

# Plugging the Climate Finance Gap Through the UN Tax Convention



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**The UN Tax Convention can help plug the climate finance shortfall by fixing the dysfunctional global tax system. The next 12 months are crucial. States should align their work across the UNTC and UNFCCC and pursue fair allocation of taxing rights between countries, effective taxation of corporations and the super-rich, and taxes on polluting industries to raise public climate finance.**

## The climate finance gap

We are dangerously short of climate finance. At COP29, developed countries promised to provide \$300 billion per year by 2035 to help developing countries tackle the climate crisis - but they remain a long way off. When its historical responsibility for climate change is considered, Global North climate debt is closer to [\\$5 trillion](#) per year.<sup>1</sup> Domestically too, states are struggling to find the funds for climate action.

## The money is out there

Fortunately, there is money out there. Fixing the dysfunctional global tax system key to securing it. Countries lose half a trillion dollars to tax abuse annually. The wealth of the super-rich is accelerating but their effective tax rate remains extremely low. The fossil fuel industry, a major driver of the climate crisis, continues to post extraordinary, under-taxed profits. Cracking down on corporate tax dodging, taxing the super-rich, and making polluters pay are fair and necessary steps to funding climate action. The COP28 Global Stocktake, the Baku to Belem Roadmap, and the 4th UN Conference on Financing for Development all reinforce the need to align tax systems with climate commitments.

## The UN Tax Convention

Right now, states are negotiating a new, binding UN Tax Convention, with a mandate to create an inclusive tax system for sustainable development. The next 12 months are crucial. Talks on the Convention and two optional early protocols will run until summer 2027, after which it will be ratified and operationalised through more protocols and annual COPs.

Historically, international tax cooperation has taken place within the OECD, which is dominated by Global North countries. OECD efforts to fairly allocate taxing rights over multinational corporations and introduce a global minimum corporate tax (the so-called BEPS 2.0) have been largely derailed by the US. By shifting tax negotiations to the UN, we have a chance of a genuinely robust and inclusive process.

## Three key components of the UN Tax Convention

Negotiations are at an early stage and the final content of the Convention remains unclear. However, three components are especially promising for mobilising climate finance.

### Tackling corporate tax dodging & allocating taxing rights

Multinational corporations dodge billions of dollars in tax by profit shifting: recording profits from one country in a different

country, typically a tax haven, to reduce their overall tax bill. This hurts most states, especially those in the Global South. Article 5 of the UN Tax Convention could help tackle this by introducing a system that considers the total global profits of a multinational corporation and allocates taxing rights to countries based on where the corporation's economic activities occur. Alongside key transparency measures, this could drastically cut tax dodging. By combining this 'unitary taxation' approach with a 25% global minimum corporate tax rate, states could raise an extra [\\$700 billion](#) annually.<sup>2</sup>

### Taxing the extreme wealth of the super-rich

The super-rich (those with over \$10 million) pay proportionally less tax than working people. States shy away from taxing their wealth out of fear that the super-rich will move abroad and because identifying their wealth can be difficult. Article 6 of the UN Tax Convention could help address this by mandating a global minimum tax rate on the super-rich and establishing a global asset register to track their wealth. It could take steps to fairly allocate taxing rights over the super-rich between states. Revenue could be earmarked for climate finance, given the climate impacts of the super-rich.

### Environmental taxes on polluting industries

Polluting industries, such as fossil fuels, aviation, and animal agriculture, are rarely made to pay for their economic, social or environmental impacts. Fossil fuel companies remain among the most profitable entities in human history, despite their catastrophic contribution to climate breakdown. Article 4 UN Tax Convention could help challenge this by requiring states to align tax systems with sustainable development commitments, the polluter pays principle and principle of common but differentiated responsibility. These could be implemented through a global surtax on fossil fuel profits.

## Recommendations

To ensure the UN Tax Convention helps plug the climate finance gap, we recommend that states involve climate or environment ministries in the UN Tax Convention negotiations and work to strengthen these three key components.

### Join our event in Bonn to learn more:

Scarcity to Abundance: how tax justice measures can deliver public climate finance at scale  
Tuesday 16 June, 16:30 - 17:45, Kaminzimmer Room

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