THEMATIC NOTE

Climate Finance at the New Development Bank: Strategy, Methodology and Progress

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1. INTRODUCTION

Addressing climate change is one of the greatest challenges of our era, and the financial resources required are immense: the IPCC Sixth Assessment Report (AR6) estimates that annual climate investment needs must reach approximately USD 2.4 trillion per year for the energy sector alone to limit global warming to 1.5°C — and three times higher if transport and other sectors are included — while actual climate finance flows remain far short of these levels, with the investment gap having widened considerably in recent years[1].

The New Development Bank (NDB) was established in 2015 by the BRICS countries — Brazil, Russia, India, China, and South Africa — to finance infrastructure and sustainable development projects in emerging markets and developing economies. To date, NDB has approved 140 projects of more than USD 43 billion, in areas spanning clean energy and energy efficiency, water and sanitation, transport, social and digital infrastructure, as well as environmental protection. With a growing membership and a diverse portfolio, NDB is uniquely positioned to help its member countries transition towards low-carbon, climate-resilient economies. This role is more urgent than ever: the majority of NDB's member countries have committed to achieving carbon neutrality and net zero emissions, with most targets set between 2050 and 2070. Meeting these ambitions requires not only political will, but sustained and well-targeted investment.

Climate finance — funding directed specifically at reducing greenhouse gas emissions or building resilience to climate impacts — is at the heart of how NDB translates these national ambitions into action on the ground. Understanding what counts as climate finance, how it is tracked, and where it flows is essential for impact.

This paper offers a brief overview of NDB's climate finance practice. It aims to explain how the Bank approaches climate finance, as well as to share knowledge and insights that help our counterparts better understand NDB's endeavours in delivering quality projects for impacts. The paper begins with NDB's strategic commitments on climate finance, followed by an explanation of the methodologies used to track and report climate finance. It then presents the Bank's current progress and project examples, before closing with a short conclusion on the path ahead.

[1] IPCC (2022). Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, et al. (eds.)]. Cambridge University Press. Chapter 15: Investment and Finance.

2. NDB'S STRATEGIC COMMITMENTS ON CLIMATE FINANCE

NDB is committed to helping its member countries deliver on the goals of the Paris Agreement — in particular, by supporting the implementation of their Nationally Determined Contributions (NDCs) and long-term strategies related to climate change. To translate this commitment into concrete action, the Bank has set a target to direct 40% of its total approved financing to projects contributing to climate change mitigation and adaptation, including energy transition, under its General Strategy for 2022–2026[2].

As a member of the MDB Climate Action Group, NDB works alongside the world's leading multilateral development banks (MDBs) to align strategies, share methodologies, and amplify the collective impact of climate finance. Since the 26th United Nations Climate Change Conference (COP26) in Glasgow in 2021, NDB has joined fellow MDBs in issuing joint statements at each COP, reaffirming shared commitments on climate finance, among many other issues.

These joint statements reflect a collective ambition: In 2024, MDBs together committed a record USD 137 billion in climate finance, exceeding the joint targets they set in 2019 and demonstrating the growing scale of multilateral climate action[3]. As agreed at COP29, the MDB community has set its sights even higher: by 2030, annual climate finance for low- and middle-income countries is projected to reach approximately USD 120 billion — with USD 42 billion earmarked for adaptation — plus USD 50 billion for high-income countries[4]. NDB's participation in this collective effort signals its commitment to being at par with the broader MDB community as to its ambition and endeavours.

NDB discloses its annual climate finance data through the Joint Report on Multilateral Development Banks' Climate Finance; a publication that the MDB group has produced together every year since 2011. Over more than a decade, MDBs have worked collaboratively to develop and refine harmonised tracking methodologies, set joint targets, and engage external stakeholders — including the International Development Finance Club (IDFC) — to promote consistency and comparability across institutions. In a further step towards open and accountable reporting, MDBs have most recently piloted digital formats for climate finance disclosure, making it easier for other stakeholders to access and understand the data.

3. METHODOLOGIES FOR TRACKING CLIMATE FINANCE

NDB follows the Joint MDB Methodologies for Tracking Climate Mitigation and Adaptation Finance — a set of common principles developed collectively by the MDBs[5]. Under the Joint MDB Methodologies, climate finance falls into three categories:

- Mitigation finance covers investments that reduce or avoid greenhouse gas emissions;
- Adaptation finance covers investments that reduce the vulnerability of people, communities, and systems to the current and future impacts of climate change; and
- Dual-benefit finance refers to investments that deliver both mitigation and adaptation outcomes simultaneously.

Tracking mitigation finance requires the use of a "positive list" approach. It sets out categories of eligible activities — covering low-emission, transitional, and enabling activities — that qualify for climate finance

[2] New Development Bank (2022). General Strategy 2022–2026: Scaling Up Development Finance for a Sustainable Future.

[3] Multilateral development banks hit record $137 billion in climate finance to drive sustainable development worldwide

[4] Joint MDB Statement for COP29 – MDBs' Support to Implementing the Paris Agreement

[5] See the 2023 Joint Report on Multilateral Development Banks' Climate Finance. See also the Common Principles for Climate Mitigation/Adaptation Finance Tracking.

tracking in varied sectors. If a project activity appears on the list and directly contributes to emissions reduction or avoidance, it can be considered as eligible. For some activities, however, inclusion on the positive list alone is not sufficient. Additional evidence (e.g., of material reductions in lifecycle or Scope 3 GHG emissions) is required to demonstrate eligibility for mitigation finance.

By comparison, tracking adaptation finance is not as straightforward. It is inherently more complex, as one project can serve both climate and non-climate purposes depending on the specific context. As such, a three-step approach is developed to determine whether a project component qualifies:

1. Establish the climate vulnerability context — identify the specific climate risks and vulnerabilities that the project is designed to address.
2. State the explicit intent — confirm that the project component is deliberately designed to reduce climate vulnerability or build resilience.
3. Establish a direct link — demonstrate a clear and direct connection between the identified climate risk and the specific project activities being financed.

Only components that satisfy all three steps are considered eligible for adaptation finance. This process-based approach ensures that only investments deliberately designed to address climate risks are counted, distinguishing true adaptation finance from general development investments that would have occurred regardless of climate considerations.

Underpinning both methodologies are a few core principles that guide how climate finance is identified and reported:

- Granularity — climate finance is tracked at the component level within each project, rather than at the level of the overall project cost, ensuring precision in what is counted. This means that only the specific parts of a project that directly support climate objectives are counted as climate finance.
- Conservativeness — where there is ambiguity about whether a component qualifies, it is not reported, avoiding the risk of overstating climate finance.
- Ex-ante reporting — climate finance is assessed, determined and tagged at the point of project approval or signature, rather than until when a project is completed.

To ensure that climate finance assessment is applied consistently across its operations, NDB has developed an internal guideline that institutionalises the tracking and reporting of climate finance at the project and portfolio level. Moreover, the Bank is developing tools to ensure climate and disaster risks are identified upfront and appropriate adaptation measures are incorporated into project designs from the outset.

4. NDB'S PROGRESS ON CLIMATE FINANCE

Over 2022-2025, NDB approved USD 5,590 million in climate finance, accounting for 44% of total financing. Around 70% of the Bank's climate finance supports mitigation activities, with the remaining 30% directed towards adaptation. With this progress, the Bank is well on course to achieve and even exceed the 40% climate finance target for the second strategy period.

NDB's climate finance portfolio spans a wide range of sectors and project types. On the mitigation side, the Bank supports the development of green technologies and innovative solutions. For example, NDB is one of the earliest financiers for cost-effective offshore wind power development in China. Another example is NDB's support for Taiyuan Wusu International Airport — one of China's flagship zero-carbon demonstration projects — where solar and geothermal energy will power all airport operations. The project also incorporates advanced energy storage and an intelligent platform to manage energy consumption and carbon emissions in real time.

In Dhaka, Bangladesh, NDB has financed the country's first waste-to-energy facility, while In Brazil, the Bank has supported the development of smart grids in the State of São Paulo, attempting to improve energy efficiency through technical loss reduction. Low-carbon transport also features prominently in the portfolio, with investments in metro systems and electric vehicles in India for instance, alongside modal shift projects that move freight and passengers from road to rail in South Africa.

On the adaptation side, NDB has supported water supply projects in drought-prone regions of South Africa (e.g., Limpopo), helping communities secure reliable access to water in the face of increasingly unpredictable rainfall patterns. The Bank has also financed climate- and disaster-resilient road infrastructure in Guangxi China, designed to withstand extreme weather events and maintain connectivity in vulnerable regions.

5. CONCLUSION

Climate finance is central to NDB's mission — not a separate agenda, but an integral part of how the Bank delivers infrastructure and sustainable development projects that are impactful and aligned with the long-term priorities of its member countries.

Yet climate finance is not an end in itself. It is an essential means to achieve a larger purpose: helping countries and clients realise their climate ambitions, deliver on their Paris Agreement commitments, and build economies that are resilient to the challenges ahead. Every climate finance project is a step towards the low-carbon, climate-resilient future that NDB's members have committed to achieving.

Looking ahead, NDB will continue to deepen its climate finance practice — scaling up ambition, broadening its portfolio, and working in close partnership with member countries, the wider MDB community and other stakeholders to scale up impact and advance on sustainability.

New Development Bank

About BRICS-NDB Knowledge Portal

The BRICS-NDB Knowledge Portal is a joint initiative of BRICS and NDB. The Portal aims to institutionalise the existing knowledge available across BRICS Working Groups by systematically compiling them in alignment with NDB priority areas and sharing good practices from NDB's operations.

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