environmental investigation agency

CLIMATE

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BRIEFING

A FINANCIAL ARCHITECTURE FOR TRANSITIONING AWAY FROM FOSSIL FUELS ROADMAPS

The central role of the Green Climate Fund

MATCHING THE MOMENT

Fossil fuels are the primary driver of the climate crisis, responsible for the majority of global greenhouse gas emissions.[1]

Phasing out fossil fuels is the most important step the world can take to limit warming and protect communities. For years, scientists, civil society and impacted countries and communities promoted action on fossil fuels, yet it has remained marginalised from multilateral discussions. That is beginning to change.

In recent years, political momentum around a fossil fuel transition has increased significantly. In 2023, the first Global Stocktake (GST-1) under the Paris Agreement formally recognised the need for "transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner."[2] In 2025, at the 30th Conference of the Parties (COP30), more than 80 countries supported an initiative by the Brazilian Presidency to develop a Roadmap to Transition Away from Fossil Fuels.[3] Other country-led initiatives have advanced managed phase-out commitments and provided dedicated spaces for peer learning, including the Beyond Oil and Gas Alliance (BOGA), Powering Past Coal Alliance (PPCA) and Fossil Fuel Non-Proliferation Treaty. Most recently, in April 2026, 57 countries gathered in Santa Marta, Colombia for a conference co-hosted by the Netherlands to advance practical transition pathways and overcome implementation barriers.[4] Transitioning Away from Fossil Fuels Roadmaps (TAFF Roadmaps) are emerging as a key outcome of these initiatives, with a growing number of countries outlining the need for long-term transition plans backed by sequenced, multi-year programmatic investment frameworks.[5]

In the current geopolitical context, reducing dependence on fossil fuels has never been more important. Imported fossil fuels expose countries to volatile prices and insecure supplies, while investing in domestic renewables offers a more durable path to energy independence and lasting resilience.[6] At the same time, a managed transition is critical for producer countries facing long-term demand decline.[7] However, limited economic diversification, fiscal dependence on fossil-fuel revenues and competing development priorities create a complex environment for many countries to navigate, underscoring the need for stronger support to developing countries across the full transition cycle. The current financial architecture for international climate finance delivery – through climate funds, development banks, implementing agencies, philanthropic and private actors – was not designed for an energy transition. Built around emissions reductions at the project level, it lacks the tools to deliver the required structural transformations across energy systems, public finance and labour markets.

This briefing note sets out the shortcomings of the current climate financial architecture in supporting the energy transition and outlines a way forward to develop and deliver fully funded TAFF Roadmaps.

STRUCTURAL LIMITATIONS OF THE CURRENT FINANCIAL ARCHITECTURE

The current financial architecture reveals several structural limitations in its ability to sequence and finance economy-wide energy transitions.

First, while investments in renewables have increased clean energy supply, they are not delivering energy transitions. Fossil fuels still supply more than 80 per cent of the world's energy and renewables deployment often occurs alongside continued fossil fuel use and expansion rather than displacing it.[8] Governments still plan to produce 120 per cent more fossil fuels by 2030 than is compatible with the 1.5°C target and 260 per cent more by 2050.[9]

Although investments in renewables in developing countries remains insufficient, particularly in Least Developed Countries (LDCs), the ongoing growth of fossil fuels reveals a larger issue that cannot be explained by finance gaps alone.[10] Transitioning away from fossil fuels entails structural changes across entire economies, including shifts in employment, public revenues and trade. Stand-alone investments in renewable energy infrastructure do not, on their own, displace fossil fuels at the macroeconomic level. Yet, the current financial architecture continues to focus on clean energy infrastructure build out, as illustrated by the Green Climate Fund (GCF).

The GCF has made important progress in expanding renewable-energy access and increased its share in the energy mix across developing countries, but it has not paired these with explicit outcomes or targets related to a fossil fuel phase-out.[11] Clean energy build-out does not make fossil-fuel displacement inevitable and the finance architecture has not been designed to deliver both.

Second, the current financial architecture remains piecemeal, with project-based interventions. Climate finance is primarily delivered through individual projects with limited coordination and sequencing across institutions or the economy, with three direct consequences:

- it creates persistent gaps in early-stage enabling activities. Investments in institutional capacities, governance, planning and programming are essential to unlock investment at scale. Without them, governments lack the foundation to plan and sequence transitions and partners and investors lack the confidence to engage. In practice, this can mean a country receives funding to build renewable energy projects but lacks a clear regulatory framework for grid integration or pricing. As a result, projects face delays and risk operating below capacity, hindering long-term success and undermining opportunities for cost-effective interventions

- it drives duplication and higher transaction costs. Many providers target similar projects and geographies, running separate approval processes, risk assessment and reporting, increasing administrative burdens on recipients.[12] Ministries may be simultaneously engaging with multiple donors to fund projects, each requiring separate proposals, approval processes and reporting templates. At the same time, other critical areas such as planning for coal plant retirement or supporting affected workers may receive little to no funding as they fall outside the priorities of individual providers. Underinvestment in activities such as fossil fuel decommissioning in regions such as LDCs slows the overall transition and reinforces inequalities

- it delays implementation and progress. For developing countries, access to support can be difficult and unpredictable. Without confidence in sustained financial assistance, governments tend to prioritise lower-risk projects, such as pilot projects, overlooking structural constraints such as fiscal pressures, debt, capital cost and policy environments. In practice, this may delay reforming electricity tariffs or subsidies in the absence of longer-term support to manage the political and fiscal consequences. This is why financial flows have risen while fossil fuel dependence remains.

Third, emerging initiatives such as country platforms and multi-year programmes signal progress towards more coordinated, country-led approaches. However, they currently fall short of delivering comprehensive energy transitions:

- many platforms remain limited in scope. They often function as investment plans rather than full transition frameworks. The Indonesian and South African Just Energy Transition Partnerships (JETP), in particular, lacked explicit frameworks for the allocation of grants and concessional finance, which limited the entire JETP's impact[13]

- support is not consistently structured to move from readiness to project preparation to investment in a clear and coordinated way. This leads to stalled project pipelines and disconnected interventions. Evidence from the GCF Readiness and Preparatory Support Programme shows that despite spending significant resources for enabling activities, these efforts have not consistently translated into a pipeline of bankable projects or sustained investments[14]

- funding linked to country platforms is often limited, fragmented across sources, slow to be disbursed or not secured over the entire programme. Initiatives such as JETPs illustrate the challenge – despite significant political momentum and financial pledges, implementation has been slower than expected across multiple countries[15]

- existing platforms have not yet proven able to systematically de-risk investments at scale or crowd in sufficient private capital, particularly in higher risk markets. Again, JETPs serve as an example of these limitations.[16]

As a result, many initiatives operate on an *a la carte* basis, combining different elements of support without forming a coherent, fully funded transition pathway. This constrains their effectiveness in delivering time-bound commitments and reinforces a pattern of fragmented, short-term interventions. They are not yet a reliable mechanism for countries seeking to drive economy wide transitions.

Taken together, these lessons underscore that the current financial architecture is structurally misaligned with the requirements of full energy transitions. Delivering such transitions requires integrated, adequately resourced and multi year approaches that link enabling activities, investment planning and financing within a single framework.

A FINANCIAL ARCHITECTURE FOR TAFF ROADMAPS

Political developments on transitioning away from fossil fuels in energy systems call for evolving the current financial architecture into something more – a truly transition-focused financial architecture designed to develop and implement TAFF Roadmaps at scale.

TAFF Roadmaps are multi-year country programmes which offer a structured and sequenced approach toward eliminating fossil fuels, coupling policy and regulatory reform with investments to modernise grids, scale renewables and phase out fossil-fuel infrastructure. TAFF Roadmaps will require financial and technical assistance, provided over multiple years. This includes grant finance to developing countries for enabling activities, with significant public and private finance mobilised through a combination of grant – or highly concessional – finance and de-risking and blended finance approaches with safeguards to reduce debt burdens. Even though the current financial architecture was not designed to deliver TAFF Roadmaps, its various components could be realigned for that purpose.

The GCF is the institution best placed to lead this. As the largest vertical climate fund under the United Nations Framework Convention on Climate Change (UNFCCC), it is well placed to translate global commitments, including the outcomes of the GST-1, into country-level delivery. It already combines grant-based readiness support, concessional finance and private sector mobilisation within a single framework, which is precisely the mix the roadmaps require. What it lacks is a specific programmatic focus to deliver TAFF Roadmaps – not just renewable uptake projects, but a whole transition. Its existing initiatives could serve as the basis for this realignment:

- **readiness.** The GCF Readiness and Preparatory Support Programme provides financial support to strengthen government institutional capacities, governance, planning and programming, the enabling activities provided on a grant basis in other multilateral frameworks such as the Montreal Protocol and Minamata Convention. Although readiness and preparatory support has recently been directed toward country platforms (national investment plans), country platforms to date are not designed to mobilise public and private finance for the full suite of investment projects required to deliver an energy transition

- **project preparation.** The GCF Project Preparation Facility provides financial and technical support to develop investment project proposals for submission to the GCF, intended to help unblock planned or potential projects by assisting with their preparation

- **private sector finance.** The GCF Private Sector Facility works to address market barriers and investment risks that limit private investment through multiple financial instruments, including grants, concessional debt, equity and guarantees.

With some strategic redirection of existing initiatives, the GCF could lead the way. The window of opportunity to do so is now open.

The GCF is currently developing its third Updated Strategic Plan (USP-3) for 2028-31, which will guide its strategic priorities, programming focus and institutional evolution. The purpose of the GCF is to support global efforts to mitigate climate change by contributing to the goals of the UNFCCC and its Paris Agreement, including GST-1 and, by extension, TAFF Roadmaps. **In light of this, the GCF should include TAFF Roadmap development and implementation within its programming priorities for USP-3, leveraging and aligning its existing initiatives to deliver outcome-focused, time-bound energy transitions**.

In addition, the GCF could play a central role within the larger ecosystem. To this end, it could seek to enhance cooperation and coordination with other climate finance providers to align finance around funding the investment plans developed under TAFF Roadmaps, including the Climate Investment Funds (CIF), other UN agencies such as the UN Capital Development Fund and multilateral and regional development banks. A country with a TAFF Roadmap should be able to access sufficient finance, across all providers, on terms that prevent cycles of indebtedness and the GCF is well-poised to play an important role in ensuring this.

Finally, the GCF should consider tapping into bond markets, which has the potential to unlock billions of dollars in private sector capital. The most notable example to date is the CIF Capital Markets Mechanism, which successfully raised $500 million.

FOR FURTHER INFORMATION:

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