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ICRA's CLIMATE SERIES USA's exit from Paris Agreement

Developing countries may face
climate fund setbacks due to USA
exit from Paris Accord

 JULY 2025

CLIMATE CHANGE

The biggest crisis of our time



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President Trump announced USA's withdrawal from the Paris Agreement, potentially disrupting annual climate finance contributions from developed nations.

This move is expected to reduce overall contributions by developed nations and may pause committed disbursements.

- Until 2003, USA was the world's largest contributor of greenhouse gases (GHG), before being surpassed by China in 2004.
 - At present, USA is the second-largest contributor globally and has played a key role in global initiatives aimed at keeping temperature rise below 2°C, in alignment with the Paris Agreement*.
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- The recently elected Trump administration issued an Executive Order initiating USA's withdrawal from the Paris Agreement, citing economic concerns and disproportionate responsibilities.
 - Following the withdrawal, USA will no longer be obligated to fulfill its commitments under the agreement, including the provision of climate finance to developing nations.
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- The US is one of the key contributors to the climate funding goal by developed countries. USA's contribution to the climate finance doubled in 2024 from 2022. However, with the new administration, the progress has been halted.
 - The US exit may jeopardise the new financial commitments under New Collective Quantified Goal (NCQG), which was supposed to start in 2025.
 - The US is the largest contributor for multilateral climate funds with more than 50% share by Global Climate Fund (GCF). However, more than 65% of the pledged GCF funds are yet to be released by the US, which may face hindrances with the new USA administration.
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- The US's withdrawal from the Paris Agreement is likely to negatively affect both existing and future climate finance commitments to developing nations. This decision could lead to a reduction in available funding and dampen global efforts toward inclusive climate action.
 - Further, the absence of a key contributor may also discourage other countries and private entities from sustaining or expanding their support.



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