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The Legal Compass of Climate Finance: Charting a Course for a Sustainable Future

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Abstract
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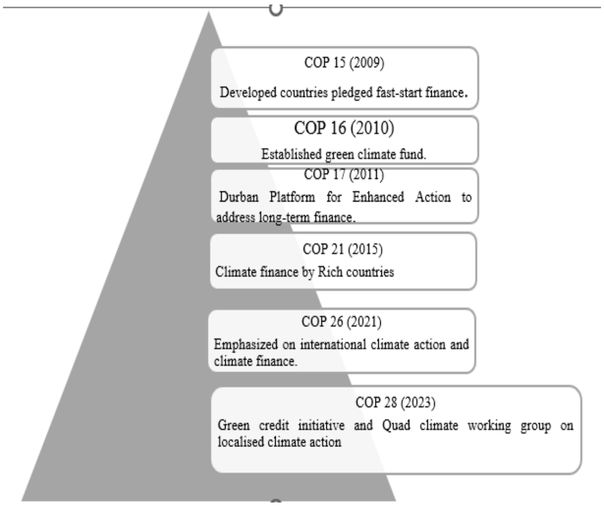
Introduction

Climate summit every year brings approximately 200 countries together to discuss the impact of climate change and the viable solutions to tackle it effectively. The development of environmental laws is not something that happened overnight, however it's a long-fought battle (Giglio et al., 2021) [1]. The objective is to assess how well the convention is being implemented and to suggest, assess, and approve additional tools to help it cope with climate change. The possibility for these multinational gatherings to create agreements that specify how to limit the climate issue globally is what gives them significance in the context of the climate change initiative. Generation of finance are impacted by climate change. Up until now, conferences on biodiversity, climate change, and desertification have taken place separately from one another. But an increasing number of players and attendees are adamant about the necessity of looking for interdisciplinary answers to these environmental problems, even going so far as to combine the three different kinds of conferences. The original UNFCCC pact was formulated around three decades ago emphasizing. Studies conducted over that period indicate that the danger of severe harm escalates quickly for certain nations and ecosystems that are susceptible to warming by less than 2 degrees Celsius (Stroebel & Wurgler, 2021) [2]. To maintain a habitable environment, global greenhouse gas emissions must still be reduced significantly, and assistance for the most vulnerable nations affected by climate change is still woefully inadequate. COP26 did, however, result in the creation of new "building blocks" to move the Paris Agreement along by taking steps that can put the globe on a more environmentally friendly, low-carbon course. The UNFCCC has influenced the passage of several following accords since its founding in 1992. It has sparked the creation of crucial national and international policies and infrastructure that form the basis of today's climate action, such as the ability to measure, track, and report emissions and impacts, generate knowledge and research, and strengthen the system for addressing the causes and effects of climate change. The concepts of respective capability and common but differentiated responsibility (CBDR) are recognized by the Convention. This principle can be used as a framework to negotiate the need for all states to act on climate change, with their varying levels of responsibility for greenhouse gas emissions - both past and present - and capacity to address that problem in a way that is equitable and appropriate. It acknowledges that different states have different capabilities and responsibilities to address climate change (Zahar, 2016) [3]. The latest summit has emphasized heavily on generating climate finance and its accountability in the same light. Accessing climate finance to fund green projects has proven to be one of the main obstacles in achieving climate neutrality. Small, local and regional governments have struggled to identify funding, as their demands for loans has been relatively small and insufficient volume to make it interesting to the large commercial banks. Business houses are an integral part of nation's economy and a major contributor to the GDP of the country. As the business houses seek its resources from the society, a colossal onus lies on them to act ethically and morally responsible, Businesses have a social obligation to fulfil above and beyond minting profits while contributing to the economic development (Zahar, 2016a) [4].

1.1 Background of the study

The sources of financing emerged for the first time in COP 15 (2009) hosted by Denmark in Copenhagen where developed countries pledged up to $30 billion in fast-start finance for the year 2010-2012. During COP 16 (2010) hosted by Mexico, in Cuncun established "Green climate fund". Later, in COP 21, known as the Paris climate agreement, climate financing by rich countries (yearly $100 Billion funding pledge by rich countries) and G7 led 'Global Shield financing facility' for countries suffering climate disasters. It also led to the emergence of African Carbon market initiative. Global goal on adaptation focuses on enhancing adaptive capabilities and minimizing vulnerability for sustainable development. Doubling in adaptation finance and plans for assessments and monitoring of adaptations was taken into consideration at high priority.



Considering the intricacies and urgencies associated with environmental degradation, it has become imperative that we start acting at the earliest. Reports have suggested that every month in the last 1 year has been the hottest ever recorded on Earth. The past year has witnessed an alarming pattern in global temperatures, with each of the last twelve months setting a record for heat. This unprecedented trend has been confirmed by NASA, marking a stark illustration of the escalating climate crisis (McDowell & Allen, 2015) [5]. From January through May 2024, each month successively broke temperature records, continuing the streak that began in June 2023. To address such drastic change in the environmental pattern, pro-active engagement and colossal finance is required, that's when Climate finance comes into the picture.

1.2 Research Methodology of the Study

A rigorous review of the existing literature on Climate finance and Conference of Parties have been conducted. The researcher has referred to a structured literature review to extract and study the apt available literature for the study. Parallelly, this has also been contrasted with the way the subject of the research problem has been dealt with in advanced countries. Given the choice and central theme of the subject, the research will primarily be based on secondary data and is qualitative in nature. Secondary sources of data shall be utilized by the researcher to conduct this study (McAdam, 2012) [6]. The overall method of the research is analytical and descriptive. The researcher has referred to credible secondary sources such as textbooks, journal articles, reports, case studies etc.

1.3. Review of Literature

In the paper, "***The Global Regime for Climate Finance: Political and Legal Challenges (2016)***", the author, ***Alexander Thompson*** emphasized its North-South dimensions—that is, the encouragement of resource flows by wealthy nations toward underdeveloped nations—the paper examined the interaction between policy and international law in the field of climate financing. Developing nations should participate in the climate agreement since they are the biggest greenhouse gas polluters. Sadly, climate change damages less developed countries most of all. Here where the issue of North-South financing becomes a major concern. This work of literature tackles two important questions on the direction of the climate financing system and governance. First, the large range of institutions and systems engaged increases the possibility for collecting and providing resources; nevertheless, they continue scattered and need more coordination to be successful. Second, given the demands of mitigating and adapting, North-South financial mobilization is inadequate. Such a task calls for a stronger legal system and more political resolve.

In the paper, "A Legal Perspective on Climate Finance Debates: How Constructive Is the Current Norm Ambiguity? (2021), the author, Yulia Yamineva, explored the legal arguments on climate funding are compiled in this chapter. Although neither treaty defines the manner or the quantity of such help, the UNFCCC and the Paris Agreement both stipulate that advanced nations "must" provide financial assistance to enhance adaptability and mitigating in developing countries. This chapter addresses several opinions on whether there is an enforceable duty falling on particular states, or maybe on a collective of states, to give financial aid to struggling countries—and whatever that obligation is, what it could be based in and which legal basis it might be predicated on.

CLIMATE FINANCE: MEANING

Climate finance encompasses the monetary resources and tools utilized to facilitate efforts in addressing climate change (Bouwer, 2021) [7]. Climate finance plays a crucial role in tackling climate change due to the substantial investments required for transitioning to a low-carbon global economy and supporting communities in developing resilience and adapting to the effects of climate change. Climate funding can be sourced from various channels, including public or private funds, both at the national and international levels, and through bilateral or multilateral agreements (Duvic-Paoli, 2022) [8]. The organization can utilize several financial tools, including grants, donations, green bonds, equity, debt swaps, guarantees, and concessional loans. It has versatile applications, encompassing mitigation, adaptation, and resilience-building efforts. In addition, governments can dedicate funds to climate measures that are considered a priority. These actions are outlined in their national climate commitments, also known as Nationally Determined Contributions under the Paris Agreement. Alternatively, countries might issue sovereign green bonds to finance these initiatives. Sovereign bonds are financial instruments by which governments borrow money from a group of investors, in return for making periodic interest payments over a specified period. Upon the conclusion of this time frame, when the bond attains maturity, the government reimburses the original capital to the investors (Woerdman et al., 2021) [9].

Additionally, governments can generate climate money through the implementation of carbon trading and carbon taxes. Carbon trading is the quantification of greenhouse gas (GHG) emissions into carbon credits, which may be traded for financial value. A single traded carbon credit is comparable to one metric ton of carbon dioxide, or the same quantity of another greenhouse gas that has been decreased, captured, or prevented from being released. Countries or private firms can purchase carbon credits to augment their efforts in reducing greenhouse gas emissions. Carbon taxes are commonly imposed to deter the consumption of goods and services that have significant carbon footprints. For example, a tax can be levied on gasoline at the point of sale or on power produced from fossil fuels. The revenue generated by these levies can be allocated towards investments in renewable energy, forest preservation, and several other initiatives aimed at addressing climate change.

Climate finance and its various sources

As it can be easily inferred from its name, that climate finance stands for the various financial sources utilized and mobilized to encourage projects, activities, and initiatives that intends to acknowledge climate change, reduction in the emission of greenhouse gases, and enhancing the withstanding capability of certain communities and ecosystems against the detrimental impact of climate change. It is a subset of green finance that is specifically dedicated to projects related to environment welfare and conservation (Carlarne et al., 2016) [10]. The principal objective of climate finance is to facilitate the transition to a low-carbon economy which is on the agenda of all the nations across the world. There are multiple sources of climate finance, however, when it comes to the eventual accountability, there is sheer lack of laws governing it.

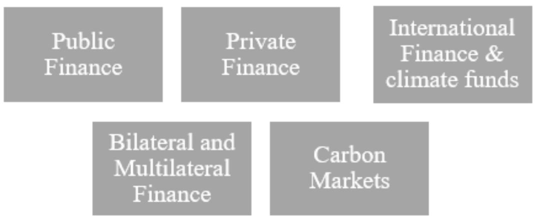


Fig 1.1 Various sources of climate finance

Public finance is raised from the governments or the public bodies to vehemently support the climate-related projects and governance policies. It includes grants, concessional loans and other financial instruments. National clean energy fund, National adaptation fund, compensatory afforestation fund, national disaster response fund are prime example of public financing for climate change mitigation. Moving on to, private finance, it is the process of generating finance by private sector entities such as business houses, banks, private investors, loans and other financial mechanisms to support climate-related projects. Corporate houses generate huge finances via corporate environmental responsibility to sponsor projects that are working specifically towards mitigating climate change. Project Hariyali by Mahindra & Mahindra, Solid Waste Management by ITC Limited etc., are examples of climate-based project financed through private entities. Funding from various international sources aim at encouraging climate mitigation in developing countries. It includes contributions from developing countries such as green climate funds. Several agreements and financing mechanism agreements exist between countries to support climate-based projects and initiatives (Porter & Kramer, 2007) [11].

Carbon Pricing, a significant development to mobilize funds for climate mitigation and environment protection has been has taken the central stage globally. The governing mechanisms across the world are framing rules to regulate carbon pricing and incentivize the key players in the market. The practice of monetizing greenhouse gas emissions has turned out to be fruitful for several countries such as the European Union. The rationale behind implementing this cost is to incentivize businesses and individuals to reduce their emissions by making it more expensive to pollute. It is executed through carbon taxes, where a fee is levied on each unit of carbon emitted, or through cap-and-trade systems, where a limit is set on total emissions and permits are traded (McBarnet, 2008) [12]. Carbon market is a relatively recent development wherein systems have emerged that make it possible to purchase and sell carbon credits, offering monetary rewards for lowering emissions and adopting sustainable habits. After imposing a price on the carbon emissions, the cost is circled back to the industries itself. The realization that combating climate change necessitates large expenditures in renewable energy, energy efficiency, adaption strategies, and sustainable development practices gives rise to the need for climate finance. In particularly, many developing nations have difficulty obtaining the funding required to carry out climate-related initiatives. As a result, climate finance is essential to advancing the global response to climate change and accomplishing the objectives outlined in international accords like the Paris Agreement (Yu et al., 2021) [13].

LAWS GOVERNING CLIMATE FINANCE IN INDIA

Right against climate change in the Indian Constitution

The Supreme Court has acknowledged the existence of an implicit basic right in the Constitution that protects individuals from the harmful consequences of climate change, which has been widely recognized but not explicitly expressed (*A Breath of Fresh Air: Indian Supreme Court Declares Protection from Climate Change a Fundamental Right – HHR Journal*, 2025) [14]. On April 5, 2024, the Supreme Court of India announced a significant ruling, recognizing the interconnection between climate change and fundamental rights, specifically the rights to life and equality. This pivotal decision signifies a noteworthy achievement in India's legal system and highlights the pressing necessity to tackle the intricate difficulties presented by climate change. Climate change has not only caused environmental issues but has also had a significant impact on India's economy. The country saw a significant economic decline in 2022, with an 8% reduction in GDP, equivalent to a remarkable $270 billion loss. The importance of reducing climate change impacts is emphasized by the economic losses caused by climate-related calamities such as floods, droughts, and extreme weather occurrences. Moreover, forecasts indicate that India may experience the majority of the estimated 80 million job losses worldwide by 2030, with 34 million being directly attributed to reduced productivity caused by heat stress. The imminent danger emphasizes the urgent requirement for proactive actions to protect livelihoods and foster sustainable economic growth.

India is currently dealing with a multitude of severe climate change events, which are worsening the difficulties encountered by its population. Over 230 million workers, accounting for almost 50% of the workforce, are employed in outdoor occupations. The increasing temperatures present substantial health hazards, especially when they exceed 40 degrees Celsius. Furthermore, marginalized communities, such as those living in forests and indigenous populations, experience a disproportionate burden of the consequences of climate change. These communities frequently do not have access to necessary resources and infrastructure, which worsens their vulnerability to climate-related disasters. The absence of dependable electricity provision exacerbates these difficulties, impeding economic progress and maintaining disparities, especially among women and low-income households. Tackling these fundamental issues necessitates a comprehensive strategy that places emphasis on environmental fairness and equal opportunities to resources. The acknowledgment of climate change as an essential entitlement has significant legal consequences, influencing the direction of environmental regulations and administration in India. Chief Justice DY Chandrachud highlighted the significance of considering the rights to equality and life in the backdrop of scientific consensus on climate change and its negative consequences. In addition, the court emphasized the importance of considering the rights of impacted communities, including the right to be protected from being forced to leave their homes, while making judgments. This comprehensive approach to environmental justice emphasizes the interconnectedness of climate change with wider socio-economic and human rights concerns. Climate change has caused significant economic damages worldwide, with a greater impact on low-income nations and tropical areas. The cumulative economic loss over the last three decades since the Rio Convention is astounding, reaching an approximate sum of $3.555 trillion (Maldonado et al., 2013) [15].

Tackling the intricate difficulties presented by climate change necessitates cooperative endeavours on a national, regional, and global scale. India, as a party to several international agreements and conventions, is obligated to fulfil its duties in reducing greenhouse gas emissions, adapting to climate change consequences, and safeguarding the fundamental rights of all citizens to reside in a healthy and sustainable environment. The acknowledgment of climate change as an essential entitlement signifies a substantial advancement in India's legislative framework. Nevertheless, transforming this acknowledgment into concrete implementation necessitates collaborative endeavours from governments, civil society, and the commercial sector. India can establish a more robust and sustainable future for all its residents by giving priority to environmental protection, supporting sustainable development, and ensuring fair access to resources. As we confront the difficulties presented by climate change, let us steadfastly strive to create a society where environmental justice is not only a legal concept but a tangible experience for everyone. Right against climate change has lately emerged as a fundamental right, under the expansive perspective of the fundamental rights under Article 14 and Article 21 of the Indian Constitution as it has been by the Supreme Court that the Right to Life (Article 21) and Right to Equality (Article 14) could not be fully realised without a clean, stable environment. SC has expanded the scope of Article 14 and Article 21 to underline the need to protect lives and livelihoods in the face of climate change.

3.1.1 ***Impact on the right to health due to climate change:*** The right to health which is a part of the right to life under Article 21) is impacted due to factors such as air pollution, vector-borne diseases, rising temperatures and droughts. These factors are exacerbated due to climate change.

3.1.2 ***Impact on the right to equality due to climate change***: Climate change and environmental degradation lead to acute food and water shortages in a particular area where the poorer communities suffer more than the rich ones. Forest dwellers, tribal and indigenous communities have a higher risk of losing their homes and cultures due to climate change as compared to other communities.

3.1.3 ***Interconnection between climate change and human rights***: SC in its judgement has held that climate change impacts various human rights such as the right to health, indigenous rights, gender equality, and the right to development.

3.2 *Section 135 of the Companies Act, 2013*

Several firms are currently seeking to invest in socio-ecologically responsible restoration solutions. For this to be successful, a strategic and well-planned design and implementation of interventions is necessary, with the aim of minimizing any unforeseen negative outcomes (Wewerinke-Singh, 2018) [16]. Furthermore, allocating resources to the advancement and utilization of technology for carbon sequestration has the potential to be beneficial in establishing a repository of knowledge for India's shift towards green credits, carbon markets, and sustainable economic growth. Ultimately, establishing a long-term objective and vision will assist organizations in strategizing and managing their expenses, resulting in a decrease in unused funds. During the 2021-22 year, a total of 86 companies disclosed unspent funds that could have been efficiently utilized if there had been a comprehensive plan in place. This would also facilitate seamless project cycles since implementing partners, such as NGOs, will have the ability to strategically organize their projects more effectively. In addition, firms may also be required to synchronize these investment objectives with their wider Environmental, Social, and Governance (ESG) policies and prioritize the reduction of their carbon emissions. As the story focuses on understanding the connections between humans and the Earth, corporate social responsibility (CSR) funding can be used to put into action the intersection of scientific knowledge, policy, and practical application by investing in thoroughly studied and thoughtfully planned projects. Engaging in close cooperation with civil society and policymakers will also cultivate a collective feeling of responsibility, which is essential for safeguarding our natural resources. Ensuring the execution of projects and avoiding long-term sole responsibility for the organization requires a sense of shared ownership and involvement of other stakeholders (Carroll, 1991) [17]. To summarize, although CSR funding has made a substantial influence on social and developmental challenges in India, they have not adequately addressed the environmental sector. Investing in the environment sector is crucial during periods of severe climate change events, but it also offers significant benefits for companies. However, achieving mutually beneficial outcomes can only be accomplished by cultivating a strategic and meticulous approach that encompasses a long-term perspective. The changing nature of corporate social responsibility (CSR) offers a distinct chance for Indian businesses to promote positive transformation and establish a harmonious relationship between social and economic advancement and environmental conservation.

On April 1, 2014, India emerged as the first country to make CSR mandatory in the functioning of a corporate house subjected to certain conditions. Section 135 of the Companies made it compulsory for companies with a specific level of revenue to spend 2% of their average net profit that has been made over the last three years on CSR. Corporate social responsibility is essentially an act by which a business expresses its genuine concern and commitment to the larger society in relation to sustainability and development. CSR is fundamentally a company's moral and ethical behaviour towards society. CSR demonstrates to the community that a corporation is concerned about the environment and the broader community. The public's perception of them is enhanced because of this.

Organizations that engage in corporate social responsibility activities and are more involved in development projects are more favoured by their customers and prospects. As a result, businesses can distinguish themselves from their competition in the industry. CSR efforts also generate free PR in the general population. CSR increases the value of a company's brand and helps it to develop a strong relationship with the customers, who are more likely to recommend the company to others. In accordance with Section 135 of the Companies Act, 2013, it is essential for a company to engage in CSR activities irrespective of the company being a foreign company or a holding company, etc. The legislation makes it mandatory for all the companies whether public or private and it is applicable to every company whether its holding, subsidiary, or foreign company. If any of the above-stated companies meet the any of the following criteria:

• The net profit of the company is more than 5 crores.

• The net worth of the company is more than 500 crores.

• The turnover of the company is more than 1000 crores.

If a company fulfills any of these above-stated criteria, then it is mandatory for a company to invest 2% of its net profit made in the immediate three preceding years. However, the companies have a choice between different activities that are listed under Schedule-VII of the Companies Act, 2013. Therefore, it's the choice of the company if it wants to invest in environmental activities or not.

The concept of Corporate social responsibility has made it a mandate for companies to contribute to social and environmental factors. Renowned companies like Mahindra, Reliance, Sony, Google, Apple are actively generating funds for environmental welfare and to mitigate climate change.

SEBI Guidelines for issuance of green debt securities

In India, both listed and unlisted companies can issue green debt securities. For the green bonds issued by unlisted companies, there are no hard and fast rules or specific guidelines, other than the principal requirements for the issuance of green bonds (*SEBI | Framework for Environment, Social and Governance (ESG) Debt Securities (Other Than Green Debt Securities)*, n.d.) [18]. As for raising green finance by the listed companies, the issuer needs to abide by the guidelines set under different regulatory frameworks listed below:

• The SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations)

• The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations), and

• Chapter IX of the SEBI Operational Circular for Issue and Listing of Non-convertible Securities (SEBI Operational Circular)

Green Credit Program Rules 2023

The Central Government of India germinated a novel approach to sustainable development by establishing Green Credit Rules, 2023 governing National Green Credit Program. The rules are primarily concerned with the methodology of calculating the green credit in respect of the activities undertaken and further emphasize on promoting environmental conservation and welfare via market-based mechanisms. The ideology behind the establishment of these rules is to promote and incentivize businesses, corporations, and individuals to engage in proactive environmental initiatives on a voluntary basis, advocating for the implementation of a market-driven strategy to incentivize and acknowledge beneficial actions towards the environment, enhancing the proposed Carbon Credit Trading Scheme (CCTS) by allowing entities to fulfil their environmental responsibilities. The framework encourages the business houses to trade earned credits for environmental upliftment such as planting trees and maintaining forests, conserving water & energy, therefore entitling corporate houses to shoot two birds from one stone. The researchers have highlighted the role of beneficiaries under Green Credit Initiative, and since the program is relatively new, and specific details regarding the credit trading platform and verification processes are still being developed, the adopted methodology of research is purely doctrinal. The Green Credit program represents a significant step towards promoting environmental responsibility and fostering a culture of sustainability in India. The objective of the researchers is to determine the sufficiency of the existing regime and establishing a robust and transparent trading platform, efficient verification mechanisms, and continued government support to effectively utilise these rules to attain ESG goals. This study shall be contrasted with the Green Credit regime flourishing effectively in the United States. According to the studies, it is believed that a developing country like India which is the third country in the world to have a dedicated judicial tribunal for environmental offences shall perceive the Green Credit Model of United States as the standard model.

LEGAL CHALLENGES OF CLIMATE FINANCE IN INDIA

The catastrophic impact of the climate change is evident across the world and thus put obligations on the industries to provide financial assistance. Several industries serve as the source of finance to transition the low carbon economy be it through corporate social responsibility and in order to ensure that all developing countries have access to climate funding, it is necessary for climate funds to be more flexible and adaptable to the limitations of available resources (Liu et al., 2019) [19]. One approach to increasing climate finance contributions involves utilizing carbon market mechanisms, expanding and improving climate action through multilateral development banks, and mobilizing additional private financing. Improved information dissemination and risk-sharing arrangements by public finance institutions can incentivize private investors to achieve the latter. Ultimately, the institutions and activities designed to provide debt relief and restructuring are considered insufficiently prompt and restricted to effectively enable developing nations to address the challenges posed by climate change. Multiple parties are advocating for reforms regarding the alleviation of debt and the provision of further liquidity support. Despite the huge demand and need of the climate finance, we are confronted with multiple challenges in the Indian regime such as lack of transparency and accountability on financial commitment, over-stated progress and varying interpretations on climate finance, multi-development banks-self-reporting, credibility and scepticism and most importantly the lack of legal provisions.

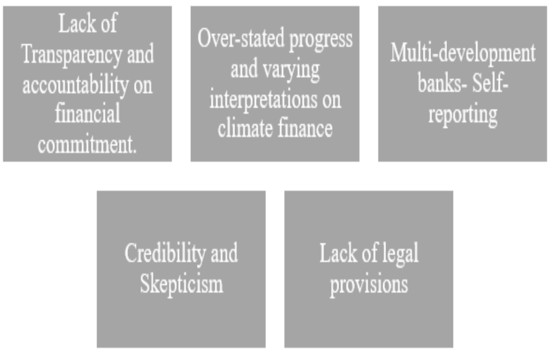


Fig 1.2 Legal Challenges of Climate Finance

Even though the Right to climate Justice has been recently identified as a Fundamental Right by the Supreme Court of India, India do not have a dedicated legislation to fight against Climate Change. Enacting a comprehensive climate change law could be the next step to translate the court ruling into concrete action. Applying such legislation could set clear emission reduction targets, establish a framework for promoting renewable energy sources and empower agencies to enforce environmental regulations more effectively (Mohanty, 2025) [20].

The economy is confronted with considerable impediments to green funding, despite the fact that public awareness and prospects for financing are continually growing. High borrowing costs, insufficient awareness, false compliance claims, requirements for disclosure, and incompatibilities between long-term green investments and short-term investor interests are some of the factors that contribute to these issues. In addition to all of it, despite being one of the countries that is prone to the impact of climate change, there is no specific legislation to combat climate change. Furthermore, in regard to BRSR or CSR reporting, there is no third-party verification in the SEBI's Rule (Srivastava & Balani, 2023) [21], false environmental claims go unregulated, and there are no such governing provisions for greenwashing in India.

EU Green Finance Laws

To mobilize the funds to combat the climate change battle, the Conference of Parties have been effectively raising concerns, starting from Kyoto Protocol to the Paris Agreement, 2015 to the COP 30, held in Belém, Brazil (Nov 2025), significantly advanced green finance by setting a goal to triple adaptation finance by 2035. Abiding by the foundational principle of "*common but differentiated responsibility and respective capabilities*" laid down in landmark conventions so far, the signatory developed countries are tasked to provide financial resources and further assist the developing countries to implement the objectives of United Nations Framework for Climate Change. It was the Paris Agreement of 2015, which reaffirmed the onus of developed countries, while encouraging the voluntary contributions by the other countries towards climate change mitigation. It is important for all governments and stakeholders to understand and assess the financial needs of developing countries, as well as to understand how these financial resources can be mobilized. Provision of resources should also aim to achieve a balance between adaptation and mitigation (Srivastava & Dimri, n.d.) [22]. The European Union has implemented several laws to mitigate climate change, and on the same line, a few regulations are yet to be implemented discussed below:

Climate and Innovation Act: The purpose of the same is to set a framework for Switzerland's climate legislation aimed at implementing the net-zero emissions target by 2050, in line with the Paris Agreement. It codifies Net Zero emission target by 2050. Three main pillars (in line with the Paris Agreement) Mitigation of Climate change, Adaptation to effects of Climate Change, Involvement of Swiss Financial Center by directing Cash Flows towards low emission development. General Net Zero Target: All companies must reach net zero emission target for at least scope 1 and scope 2 emissions by 2050. Sector-specific Interim Targets: Sector specific interim emission reduction goals for three sectors: Buildings, Transportation, Industry. Expected to enter into force at the beginning of 2025.

Companies submitting by 2029 plans to achieve goals can apply for non-financial support to achieve their emission reduction goals, including for investments in innovative technologies and processes.

Corporate Climate Reporting Rules: It aims at providing investors and other stakeholders with information about a company's environmental matters, incl. impact on and exposure to climate change (double materiality). The existing regulations require large public companies to report on several non-financial matters including environmental and climate matters, however, post the revision of the existing regulations, the rules and regulations will also specify as to how the reporting is to be made, and the companies failing to provide such reporting necessarily needs to provide the reasons and circumstances could not be met.

CO2 Act and Ordinance: Revised act focuses on period 2025-2030 and implements measures aimed at achieving 50% emission reduction goal by 2030, in line with the Paris Agreement and CIA.

FINMA Disclosure Circulars: To promote transparency in the financial sector, FINMA requires large banks and companies to report on significant climate-change related financial risks.

Conclusion and Recommendations

Climate finance is the legal and economic backbone of climate action, further functioning as the compass that aligns environmental responsibility with economic development. However, this research has demonstrated that climate finance does not depend single handedly on mobilization of funds, but also on the legal landscape charting its course of allocation, accountability and the impact. Several international frameworks such as Paris Agreement and the following conference of parties have laid down the normative obligations, while the Green Climate Fund further operationalised climate justice by supporting developing nations. Nonetheless, consistent gaps continue to exist which include fragmented regulations, weak enforcement mechanisms, lack of transparency and accountability. The climate finance must evolve from policy aspiration to a rule-based, rights-oriented, and accountability-driven legal system. The climate finance commitments should make a shift towards clearer-binding obligations from soft-law pledges. Standardized definitions of governing structure, uniform reporting norms, enforceable compliance mechanisms shall be established. Legal framework should mandate robust disclosure requirements, third party audits and public reporting of climate finance flows. As we know that climate change is the defining challenge of this century, climate finance is its decisive instrument- and the encompassing law determines its directions.

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