights how these topics have evolved and what to expect as they carry forward into COP31. The Coalition does not take an official position on items for negotiation. This note therefore offers a neutral overview of the topics and recognizes that members hold different views and positions.

Key discussion session messages

- Negotiations and decisions at UN climate conferences (Conferences of the Parties, or COPs, and CMA, for the meetings of Parties to the Paris Agreement) bring together nearly all countries to build consensus on the rules, goals, and commitments that guide global climate action. Their outcomes shape international expectations, establish frameworks for defining, tracking, and reporting climate finance, and influence national policies and implementation priorities.
- Negotiations and decisions at UN climate conferences (Conferences of the Parties, or COPs) also touch Finance Ministry core mandates: budgets, revenue, public debt and fiscal risk, public investment, and the financing of national climate plans.
- Climate finance is the most direct link to Finance Ministries, and its goals are often negotiated at the COP. The New Collective Quantified Goal (NCQG), agreed at COP29, sets out a framework for the delivery of climate finance and improving its quality. Quantitative elements include a goal to mobilize at least USD 300 billion a year by 2035. Developed countries taking the lead and all other countries should contribute voluntarily, drawing on a wide variety of public and private, bilateral and multilateral sources.
- Finance Ministries can play different roles in the negotiations, examples include holding a negotiating seat, supporting the delegation on- and off site, or providing analysis that supports and informs national positions.
- COP31 intends to prioritize implementation of existing climate commitments, with a strong focus on operationalizing the NCQG, both the USD300bn goal and the call to mobilize USD 1.3 trillion, in annual climate finance, tripling adaptation finance, and mobilizing private capital, e.g. through Multilateral Development Banks and innovative financing instruments. For Finance Ministries, key implications include fiscal and investment planning, creating an enabling environment for private investments, domestic resource mobilization, debt sustainability, and access to concessional finance.
- Outside the formal COP/CMA negotiation process, relevant stakeholders meet through side events, convenings, and high-level dialogues to share knowledge, build partnerships,

and announce new commitments and financing. These spaces complement the negotiations by turning political agreements into practical action and keeping momentum toward climate action.

1. What the COP/CMA negotiations are and why they matter

The Conference of the Parties (COP) is the supreme decision-making body of the United Nations Framework Convention on Climate Change (UNFCCC), adopted in 1992. When the Paris Agreement was adopted in 2015, a parallel body was set up to take decisions under that treaty: the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA). The COP is made up of all Parties to the Convention, and the CMA is made up of all Parties to the Paris Agreement. The two bodies meet jointly each year under a presidency that rotates among the five UN regional groups. The Presidency usually guides the negotiations, builds consensus, and steers discussions toward agreed outcomes. At COP31 in November 2026, however, these responsibilities are split: Türkiye hosts the conference and holds the Presidency, while Australia serves as President of Negotiations.

The annual COP marks the culmination of a year-long negotiation process, supported by two permanent subsidiary bodies that undertake technical and substantive preparatory work. Decisions are adopted by consensus, meaning that no Party formally objects to their adoption, rather than requiring explicit agreement from every Party. As the UNFCCC's draft voting rules have never been formally adopted, a single Party can potentially block consensus. This makes negotiations complex and often protracted, with final outcomes reflecting compromises needed to accommodate diverse national interests.

Countries rarely negotiate in isolation. Many coordinate their positions through established negotiating groups, including the Group of 77 and China (G77 and China), the African Group of Negotiators (AGN), the Least Developed Countries (LDC) Group, the Alliance of Small Island States (AOSIS), and the European Union (EU), which negotiates on the basis of common positions agreed among its Member States. These groups play an important role in shaping negotiating priorities, building alliances, and influencing outcomes.

While COP/CMA decisions are not legally binding in all respects, and do not always translate into direct obligations for Finance Ministries, they may nevertheless shape national policy priorities and international expectations. They influence the costing and financing of Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs), investor and donor decisions, and broader discussions on public finance and climate action. At the national level, climate objectives are balanced against competing development/growth/political priorities and limited fiscal space. Therefore, Finance Ministries should strive for climate commitments that are fiscally realistic, financially viable, and aligned with broader economic and development objectives. Early engagement allows them to inform negotiating positions, either through direct participation or strategic guidance.

1.1- Why COP matters to a Finance Ministry

COP/CMA discussions on mitigation, adaptation, just transition and means of implementation (finance, technology and capacity-building) can shape public spending priorities, revenue

instruments, and medium- to long-term fiscal planning. Proposals relating to carbon markets and pricing, taxes, and levies may also have implications for revenue mobilization, competitiveness, and distributional outcomes. Finance Ministries bring an essential perspective on affordability, fiscal space, and trade-offs between climate objectives and other national priorities.

Table 1 sets out where COP/CMA topics can meet typical Finance Ministries' responsibilities.

Table 1: Where COP topics can meet typical Finance Ministries responsibilities

COP topics	What it can mean for the finance ministry
Mitigation, adaptation and just transition	Assessing the macroeconomic, fiscal, employment and competitiveness implications of the transition; managing fossil-fuel revenues; supporting economic diversification and affected sectors and communities. Identifying financing needs for technology deployment; designing fiscal incentives for innovation and technology adoption; mobilizing international support and strengthening institutional capacity. Public spending priorities, revenue instruments and medium- to long-term fiscal planning
Carbon pricing, taxes and levies	Revenue mobilization, competitiveness and distributional outcomes
NCQG	Which instruments count and on what terms; the role of multilateral development banks; how contributions are measured and reported; access and absorption capacities of climate finance; implications for the budget and thus also for debt; strategic use of concessional resources to crowd in private finance etc.
Climate funds: governance, replenishment, eligibility and access	Contributions and replenishment decisions; participation in fund governance; accreditation of national entities, eligibility and access; project preparation and alignment with domestic priorities; integration of external financing into the budget, management of grants and loans, and assessment of debt sustainability and fiscal risks
Article 2.1(c) of the Paris Agreement	Although there is no consensus on the definition or meaning of Art. 2.1c, discussions may have an impact on generally all topics of Finance Ministries including domestic sustainable finance frameworks, financial-sector policies, investment incentives and measures to mobilize private capital, with the ministry's role depending on the division of responsibilities among fiscal authorities, financial regulators and other institutions.

Adaptation and loss and damage; including National Adaptation Plans (NAPs)	Costing and financing of NAPs, financing climate-resilient infrastructure; assessing and managing climate-related fiscal risks; disaster risk financing; budgetary impacts of extreme weather and other climate-related losses
Nationally determined contributions (NDCs)	Costing and financing of NDCs; macroeconomic and fiscal inputs to targets; alignment with budget cycles, medium-term fiscal frameworks and public investment management; enabling conditions for private investment, investment planning and implementation roadmaps
Carbon markets (Article 6.2 and 6.4)	Fiscal treatment of transaction fees, levies and revenues; legal classification, accounting and taxation of carbon credits; effect of corresponding adjustments on achieving NDC targets; fiscal exposures from guarantees or public commitments; coordination with environment ministries on authorization and accounting

Source: Own elaboration.

International climate finance

The NCQG sets a collective goal of at least USD 300 billion a year by 2035 for developing countries, with developed countries taking the lead and other countries with financial capabilities contributing voluntarily to the 300bn, from a wide variety of public and private, bilateral and multilateral sources. For Finance ministers in both contributor and recipient countries, these discussions raise practical questions. Which instruments count, and what terms? What role should multilateral institutions such as vertical funds and multilateral development banks play? How can climate finance be accessed and what are the domestic absorption capacities for international finance? How are contributions measured and reported, and what are the implications for the budget and thus indirectly for the debt? How to use concessional resources strategically and catalytically to mobilize additional public and private capital and risk-sharing investment opportunities?

In addition, it includes a decision to pursue efforts to at least triple annual outflows from UNFCCC Funds (the Green Climate Fund, the Global Environmental Facility, the Adaptation Fund, the Least Developed Country Fund and the Special Climate Change Fund) from 2022 levels by 2030. Qualitative elements include improving access to climate finance and the impacts and outcomes of climate finance flows.

Climate funds: creation, eligibility and access

COP decisions can influence the governance, strategic priorities, and operational frameworks of international climate funds, including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF) and Fund for Responding to Loss and Damage (FRLD). These funds provide grants, concessional loans, guarantees, and other financial instruments to support climate action, according to their respective mandates. Finance Ministries may engage directly in fund governance (i.e. the boards), replenishment discussions, and decisions

on financial contributions, while also playing a role in accessing and managing resources at the country level. Their involvement varies according to national institutional arrangements and fund-specific requirements.

For recipient countries, Finance Ministries can play an important role in aligning climate finance with national development priorities, Nationally Determined Contributions (NDCs), and public investment frameworks. Their engagement may extend to coordinating project preparation, supporting access to financing through accredited institutions, and facilitating cooperation among environment ministries, sectoral agencies, implementing entities, and development partners. Access to these resources depends on fund-specific eligibility and accreditation requirements, institutional capacity, and the availability of well-prepared investment projects.

Finance Ministries also have responsibilities related to fiscal management and oversight of climate finance, particularly when resources are channeled through government systems. These include integrating external financing into national budgets, managing grants and loans, assessing debt sustainability and fiscal risks, and ensuring consistency with public financial management requirements. Their engagement is therefore important in connecting international climate finance commitments with national financing strategies and translating available resources into investments that support climate and development objectives.

Financial flows, investment, and resilience

Article 2.1(c) of the Paris Agreement establishes the objective of making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Its implementation intersects with domestic sustainable finance frameworks, financial-sector policies, investment incentives, and measures to mobilize private capital. The extent of Finance Ministries involvement depends on national institutional mandates and the division of responsibilities among fiscal authorities, central banks and financial regulators, and other government institutions. Discussions are also relevant to international coordination of financial sector policies, standards and regulations, such as climate-related disclosure frameworks, fiscal space, or cross-border investment and cost of capital.

Adaptation and loss-and-damage negotiations also have implications for public finances, particularly in relation to costing and financing of NAPs and climate-resilient infrastructure. Emerging issues relate to assessing and managing climate-related fiscal risks and addressing the budgetary impacts of extreme weather events and other climate-related losses. These issues intersect with public investment management, fiscal risk assessment, disaster risk financing, and broader economic resilience strategies.

From international commitments to domestic policy

COP outcomes also influence the financing and implementation of a country's Nationally Determined Contributions (NDCs), a country's self-defined climate action plans under the Paris Agreement to reduce greenhouse gas emissions and adapt to climate impacts - i.e. domestic economic planning, fiscal policy, public financial management, and national development priorities. Finance Ministries' involvement in NDC development and implementation helps ensure that climate targets are informed by macroeconomic and fiscal considerations, aligned with national and sectoral investment plans, and supported by credible financing strategies

This relationship operates in both directions: international commitments have implications for public expenditure, investment requirements, regulatory frameworks, and private capital mobilization, while domestic fiscal conditions, institutional capacities, and development priorities shape the feasibility and implementation of national commitments. Early engagement of Finance Ministries in the NDCs process can help identify investment needs, assess financing gaps, and align climate objectives with budget cycles, medium-term fiscal frameworks, and public investment management systems.

Beyond public financing, fiscal and regulatory policies influence the enabling conditions for private investment, including market incentives, policy predictability, and the allocation of financial risks. The extent and nature of Finance Ministries' involvement varies across countries, reflecting differences in institutional mandates, economic circumstances, and national coordination arrangements. Integrating these considerations throughout the NDCs cycle strengthens the connection between climate commitments, investment planning, and their practical implementation.

Carbon markets and Article 6

Article 6 of the Paris Agreement establishes a framework for voluntary international cooperation in implementing NDCs, including through international carbon markets. At COP29, Parties adopted the remaining decisions needed to operationalize two market-based approaches. Article 6.2 enables bilateral and multilateral transfers of internationally transferred mitigation outcomes (ITMOs). Article 6.4 establishes a centralized, UNFCCC-supervised crediting mechanism, the Paris Agreement Crediting Mechanism. Both approaches offer opportunities to mobilize financing for emission reductions, while requiring robust authorization, accounting, and reporting arrangements to prevent double counting and ensure environmental integrity. Some technical work continues after COP29. Under Article 6.4, for example, methodologies still have to be approved under the adopted standards and supporting infrastructure completed, and some technical questions were left for later review.

The development of Article 6 markets has important implications for Finance Ministries, particularly in relation to carbon pricing, public revenue, taxation and financial regulation. Carbon market transactions may interact with domestic carbon taxes and emissions trading systems, while the transfer and use of carbon credit raises questions about their legal classification, accounting treatment and taxation. Finance Ministries may also be involved in determining the fiscal treatment of transaction fees, levies, and revenues generated through carbon market activities, depending on national institutional arrangements.

Participation in international carbon markets can also affect national fiscal planning and the achievement of NDCs targets. The authorization and international transfer of mitigation outcomes require corresponding adjustments, which affect the mitigation outcomes available for meeting domestic commitments and may influence future mitigation costs. Where governments provide guarantees, enter contractual arrangements or commit public resources; carbon market participation may also create fiscal exposures. Finance Ministries therefore have a role in assessing potential financial risks and ensuring that carbon market arrangements are consistent with national fiscal, investment, and development priorities.

Operationalizing Article 6 requires coordination across government institutions and may involve adjustments to domestic legal, regulatory, and institutional frameworks. While

environment ministries typically lead on mitigation accounting and authorization, finance ministries may contribute expertise on fiscal instruments, taxation, public financial management and financial-sector policies. Challenges remain regarding credit quality, transparency, authorization procedures, and regulatory consistency. For Finance Ministries, effective governance of Article 6 is therefore relevant not only to mobilizing climate finance and private investment, but also to managing potential fiscal, financial and reputational risks associated with carbon market participation.

2. Different Models of Finance Ministries Engagement in COP Negotiations

Finance Ministries engage in international climate negotiations through different institutional arrangements, reflecting national mandates, the division of responsibilities across government, and the level of involvement in climate policy. While some Finance Ministries participate directly in negotiations, others contribute through on-site technical support or domestic policy coordination. The illustrative experiences shared by Indonesia, Germany, and the United Kingdom during the Coalition's October 2025 information session highlight three distinct approaches through which Finance Ministries can help shape national negotiating positions and influence international climate finance discussions.

Table 2: Three illustrative models of Finance Ministry engagement in COP negotiations

	Direct negotiator	On-site support	Indirect Engagement
Country case	Indonesia	Germany	United Kingdom
Finance Ministry role	Holds the negotiating seat for climate finance within the national delegation	Contributes to positions within the German negotiation team at COP/CMA and participation in forming the EU position	Contributes to cross-government positions and scrutinizes economic and fiscal implications while the lead team negotiates
Main watch-point	Coordination with other ministries where climate finance meets mitigation, adaptation or diplomatic priorities	Coordination with the negotiators and focusing on the most relevant finance items	Support runs through policy development and communication with the delegation

Source: Own elaboration based on the Coalition COP 101 workshop held in October 2025.

2.1- Direct Participation in Negotiations: Indonesia

In Indonesia, the Finance Ministry takes an active role in international climate finance negotiations as part of the national delegation. Under this arrangement, officials occupy negotiating seats and participate directly in discussions on climate finance, contributing to the formulation of national positions and the development of negotiated outcomes.

Direct participation enables the Ministry to bring fiscal, financial, and economic perspectives into the negotiations as they unfold, while also considering legal aspect of the conventions (UNFCCC & Paris Agreement) and considering development of negotiation process. Officials engage directly with proposed decision texts, assess the implications of emerging commitments, and contribute technical expertise on issues such as international financing arrangements, financial instruments, and resource mobilization. This involvement also provides the Ministry with first-hand knowledge of negotiating dynamics and opportunities to engage with counterparts from other countries.

A distinguishing feature of this model is the integration of financial expertise into the formal negotiating process. While the Ministry assumes a direct negotiating role on climate finance, coordination with other government institutions remains essential to ensure that financial considerations are aligned with broader national priorities on climate change, development, and international cooperation.

2.2- On-Site Policy and Technical Support: Germany

In Germany, Finance Ministry officials contribute to climate negotiations through policy coordination and technical support, within the European Union's common negotiating framework. For example, the yearly EU Council Conclusion on climate finance formulates the EU position on finance items and is negotiated by the Finance Ministries before the COP/CMA. During the COP/CMA, they contribute to the development of negotiating positions and provide specialized expertise on issues with fiscal, financial, and economic implications.

A central feature of this approach is the presence of Finance Ministry officials at COP/CMA, which facilitates close interaction with the negotiating team and other government representatives. This allows the Ministry to follow developments in real time, provide timely technical input on emerging proposals, and support discussions where climate finance intersects with national and European financial policy priorities.

The model also highlights the importance of coordination across national and regional institutions. As negotiations take place within the EU framework, Finance Ministry engagement involves contributing to common positions and maintaining exchanges with domestic ministries and European counterparts. Through this arrangement, the Ministry supports negotiations by providing technical expertise and policy advice while leaving primary negotiating responsibilities to designated representatives.

2.3- Policy Advisory and Remote Coordination Model: United Kingdom

HM Treasury contributes to climate negotiations primarily through policy development, interministerial coordination, and technical advice, without participating directly in the negotiations, which are led by the climate ministry. Under this arrangement, HM Treasury can help shape cross-government positions on climate finance and ensure that national negotiating priorities take account of broader fiscal, financial, and economic considerations.

A distinguishing feature of this approach is the separation between the negotiating team attending COP and Finance Ministry officials providing policy support remotely. While designated negotiators conduct formal discussions, HM Treasury can contribute to the

assessment of emerging proposals, provide expertise on international financing arrangements, and advise on the potential fiscal and economic implications of negotiated outcomes. Its involvement may also vary according to the relevance of specific agenda items to the Ministry's responsibilities.

In this model, the Finance Ministry supports climate negotiations through established domestic coordination mechanisms, even without on-site participation. The Ministry's contribution is exercised through the development of government positions, technical consultations, and communication with the national delegation, allowing financial and economic considerations to inform negotiations.

3. COP31/CMA8

COP31/CMA8 will take place from 9 to 20 November 2026 in Antalya, Türkiye, with Türkiye hosting the conference and leading the Action Agenda, while Australia will preside over the negotiations. The conference is expected to focus primarily on implementing existing climate commitments rather than establishing new targets.

Climate finance will be a central priority, particularly the implementation of NCQG agreed at COP29. Under it, developed countries take the lead in mobilizing at least USD 300 billion annually by 2035 from a wide variety of public and private sources, including MDBs. It sits within a broader call on all actors to scale up climate finance to at least USD 1.3 trillion annually by 2035. Arrangements for implementation, tracking, and accountability are still being operationalized. Key open issues include the respective roles of public and private finance, accessibility of finance, and how progress is measured and reported.

Adaptation finance and private capital mobilization will also be important areas of discussion. Developing countries' adaptation finance needs are estimated at USD 310–365 billion annually, compared with approximately USD 32 billion in international public adaptation finance flows in 2024. Building on the COP30 commitment to triple adaptation finance by 2035 (within the NCQG), COP31 is expected to provide further guidance on the follow-through. Discussions on scaling up climate finance will also consider how MDBs and public financial instruments can help mobilize private investment, including through guarantees, blended finance, foreign exchange risk mitigation, and local-currency financing.

For Finance Ministries, these negotiations have important implications for fiscal planning and public investment, domestic resource mobilization, debt sustainability, access to concessional finance, and the development of enabling environments for private investment. They also reinforce their role in aligning national climate commitments with fiscal frameworks and investment strategies.

4. Opportunities for Engagement Outside the formal COP Negotiation Process

Over time, COPs have grown beyond negotiating venues. Alongside the formal COP/CMA process, they now serve as major platforms where governments, multilateral development banks, the private sector, civil society, Indigenous Peoples, youth, and subnational actors discuss how to turn climate commitments into action. Through side events, country and thematic pavilions, high-level roundtables, and the Global Climate Action Agenda,

stakeholders share knowledge and lessons from implementation, build partnerships, launch initiatives, and mobilize finance. These exchanges complement the negotiations by focusing on how agreed goals can be delivered on the ground, and they help sustain momentum for climate action.

The Coalition of Finance Ministers for Climate Action convenes at COP in this spirit. Rather than taking part in the negotiations, it uses the gathering as an opportunity for dialogue and peer exchange on implementation lessons and opportunities. During COP31/CMA8 in Antalya, the Coalition will hold a series of engagements that bring members together to share country experiences and strengthen the role of Finance Ministries in advancing climate action.