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Climate Finance in the Multipolar Era

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Introduction

Amid continuing conflict in the Middle East, geopolitical shifts, and policy changes in Washington, climate finance has entered a new era—one driven less by multilateral commitments and more by geopolitics, energy security, and mounting climate impacts.

New Drivers in a Fractured Order

Geopolitics has always shaped climate negotiations, but the U.S. withdrawal from the Paris Agreement, international institutions, and the Sustainable Development Goals (SDG) agenda marks a deeper shift. In Davos, Canadian Prime Minister Mark Carney stated that we face a "rupture" in the rules-based order. The post-1945 framework on which the United Nations and the international climate finance regime rest is giving way to a more fragmented landscape.

A coherent new system seems unlikely to emerge soon. Gordon LaForge has argued that the new order will be defined by "connectivity without hegemony," with state and non-state actors coalescing fluidly around specific issues; for collective action problems like trade, public health, and climate change, "this might even prove to be an improvement."

For climate finance, this may mean less reliance on consensus forums like the United Nations Framework Convention on Climate Change (UNFCCC) regime and more on coalitions of willing partners acting where security and economic interests align. The process may look messier but could move faster than lowest-common-denominator agreements. The First Conference on Transitioning Away from Fossil Fuels, which drew ministers from nearly 60 countries to Santa Marta, Colombia—but not China, India, Russia, Saudi Arabia, or the United States—reflects both the promise and the limits of such coalitions.

Energy Security and the Rise of Electrostates

Against this backdrop, the Strait of Hormuz crisis has surfaced a new generation of energy security risks. International Energy Agency (IEA) Executive Director Fatih Birol called it "the greatest energy security threat in history," and Goldman Sachs has outlined scenarios of prolonged disruption with significant scarring to long-run supply. Energy policy will increasingly be framed through security of supply rather than climate ambition.

Rather than viewing climate investments through emissions-reduction goals or Nationally Determined Contributions (NDCs), governments will prioritize secure access to fuels, critical minerals, suppliers, and trade routes. Emissions reductions are more likely to be co-benefits, rather than primary drivers. At the same time, rapid cost declines in "electrotech"—solar, storage, and electric end-use technologies—are reshaping energy economics in low-income, climate-vulnerable countries. In 8 of 10 climate-vulnerable countries "cumulative solar imports since 2017 are at least three times higher than official installed capacity." This trend will accelerate as renewables continue to out-compete fossil alternatives that are more expensive, more volatile, and less secure.

Nils Gilbert sees two broad coalitions emerging: a "Green Entente" led by China and an electrostate bloc built on solar, batteries, and mineral supply chains, and an "Axis of Petrostates" centred on the United States under Trump, Russia, and the Gulf monarchies. Countries' technology and infrastructure choices will increasingly align them with either bloc, with direct implications for climate finance flows.

Mounting Damages and the Execution Gap

Finance has not kept pace with adaptation and resilience needs. BloombergNEF estimates adaptation will require "hundreds of billions—and possibly trillions—of dollars," against current spending of only around USD 65 billion a year. The delayed achievement of the USD 100 billion goal has deepened mistrust, pushing countries toward funding that is faster and more reliable, even on less concessional terms.

Climate finance "as we know it" has reached the end of its useful life; what is needed is an execution-oriented model—"transactions to transitions"—that converts plans into investable pipelines, shifting from compliance-driven processes to risk management–driven investment.
Finance, planning, and defence ministries will play an increasingly central role, assessing climate-related investments by their contribution to reducing strategic vulnerabilities: securing water, protecting food systems, and ensuring energy supply and grid stability. NDCs now sit beneath national water, food, and energy security strategies; emissions trajectories will be derivative outcomes rather than binding constraints.

Technology, AI, and Security Timelines

Technology choices in power, transport, and digital infrastructure are becoming key signals of geopolitical positioning. AI intensifies these dynamics: it dramatically reduces the cost and time needed to model scenarios and optimize renewable energy systems, even as the build-out of data centers drives massive new electricity demand. Whether AI pushes emissions up or down will depend on whether that load is met with fossil generation or with accelerated deployment of renewables and storage.

Security concerns will dominate timelines. Governments facing imminent water scarcity, harvest failures, or grid instability cannot wait for the next COP or for complex capital-blending structures; they need financing in weeks or months, not years. Countries will prioritize speed, reliability, and control, favoring solutions—solar-powered irrigation, grid-connected cold chains, desalination backed by renewables—that address multiple risks at once.

Implications for Climate Finance

As mounting climate impacts loom, including the prospect of an El Niño, climate-aligned investment is likely to grow in new directions.

- **Utility planners will view electricity systems as resilience infrastructure.** Grid expansion, reliability, and flexibility—storage and demand response—alongside renewables will be treated as core resilience assets, especially where most primary energy is imported.
- **Policymakers will see transport electrification as strategic lock-in.** EV ecosystems—charging infrastructure, grid upgrades, local assembly, and fiscal measures—will shape industrial bases, supply chains, and geopolitical alignment, not just emissions.
- **Food and water security will be prioritized as national security.** Climate impacts on water and food are central to political stability, yet agrifood systems still receive a small share of climate finance; a security-driven lens would scale investment in resilience and supply chain diversification.

Climate finance in the multipolar era will be driven less by collective targets and more by the need to manage geopolitical security risks in a less stable world. The key question is whether this fragmented system can still bend investment toward decarbonization—needed to prevent further climate breakdown—rather than entrench vulnerability.

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