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COP29 on climate: a finance COP

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The definition of a new collective quantified goal (NCQG) for climate finance will be the highest priority of the 29th Conference of Parties, taking place in Baku (Azerbaijan, 11-22 November). But the follow-up to the Global Stocktake on mitigation and adaptation, as well as transparency and international carbon credits (Article 6), will also require attention from Parties, to set the stage for a successful COP30 in Belém (Brazil).

After months and often years of technical work, the crunch issues that require to be elevated at the political level can be traced back to the appointment of ministerial and high-level pairs by the Azerbaijani COP29 presidency led by Mukhtar Babayev. These include: the NCQG for climate finance, Article 6, adaptation, mitigation, and transparency. We focus here on the first two items, while two other companion pieces focus on:

- the [stakes of ambition and transparency](#) (including the upcoming submission of Biennial Transparency Reports by end of 2024, Nationally Determined Contributions well ahead of COP30, as well as the Troika's [Mission 1.5](#) which constitute the roadmap to ambition);

- the [stakes of adaptation](#) (including the commitment to double adaptation finance by 2025, the UAE-Belém Work Programme on indicators, and the elaboration of adaptation communications).

Navigating crunch issues towards the NCQG

Under the United Nations Framework Convention on Climate Change (UNFCCC), international solidarity and climate ambition go hand in hand. Developed countries committed in 2009 to 'provide and mobilise' an emblematic \$100 billion a year by 2020. The [OECD](#) states this goal was met and exceeded in 2022, but the two-years delay contributed to the erosion of collective trust, with some countries and observers criticizing its accessibility and quality. Under the Paris Agreement¹, countries need to agree before 2025 on a new collective quantified goal; after ten expert dialogues conducted in the last two years², countries will have to agree on a final decision.

Countries are split along two distinct crunch issues: how much is paid and by which countries? First, the number itself could refer to international finance but also to private flows, domestic resource mobilization or new 'innovative' sources. Agreeing on a sky-high number in relation to all these sources is likely to have less political traction for implementation and accountability. Second, considering their unprecedented public debt crisis, OECD economies' capacity to largely increase bilateral aid is uncertain; this context increases the pressure to broaden the base of contributors.

The structure of the climate finance goal

Though most agree that the goal will include, as did the \$100-billion goal, the provision of public climate finance to developing countries and the *mobilization* of private finance (either as a single number or as two separate numbers), they differ on several others. Should the goal include private, philanthropic and domestic sources in addition to international public finance? Should it have sub-targets per thematic area (e.g. mitigation, adaptation, loss and damage)? Should it refer to total investment flows to developing countries or global investment flows for climate action in all countries?

Either of these questions could be dodged or answered with a qualitative target or a figure, meaning the inevitable headline number's scope is still wide open. The structure will need to thread the fine line between a stated ambition that stretches the contributors' capacities but feels binding to their Treasuries, and the large and growing needs of developing countries. In short: a sky-high number that covers every and all sources is likely to be rejected by both developed countries (who will not want to be held accountable for flows they have little control over), and developing countries (who will want to focus pressure squarely on international flows).

But the question of the scope of the NCQG also bleeds into the matter of aligning all financial flows with the long-term goals of the Paris Agreement on mitigation and adaptation (Art. 2.1c), and recent calls made since COP27 to the reform of the financial institutions, formally beyond the UNFCCC's reach. As the [IEA](#)'s evidence regarding collective milestones for the energy transition to 2030 supported the elaboration of the Global Stocktake's mitigation objectives, the [High Level Panel on Climate Finance](#) mandated by COP27 and COP28 Presidencies could offer guidance: its report calls for a four-fold increase of investments to emerging markets and developing countries outside China, and provides quantified recommendations to scale domestic public resources, the private sector, multilateral development banks, and concessional finance.

The contributor base for the climate finance goal

Who is responsible for paying climate finance today? Developed countries took on the responsibility for the \$100-billion goal in the [Copenhagen Accord](#); in the absence of an official definition, the OECD tracks flows from 39 countries, made of the OECD members in 1992 ([Annex II](#) under the Framework Convention), as well as additional Member States of the European Union, Liechtenstein and Monaco. But this group argues that countries' ability to pay (income per capita) and responsibility for climate change (cumulative territorial emissions) have evolved, and the goal ought to strengthen the "encouragement" to developing countries with the capacity to do so to contribute contained in the Paris Agreement (Art. 9.2).

Whether and how to capture this 'broadening' is mostly a *political* question—climate finance contributors on the ground are already broader, but largely under-reported. For instance, some newer OECD members³ like South Korea or even non-members like Qatar voluntarily provide additional climate finance on top of their contributions to multilateral development banks, the [UAE](#) made one of the largest unique contributions to the Loss & Damage fund at COP28, and China is already contributing significantly under South-South cooperation, making it the 6th climate finance provider in 2017 according to [ODI](#).

Beyond the attempts to define plausible contributors ([ODI](#), [CGDEV](#), [WRI](#)), such as Singapore, Israel, most of the Gulf region, or China depending on assumptions made, or call it out as a distraction ([CSE](#)), many (e.g. [Carbon Brief](#), [Nature](#), [ODI](#)) also highlight the US (and to a lesser extent Canada and Australia's) lagging contribution to the collective effort to date with respect to their capacities.

Carbon markets under Article 6: the end in sight?

The Article 6 of the Paris Agreement aims at creating new carbon markets through bilateral deals between countries (Art. 6.2) or through a centralized system open to all buyers (Art. 6.4). Article 6 was the only part of the Paris 'rulebook' that could not be agreed at COP24 in December 2018. A [guidance](#) was agreed three years later at COP26 in Glasgow, which for instance allowed a portion of credits issued under Article 6's predecessor ([Clean Development Mechanism](#)) to be carried over under the new system, ensuring that disputes around carbon-offsetting projects would be subject to an independent grievance process. A key advance for environmental integrity was mandating for "corresponding adjustments" to be made for all authorized carbon credits, whether they are used towards meeting countries' NDCs or for "other international mitigation purposes", such as the ICAO aviation offset scheme [CORSIA](#), thus ensuring that the same reduction is not credited twice to buyer and seller.

After failing to adopt the final missing rules for several years in a row, the newly founded [Supervisory Body for Art. 6.4](#) adopted a bulk of measures to be presented to Parties as a "take it or leave it" option, a mere days ahead of COP29, in order to avoid line-by-line detailed negotiations in Baku. These include safeguarding measures requiring future project developers to identify and address potential negative environmental and social impacts (known as [Sustainable Development Tool](#)), as well as a standard for the [development of carbon-credit methodologies](#) and another one regarding [carbon removal activities](#). The stage seems set for high-ambition carbon credits to be developed, unless countries want to reopen a can of worms in Baku. Finally, for 'cooperative approaches' to be in line with their promise to deliver finance where it is most needed, it also seems important to support developing countries' capacity to host high-quality projects and structure their offer. Under the pre-Paris system ('Clean Development Mechanism'), a very [small subset of countries](#) with relatively more institutional capacity attracted the vast majority of carbon credits investments.

¹ Art. 53 of [Decision 1/CP.21](#)

2 See ad-hoc work programme of the NCQG

3 Chile, Colombia, Costa Rica, Israel, South Korea, Mexico, Turkey.

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CARBON MARKET

CLIMATE INTERNATIONAL NEGOTIATIONS

COP 29 CLIMAT