How climate finance to help poor countries became a global shell game – donors have counted fossil fuel projects, airports and even ice cream shops

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Published: November 19, 2025 8:25am EDT

Climate finance is meant to help low-income countries adapt to climate change and recover from disasters like Hurricane Melissa.

Yamil Lage/AFP via Getty Images

When Hurricane Melissa tore through the Caribbean in October 2025, it left a trail of destruction. The Category 5 storm damaged buildings in Jamaica, Haiti and Cuba, snapped power lines and cut off entire neighborhoods from hospitals and aid.

Jamaica's regional tourism, fishing and agriculture industries – still recovering from Hurricane Beryl a year earlier – were crippled.

Melissa’s damage has been estimated at US$6 billion to $7 billion in Jamaica alone, about 30% of the island nation’s gross domestic product. While the country has a disaster risk plan designed to help it quickly raise several hundred million dollars, the damage from Melissa far exceeds that amount.

Whether Caribbean nations can recover from Melissa’s destruction and adapt to future climate change risks without taking on debilitating debt will depend in part on a big global promise: climate finance.

Developed countries that grew wealthy from burning fossil fuels, the leading driver of climate change, have pledged billions of dollars a year to help ecologically vulnerable nations like Jamaica, Cuba and the Philippines, recently hit by a typhoon, adapt to rising seas and stronger storms and rebuild after disasters worsened by climate change.

In 2024, they committed to boost climate finance from $100 billion a year to at least $300 billion a year by 2035, and to work toward $1.3 trillion annually from a wide spectrum of public and private sources.

But if the world is pouring billions into climate finance, why are developing countries still struggling with recovery costs?

Hurricane Melissa killed more than 90 people across the Caribbean in October 2025 and caused billions of dollars in damage, including in Cuba.

Yamil Lage/AFP via Getty Images

I study the dynamics of global environmental and climate politics, including the United Nations climate negotiations, and my lab has been following the climate money.

Governments at the U.N. climate conference in Brazil have been negotiating a plan to get closer to $1.3 trillion by 2035 and make it easier for developing countries to access funds. But the world's climate finance so far has rested on a shaky foundation of fuzzy accounting, one where funding for airports, hotels and even ice cream stores is being counted as climate finance.

Cooking the climate finance books

Wealthy nations first promised in 2009 to raise $100 billion a year in climate finance for developing countries by 2020. Whether they hit that target in 2022, as claimed, is up for debate.

Researchers have found many cases where the reported numbers were inflated, largely due to relabeling of general aid that was already being provided and calling it "climate aid."

The United Kingdom, for example, claims it is on track to meet its £11.6 billion (about $15.2 billion) pledge, but it is doing so in part by reclassifying existing humanitarian and development aid as "climate finance."

This practice undermines the principle of additionality – the idea that climate finance should represent "new and additional" resources beyond traditional aid, and not simply be a new label on funds already planned for other purposes.

An analysis by the climate news site Carbon Brief suggests that to truly meet its target, the U.K. would need to provide 78% more than it currently does.

The U.K.'s "creative accounting" is not a one-off.

The Center for Global Development estimates that at least one-third of the new public climate funds in 2022 actually came from existing aid budgets. In some cases, the money had been shifted to climate adaptation projects, but often development projects were relabeled as "climate finance."

What's counted as climate finance comes from a mix of sources and is predominantly provided through loans and grants. Some funding is bilateral, flowing directly from one country to another. Some is multilateral and distributed through organizations such as the World Bank or the Green Climate Fund that are funded by the world's governments. Money from private investors and corporations can also count in this growing but fragmented system.

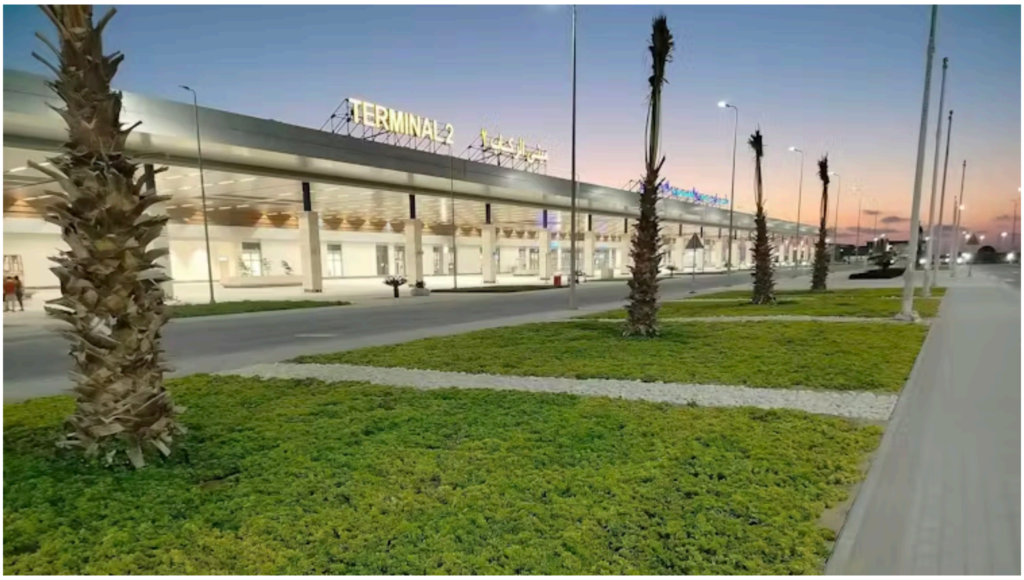
Countries providing the assistance have been able to stretch the definition of climate finance so they can count almost any project, including some that have little to do with reducing emissions or helping communities adapt.

Fossil fuels, hotels and ice cream stores

When it comes to climate finance, the devil is in the project details.

Take Japan, for example. In 2020, its state-backed Japan Bank for International Cooperation used an environmental fund to finance a 1,200-megawatt coal plant in central Vietnam. That power plant will emit far more air pollution than Japan would allow for a power plant within its own borders.

The same bank labeled an airport expansion in Egypt as "eco-friendly" because it included solar panels and LED lights.



Japan counted funding for Egypt's Alexandria International Airport, formerly Borg El Arab International Airport, as climate finance.

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In some cases, these projects increase greenhouse gas emissions, rather than lowering them.

For instance, Japan funded an airport expansion in Papua New Guinea that it labeled as climate finance because it was expected to reduce fuel use. However, an analysis by the International Council on Clean Transportation, used in Reuters' analysis, found that if the airport meets passenger targets in its first three years, emissions from outbound flights will rise by an estimated 90% over 2013 levels.

Similarly, Italy claimed $4.7 million as climate finance for helping a chocolate and ice cream company expand into Asia by saying that the project had a "climate component." And the U.S. counted a $19.5 million Marriott Hotel development in Haiti as "climate finance" because the hotel project included stormwater control and hurricane protection measures.

Fossil fuel subsidies far exceed climate finance

An analysis by ONE Data puts climate finance in perspective: The world's high-income countries spent far more subsidizing fossil fuels, the leading driver of climate change, than they committed to help low-income countries adapt to climate change and recover from storm damage.

In U.S. dollars

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These are not isolated examples. Reuters reviewed climate finance documents it received from 27 countries and found that at least $3 billion labeled as climate finance went to projects that had little or nothing to do with fighting or recovering from climate change. That included movie financing, coal plant construction and crime prevention programs.

For many of these projects, the money comes in the form of loans, which means the developed country that provided the loan will make money off the interest.

Why fixing climate finance matters

A central test for the success of international climate talks will be whether governments can finally agree on a shared definition of "climate finance," one that protects the interests of vulnerable countries and avoids creating long-term debt.

Without that clear definition, donor countries can continue to count marginal or loosely related investments as climate finance.

There are plenty of examples that show how targeted climate finance can help vulnerable countries cut emissions, adapt to rising risks and recover from climate-driven disasters. It has helped saved lives in Bangladesh with early warning systems and storm shelters, and improved crop resistance to worsening drought in Kenya, among other projects.

But when governments and banks count existing development projects and fossil fuel upgrades as “climate investments,” the result is an illusion of progress while developing countries face worsening climate risks. At the same time, wealthy countries are still spending hundreds of billions of dollars on fossil fuel subsidies, which further drive climate change.

For countries from Jamaica to Bangladesh to the Maldives, the threats from climate change are existential. Every misreported or “creatively counted” climate finance dollar means slower recovery, lost livelihoods and longer waits for clean water and electricity after the next storm.

University of Southern California environmental science students Nickole Aguilar Cortes and Brandon Kim contributed to this article.

Shannon Gibson does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.