Foreign aid and climate finance, Australia's dismal track record

Despite talk and agreements, developing nations are effectively receiving no climate finance

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November 2025

INTRODUCTION

Despite long standing international commitments to spend 0.7% of national income on foreign aid, and despite Labor Party policy requiring at least 0.5% of national income to be spent on foreign aid, Australia's support for developing countries has declined significantly over the past fifty years. In recent years, Australian governments began to shift their emphasis away from their failure to meet promised Official Development Assistance (ODA) and towards poorly defined commitments to increase spending on 'climate finance'. But even when these new commitments are included, the analysis presented below shows that Australia is not just failing to meet its stated targets but falling further behind them.

According to Australia's Department of Foreign Affairs and Trade (DFAT), the Australian Government will provide $3 billion in climate finance over the five years to 2025, including $1.3 billion to the Pacific region.[1] While annual expenditure of around $600 million per year in climate finance, $260 million of which is earmarked for the Pacific, may seem significant, when this support is compared to total Australian Government spending, to the ODA commitments of other countries, or even Australia's previous promises on foreign aid, this is clearly not the case. The analysis below presents Australia's climate finance in such context.

While the Australian Government's commitments may seem clear, if not generous by historical or international standards, the measurement and analysis of OECD countries'

[1] DFAT (2025) *Delivering on our climate finance commitments*, https://www.dfat.gov.au/international-relations/themes/climate-change/supporting-indo-pacific-tackle-climate-change/delivering-our-climate-commitments

ODA and climate finance contributions is more complex than many would imagine. The overlap in the definitions of what constitutes ODA and climate finance is often unclear, which makes it relatively easy for the governments of OECD countries, including Australia, to claim that they are increasing 'climate finance' when in reality their ODA commitments are stagnating or even falling.

This paper provides an overview of the concepts and measurement of the OECD's and Australia's ODA and climate finance contributions. It shows that Australia's track record is poor with regard to both ODA and climate finance.

Significantly, under the *United Nations Framework Convention on Climate Change* (UNFCCC) a key principle is that climate finance should be in addition to ODA, not a substitution for ODA and not double counted. When this principle of *additionality* is applied it is clear that the Australian Government's climate finance contribution in the five years to 2025 is zero dollars. Over the same period, the Australian Government spent $54 billion in fossil fuel subsidies.[2]

A BRIEF HISTORY OF PROMISES ABOUT OFFICAL DEVELOPMENT ASSISTANCE

In 1970 the United Nations (UN) General Assembly adopted a resolution for a collective goal that 0.7% of Gross National Product (GNP) from economically advanced nations should be directed as government-funded foreign aid for developing countries.[3] Over time, with some amendments, this target has become the generally accepted target for global Official Development Assistance[4] (ODA), now stated as 0.7% of Gross National Income (GNI).

Australia is a signatory to this UN resolution and so is committed to this 'aspirational' goal. Despite this international commitment, current ALP Party policy has a specific aim of increasing foreign aid to just 0.5% of GNI.[5]

While the 0.7 % target has been regularly met by some countries including Denmark, Netherlands, Norway and Sweden, no Australian Government has ever achieved it.

[2] Grudnoff & Campbell (2025) *Fossil fuel subsidies in Australia 2025*, https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2025/

[3] Development Initiatives (2013) *0.7% Aid Target Factsheet,* https://devinit.org/resources/0-7-aid-target-2/

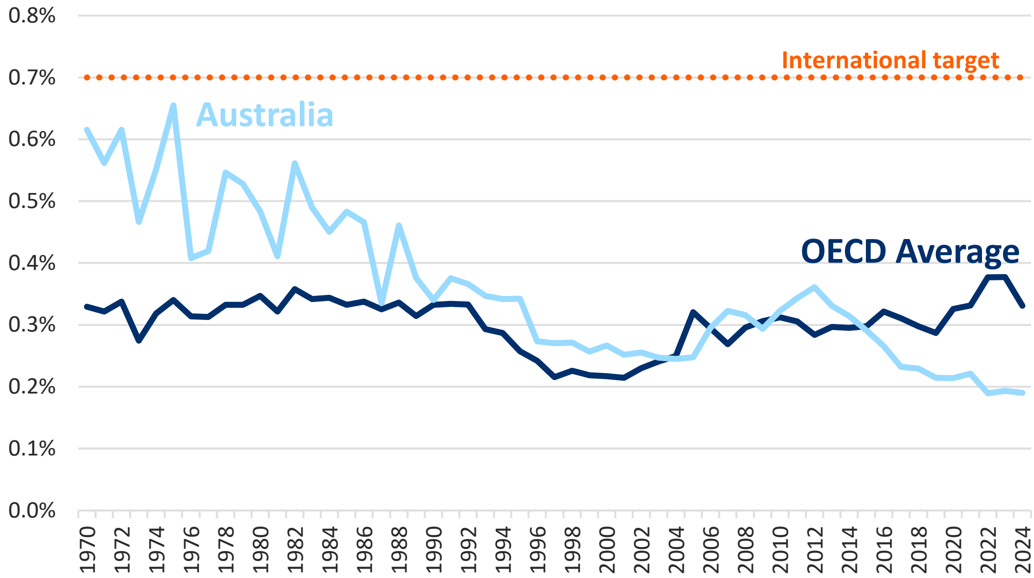
[4] OECD (2025) *Official development assistance (ODA)*, https://www.oecd.org/en/topics/policy-issues/official-development-assistance-oda.html

[5] ALP (2023) *Australian Labour Party National Platform*, https://www.alp.org.au/media/3569/2023-alp-national-platform.pdf

Australia is not alone in failing to meet its commitment to increase ODA spending. Consequently, and as shown in Figure 1, since 1970 global ODA spending has remained around 0.33% of GNI with a decline beginning in the early 1990s and some improvement in the early 2000s.[6]

Australia's expenditure on ODA, on the other hand, has remained on a long downward trend, with the current ALP policy target of 0.5 % of GNI not being achieved since 1983. Australia's ODA spending now ranks as the 28th lowest of the 32 OECD countries.

Figure 1: Official development assistance (ODA) vs international target GNI, %

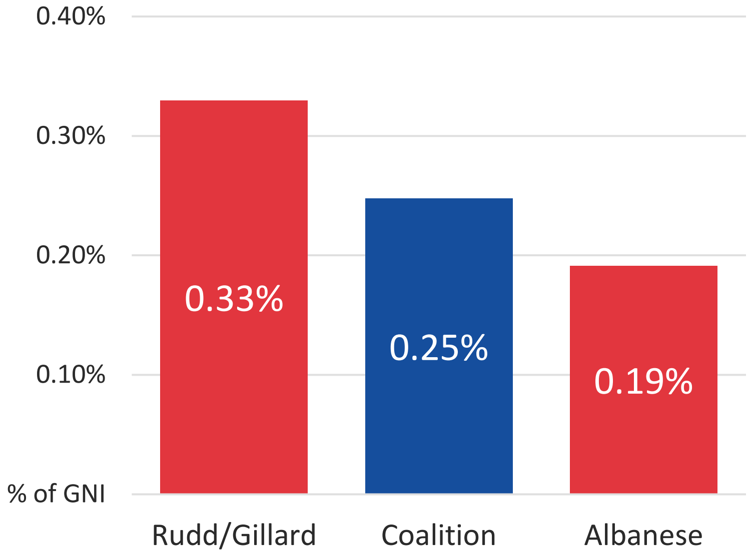


Sources: OECD (2025)

The alarming trend in Australia's recent ODA commitments is further highlighted in Figure 2 below, which compares the average ODA commitment for the current Albanese Government with that of the previous Coalition and Rudd/Gillard Governments.

[6] OECD (2025) *OECD data explorer - DAC1: Flows by provider,* https://data-explorer.oecd.org/?lc=en

Figure 2: Comparison of ODA commitments under various government, 2007 to 2024



Sources: OECD (2025)

The data in Figure 2 shows that since coming to office in May 2022 the Albanese Government has failed to address the decline in ODA experienced under the previous Coalition Government and appears to be moving further away from its policy target of 0.5% of GNI.

A BRIEF HISTORY OF CLIMATE FINANCE PROMISES

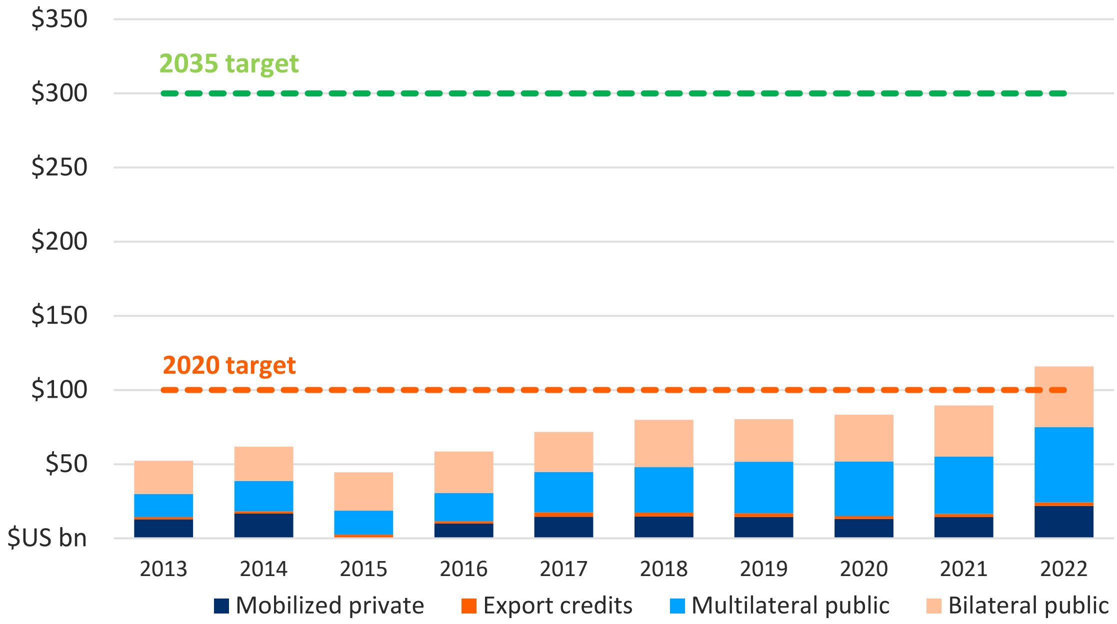
Since the earliest days of the UN's global climate conferences, it has been a widely accepted principle that that developed nations should contribute finance to developing countries to mitigate and adapt to climate change, not least because the developed countries caused climate change with their early reliance on fossil fuels. This flow of finance is broadly defined as *climate finance*.

At the 15th Conference of Parties (COP15) of the *United Nations Framework Convention on Climate Change* (UNFCCC) in Copenhagen in 2009, developed countries formally committed to a collective goal of mobilising US$ 100 billion of *climate finance* per year by 2020 for climate action in developing countries, a goal that was not achieved until 2022 (Figure 3).[7] As shown in Figure 3 the goal was achieved through a mix of different types of climate finance including, but not limited to, publicly funded

[7] OECD (2024) *Climate Finance Provided and Mobilised by Developed Countries in 2013-2022*, https://www.oecd.org/en/publications/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2022_19150727-en.html

official development assistance (ODA), either bilateral or multilateral. Other forms of climate finance include *Export credits* and *Mobilized private finance*.[8]

Figure 3: Climate finance contributions and targets, developed countries, US$ billion



Sources: OECD (2024) Note: 2015 has missing data for Mobilized private finance.

More recently, at the COP29 conference held in 2024, a new commitment was made, called the *New Collective Quantified Goal on Climate Finance.* This goal is to increase annual climate finance from developed countries to $300 billion a year by 2035, and $1.3 trillion a year from 'all actors', which presumably includes developing countries' own funding. One trillion dollars a year is an estimate regularly used by the OECD as the level of climate finance developing countries will need each year to address climate change.[9] While the $1.3 trillion target might seem enormous and unachievable, in reality, it would account for just over 2% of the OECD countries' GNI in 2024.[10]

Similarly, while the $300 billion a year target for climate finance from the developed countries may appear to be a large increase, the 2035 target would require just 7% growth per year in additional climate finance. In comparison, $300 billion a year

[8] Definitions of the different types of climate finance can be found in OEDC (2025).

[9] Songwe, Stern & Bhattacharya (2022) *Finance for Climate Action: Scaling Up Investment for Climate and Development* https://www.lse.ac.uk/granthaminstitute/publication/finance-for-climate-action-scaling-up-investment-for-climate-and-development/

[10] OECD (2025)

represents just 1.9% of the developed countries $1.54 trillion annual military expenditure.[11]

The definition of ODA is quite clear and contributions to it are relatively easy to identify in government budget documents. The same is not true for climate finance. Definitions and published estimates of climate finance include not only government spending, but also private debt, equity and even the purchase of carbon offsets. In turn, accurately measuring climate finance that has been 'mobilised' by international agreement is deeply problematic as it requires the ability to identify, for example, which loans made from an Australian bank to a private company in a developing country are not just for 'climate related purposes', but were loans that would not have been made without the commitments made at COP29.

Put simply, while it is hard for national governments to distort the amount of money they provide to the UN, IMF, World Bank or directly to other countries, it is easy for banks and other private organisations to exaggerate, or simply lie, about the amount of 'new climate finance' they are providing or 'mobilising'. For example, fraud in relation to globally traded carbon offsets has been widely reported.

Similarly, while it is relatively straightforward to distinguish between the amount of cash support, as opposed to debt finance, provided by the government of a developed country, such distinctions are not always obvious when claims about climate finance are being discussed. Obviously developing countries derive significantly greater benefit from billions of dollars in aid than from billions of dollars' worth of interest-bearing debt, but general claims about the amount of 'climate finance' typically conceal such distinctions.

While much is made of the role of the private sector in the provision of climate finance, it is obvious from Figure 3 above that the vast majority of climate finance comes from the public sector. Indeed, as shown in Figure 3, the proportion of climate finance coming from the private sector has declined steadily since 2013. While private sector involvement in climate finance attracts much attention, in reality the vast majority of support will likely continue to flow from government budgets in the coming decades.[12]

[11] World Bank (2025) *Military expenditure (current USD) - OECD members*, https://data.worldbank.org/indicator/MS.MIL.XPND.CD?locations=OE

[12] UNEP (2016) *Demystifying Adaptation Finance for the Private Sector*, https://www.unepfi.org/wordpress/wp-content/uploads/2016/11/DEMYSITIFYING-ADAPTATION-FINANCE-FOR-THE-PRIVATE-SECTOR-AW-FULL-REPORT.pdf

CLIMATE FINANCE AS GREENWASHING

Because of the central role of public finance in the quantity and quality of climate finance, it is important for analyses of climate finance to focus on the founding principle of the UNFCCC that developed countries "shall provide new and additional financial resources to meet the agreed full costs incurred by developing country parties".[13] That is, climate finance is to be in addition to ODA, not instead of it, nor simply the repackaging of historic ODA programs as 'climate finance'.

But despite the clarity of the principle of additionality, recent OECD analysis of climate finance contributions suggests almost half of the public money described as climate finance by OECD countries was not actually funding that was in addition to previous aid spending. According to the OECD, so called climate finance was largely coming from the re-badging or re-focussing of existing development and aid expenditure.[14]

It is not hard to argue that until developed countries reach their 0.7% GNI-ODA target *no* climate finance is truly additional – a point made clear by Timor-Leste at COP28.[15] Consider, for example, how a worker who was waiting for a long promised a 10% pay rise would react if their employer received a round of applause for publicly promising an 'additional' 2% cost of living supplement before delivering on their promise to increase wages by 10%. Should the worker be happy to receive the 2% bonus or angry that their wages remain 8% below what was promised? Just as workers who were paid what they were promised would be in less need of a 'supplement', countries that received the ODA they were promised by countries like Australia would be better able to tackle climate change, even without climate finance.

The position that climate finance commitments cannot be considered even partially met until developed countries reach their 0.7% ODA targets is known as *strong additionality.*[16] Proponents of *strong additionality* argue that when measuring expenditure on climate finance we should start from the point of view that countries like Australia are morally obliged to live up to their historic promises on ODA first. The Albanese Government clearly rejects this view and, indeed, Labor's platform commits Labor governments to breaking that promise by delivering just 0.5% of GNI. In terms of

[13] UN (1992) United Nations Framework Convention on Climate Change, FCCC/INFORMAL/84 GE.05-62220 (E) 200705, p. 8. https://unfccc.int/resource/docs/convkp/conveng.pdf

[14] Mitchell, Ritchie and Tahmasebi (2021) *Whose Climate Finance is "New and Additional"?* Center for Global Development, https://www.cgdev.org/blog/whose-climate-finance-new-and-additional

[15] Ramos-Horta (2023) *COP28 Dubai: Timor-Leste's Country Statement*, https://unfccc.int/sites/default/files/resource/TIMOR_LESTE_cop28cmp18cma5_HLS_ENG.pdf

[16] Advocates of *weak additionality* say climate finance should be addition to the **level** of development assistance in 2009.

Figure 1, proponents of *strong additionality* argue that until developed countries ODA rises above the horizontal line representing 0.7% of GNI no promises of new aid can be considered climate finance since they are obviously not in addition to the promises already made.

While the UNFCCC principle that climate finance should be additional to existing ODA commitments is clear, some countries argue that new funding can be considered 'additional' if it is in addition to the *level* of ODA that was being provided in 2009. This interpretation of the UN principles, known as *weak additionality,* allows countries that have reneged on their goals to spending 0.7% of GNI on ODA to claim that they are providing 'additional' climate finance as long as they are spending more on ODA than they were at the time they signed the 2009 agreement. As shown in Figure 1, Australia is spending far less than 0.7 % of GNI on ODA, and is spending far less on ODA than it was in 2009, it is clear that Australia cannot legitimately claim to be spending anything on climate finance as it is not meeting either the strong or weak additionality test.

Leaving aside the moral arguments for holding countries like Australia to their historic promises, and ignoring the diplomatic consequences of reneging on some promises in order to fund new ones, there are significant and immediate consequences of diverting money from traditional ODA to climate finance.

Without *strong additionality* most public funded climate finance is taken directly from development aid budgets.[17] This means that promises to increase climate finance can directly undermine support for health, education, women's rights, poverty alleviation, and progress towards the achievement of the Sustainable Development Goals. Moreover, these other development programmes will likely require additional support as the negative impacts of climate change increase. Taking money from one development programme bucket and tipping it into another does little to improve development outcomes in developing countries.

GLOBAL PERFORMANCE ON ODA AND CLIMATE FINANCE

When the data on ODA and climate finance are combined it is straightforward to see how little has been achieved, globally and in Australia, since climate finance commitments were first made.

[17] CARE Denmark & CARE Climate Justice Center (2023) *Seeing Double – Decoding the 'additionality' of climate finance*, https://careclimatechange.org/seeing-double-decoding-the-additionality-of-climate-finance/

Developed countries have made virtually zero progress towards their shared 0.7% commitment, as despite a recent uptick in spending in 2022 and 2023, the fall in 2024 means ODA is right back at the level it was in 1970, 0.33% of GNI, when commitments were first made.

Research by CARE showed over the period 2011 to 2020 only three countries, Luxembourg, Norway, and Sweden, provided any climate finance under the principle of *strong additionality*.[18] According to CARE this means that only US$ 20 billion in genuine climate finance was provided over the period 2011 to 2020, or on average of only US$ 2 billion a year.[19] To put that in perspective, US$ 2 billion is equivalent to around A$3.1 billion and the Australian Government alone spends more than $12 billion per year on fossil fuel subsidies.[20]

In summary, when spending by developed countries on climate finance is measured in terms of spending over and above the amount developed countries had already promised to spend, then the entire global expenditure on climate finance each year is less than Australia alone spends on fossil fuel subsidies.

AUSTRALIA'S CLIMATE FINANCE

Australia is not one of the three countries that CARE identified as providing any climate finance over period from 2011 to2020.[21]

Since the original climate finance target was announced in 2009, Australia's development assistance, ODA, has shrunk from 0.29% of GNI down to 0.19% of GNI. The fifth largest fall amongst the 32 OECD countries.[22] This makes claims that the Australian Government will deliver $3 billion in climate finance in the period 2020-25,[23] and $1.3 billion for the Pacific region, dubious in the extreme.

Even if the Australian Government tried to rely on the concept of *weak additionality*, that is, that climate finance can be measured as being additional to the level of ODA in 2009, Australia's climate finance contributions remain highly questionable. While the

[18] CARE Denmark & CARE Climate Justice Center (2023), p.7

[19] CARE Denmark & CARE Climate Justice Center (2023), p.6

[20] Grudnoff & Campbell (2025) *Fossil fuel subsidies in Australia 2025*, https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2025/

[21] CARE Denmark & CARE Climate Justice Center (2023), p.6

[22] Australian Aid Tracker (2025) https://aidtracker.devpolicy.org/

[23] DFAT (2025) *Delivering on our climate finance commitments*, https://www.dfat.gov.au/international-relations/themes/climate-change/supporting-indo-pacific-tackle-climate-change/delivering-our-climate-commitments

absolute level of climate finance is recorded to have risen from $346 million in 2021-22 to $783 million in 2023-24.[24] Over the same period, ODA as a percentage of GNI has fallen from 0.2% to 0.18%.[25] This means that ODA in 2023-24 was around half a billion dollars a year lower than it would be had ODA remained at 0.2% of GNI.

As Australia's expenditure on ODA has declined as a percentage of GNI, and as Australia has agreed to the principle that climate finance should be additional to ODA, then there is no internationally accepted definition by which the Australian Government could claim to be providing any actual climate finance at all.

There is no doubt that the Australian Government is aware that it is failing to meet the principles of additionality that it has committed to achieving. The Australian Government's own website admits that funding for climate finance is coming "largely through existing ODA commitments."[26] This is clear evidence that the Australian Government's climate finance contributions conform to neither *strong* nor *weak additionality principles.*

While Australia's climate finance contributions are practically zero, and overall development assistance is on a downward trend, there is one area of climate change policy where all Australian governments, Labor and Coalition, remain committed to ambition and that is in the area of fossil fuel subsidies.

Even if the Australian Government's claim that between 2020 and 2025 it will spend $3 billion in climate finance were taken at face value, it is important to place such a figure in the context of genuine budget priorities. For example, as shown in Figure 4 below, over the same period Australian taxpayers, at the federal level spent $53.7 billion in fossil fuel subsidies.

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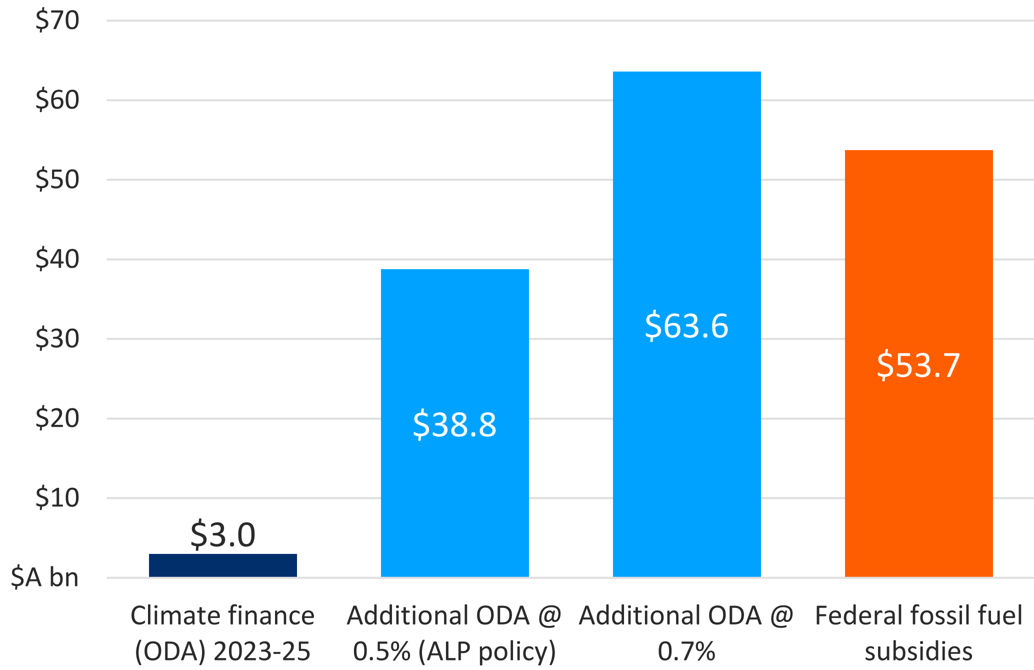
[24] DFAT (2025)
[25] Australian Aid Tracker (2025)
[26] DFAT (2025)

Figure 4: Australia's 5-year climate finance vs federal fossil fuel subsidies, A$ billion



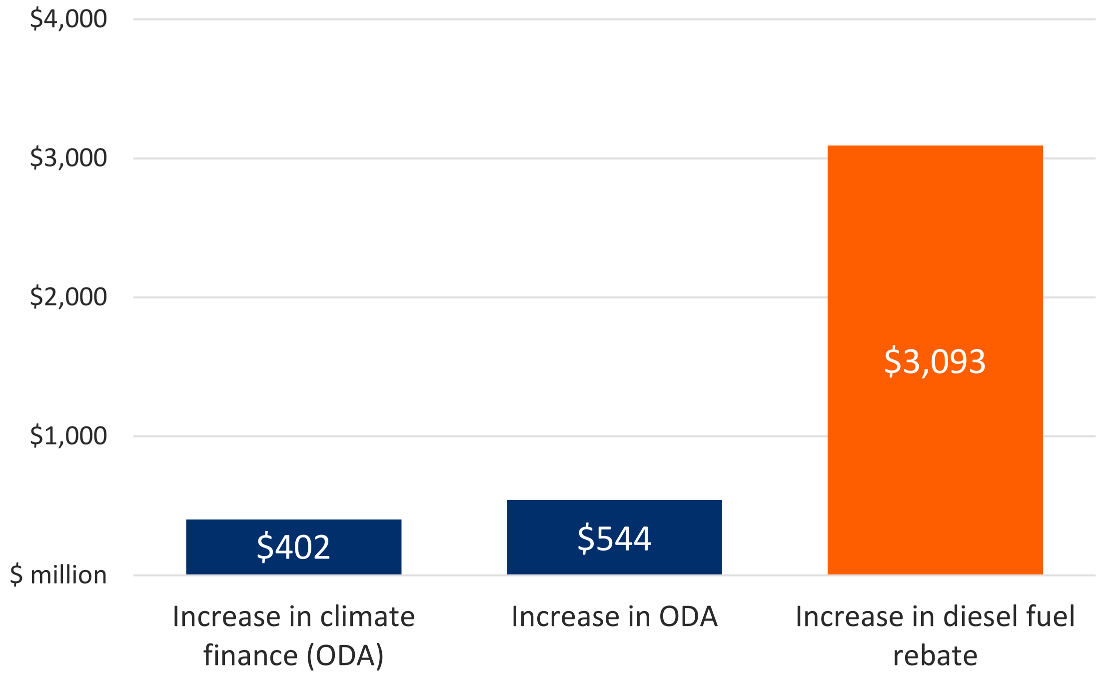
Sources: Analysis of Grudnoff & Campbell (2025) and DFAT (2025)

Even if the government managed to lift its ODA contributions to its own policy goal of 0.5% of GNI over five years and claimed it is as climate finance it would still be less than it spends on fossil fuel subsidies. Indeed, Australia would only be at risk of spending more on ODA than it currently spends on fossil fuel subsidies if it approached its international obligation to spend 0.7% of GNI on aid.

Moreover, since the election of the Albanese Government in 2022, the increase in just one fossil fuel subsidy, the diesel fuel rebate, so badly designed that even one of its biggest recipients have called for it to be abolished,[27] has increased more than the Government's claimed increase in spending on climate finance, and ODA more generally. Figure 5 below shows that since 2022 the Albanese Government spending on the diesel fuel rebate has increased by $3.1 billion compared to the claimed $402 and $544 million increases in climate finance and ODA respectively.

[27] Fortescue (2025) *Fixing the diesel rebate*, https://www.fortescue.com/en/real-zero/diesel-fuel-rebate

Figure 5: Increases in the diesel fuel rebate vs increases climate finance, 2022-25, $M



Sources: Commonwealth of Australia (2025): DFAT (2025)

If the Australian Government were serious about its commitment to addressing climate change, supporting its Pacific neighbours, and hosting COP in 2026, the least it could have done would have been to legislate a commitment to reversing the trend in ODA to achieve the 0.7% target, and to directing existing fossil fuel subsidies to genuine climate finance assistance. But as Australia continues to approve new gas and coal projects and has shown no interest in cutting fossil fuel subsidies it is hard to argue that the Albanese Government is committed to anything but rhetorical support for climate action.

CONCLUSION

Analysis of data on ODA and climate finance show the Australian Government's contribution to helping developing countries, particularly on the issue of climate change, is anything but generous. Since 1970, Australia's ODA as a share GNI has remained on a downward trend, well below Labor's stated party policy of just 0.5% of GNI, and the global target of 0.7%.

On climate finance the story is much worse. On the principle of *strong additionality*, namely that climate finance should be on top of the 0.7% target, Australia provides zero dollars of climate finance to help its Pacific neighbours address climate change. That said, at least, DFAT is transparent about its abandonment of the principle of additionality as it makes it clear on its own website that what it claims to be climate finance is predominantly taken from existing ODA commitments.

For the Australian Government to be taken seriously on its claims about helping its Pacific neighbours to address climate change, the time-series data on ODA and climate finance need to show an immediate, and ideally, legislated turnaround.

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