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COP29 delivers an unsatisfying finance deal amidst widening fractures – will it be enough on the road to Belem and beyond?

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Amidst adverse politics and poor timing, COP29 concluded after tense negotiations on finance that stalled progress on mitigation and adaptation. The main outcome—the New Collective Quantified Goal (NCQG)—is a compromise that keeps multilateral talks afloat but requires proof of concept to ensure success at COP30. Beyond the numbers, developed countries must demonstrate that the \$300-billion target can deliver for those most in need and mobilize domestic resources. Overall, COP29 exposed G20 countries' climate leadership gaps, the impact of global tensions, and the transactional nature of multilateral talks. It also reinforced that critical aspects of the climate agenda, such as the financial architecture reform, must advance in other fora.

Bad timing, bad geopolitics: is a bad deal better than no deal?

Geopolitical tensions weighed heavily on the discussions in Baku and at the concomitant G20 taking place in Brazil. In both fora, the results of the US elections took centre stage, with the threat that the new president would not only once again pull out of the Paris Agreement, but also from the UNFCCC with a possible contagion effect.

In Baku, a strong signal was expected from the G20 summit to unblock discussions on the NCQG's financial target. It, however, only came in part.

The language of the [G20 Communiqué](#) supported an ambitious NCQG. It was also the culmination of a year of work, in the follow-up to several presidencies focused on the reform of the international financial architecture, that led to cumulative progress in improving the work of Multilateral Development Banks (MDBs) and pushing for the consolidation of multilateral funds ([IDDRI, 2024](#)). Together with the push for holistic transition plans at country level, the reform of the international financial system is a critical piece of the climate finance package, to ensure accessibility and quality of funding, from both a supply and demand perspective.

However, the G20 failed to demonstrate leadership in emissions reductions to which these countries collectively contribute more than 76%, three months ahead of the official deadline (February 2025) for submitting the new national commitments (Nationally Determined Contributions, NDCs). And the unilateral US announcement to replenish the International Development Association (IDA), the concessional arm of the World Bank, made by President Biden on the side of the G20 put the finger on the likely lack of coordination among G20 members, especially with China, to show collective ambition to support developing countries.

Amidst these adverse geopolitics and lack of leadership, a deal in Baku meant that the minimum was achieved to save the multilateral climate talks. However, the developments over the last two weeks made clear the need to reflect on the focus UNFCCC should have in the coming few years, considering we have entered a phase of implementation politics. Even if the NCQG is far from being settled—with many details to be ironed out—it was also important to have a deal in order to open the path for a step change discussion in Belem next year ([IDDRI, 2024](#)).

A contested but necessary outcome on finance

The COP29 Decision on finance involves a goal of at least \$300 billion/year by 2035, from varied sources (public funds, private capital, alternative and innovative sources of finance), with developed countries in the lead. Along with transparency and revision provisions, the decision recognizes the importance to increase this amount to significantly contribute to finance needs from developing countries, calling on all actors to enable at least \$1.3 trillion/year by 2035. It also establishes linkages with the on-going reform of the international financial architecture, calling notably the shareholders of MDBs “to continue advancing efforts to promote an evolution agenda for bigger, better and more effective multilateral development banks”.

The agreement is an unsatisfying compromise: developing countries are disappointed by the quantum, highly insufficient with regard to their needs, whereas developed countries did not get an explicit broadening of the contributors' base they expected, but only references to volunteer contributions. What concerns all countries is that the scope is broad and unclear. Many developing countries, particularly least developed countries, Small Island Developing States and African nations, raised the question of the quality of the finance, as it affects access, cost and indebtedness. For others, the emphasis on alternative sources such as taxation prompted discontent, as it shifted the burden of responsibility for providing the means of implementation from developed to developing countries.

Ratcheting up available finance is critical, and this task will be central in Belem and beyond. In this regard, a process has been put in place—the so-called “Baku to Belém Roadmap to 1.3T”—which will be led by the Presidencies of Azerbaijan and Brazil. As a political space, the Troika-led Roadmap to Mission 1.5 ([IDDRI, 2024](#)) can also identify and pursue solutions to the political economy challenges of transitioning to low-carbon and climate-resilient development, so that finance lands where is needed. Ultimately, the discussion on short-term finance will need to incorporate with the goal of aligning of all finance flows under the Paris Agreement.

After 9 years of discussion, the decision on carbon markets finally got the green light. COP29 adopted the mechanism that allows for carbon credits (Internationally Transferred Mitigation Outcomes, ITMOs) to be traded between governments (Art 6.2) and the operationalization of the carbon market between project developers (Art 6.4). The latter replaces the [Clean Development Mechanism](#) and found a compromise thanks to the “take it or leave it” package developed by the technical body assigned to the supervision of the market approaches under the Paris Agreement. Concerns over environmental integrity will need to be addressed in the detailed work on standards and safeguards that follows this decision.

The leftovers of COP29: mitigation, adaptation and just transition

The finance agenda held up progress on other critical files, including how to implement and report progress on the outcomes of the Global Stocktake ([IDDRI, 2023](#)) which saw no advancement. And the [Global Goal on Adaptation](#) requires further work to streamline guidance and indicators.

Despite no specific language on mitigation action, COP29 does not signal a failure on ambition yet. It is in the upcoming NDCs that ambition needs to be reflected. Transitioning away from fossil fuel needs now to be clearly codified in countries’ commitments and policies—particularly by major consumers and emitters. However, it is still disappointing that Baku could not raise the bar on expectations of major countries’ NDCs. Brazil and the UAE became much-needed early movers submitting their NDC (and the UK in announcing its topline target), with little analysis and discussion. There was also a missed opportunity to further link climate and biodiversity, following the steps of COP16 in Cali ([IDDRI, 2024](#)).

Even though there was no agreement on this issue, COP29 talks recorded some progress in the understanding of the just transition. Discussions recognized the need to integrate equity considerations in domestic action and commitments, as well as the need to anticipate and mitigate negative externalities to third countries from the profound structural and distributional impacts of accelerating green transitions. These are tough discussions that are hard to conduct in isolation within the UNFCCC framework. Other fora are starting to take them up, including the WTO and the G20. To build bridges, a roundtable on trade and climate was proposed, but did not make it to final decision. More work is needed in 2025 to land specific principles and mechanisms to guide fair and equitable action. Greater political ambition is needed, and Brazil’s idea for an Ethical Global Stocktake at COP30 seeks to create momentum for this conversation.

Adaptation saw marginal progress on indicators and guidance for transformational action. No specific adaptation goal was adopted under the NCQG, nor indicators related to means of implementation for the assessment of the Global Goal on Adaptation. Hence, a discussion on adaptation finance is likely to become a political priority for most vulnerable countries, regretting the failure to agree on an original proposal to double the “doubling goal” for adaptation finance.

All roads lead to Belem and beyond, but some take too long

Expectations vis-à-vis COP29 were limited and, as a matter of fact, it delivered the minimum. Whether it will be enough to trigger positive dynamics in the real economy in current adverse geopolitics is to be seen.

Meanwhile, the first [Biennial Transparency Reports \(BTRs\)](#) are expected by the end of 2024. Transparency is at the core of the climate agreement as an enabler to restore trust and to identify solution spaces thanks to greater understanding of progress and current barriers. To date, 26 countries—mostly developed—have submitted their first BTRs. A decision was achieved in Baku, which acknowledges the need for additional support to developing country Parties in implementing the enhanced transparency framework.

The year to come will also have to deal with the pitfalls of industrial policies that underpin decarbonization and may worsen trade relations and leave smaller, less developed countries on the side of the road. The UNFCCC is not the only forum where action needs to take place: there is a role for the G20, and sectoral international organizations. UN Industrial Development Organization (UNIDO), for instance, on the side of the negotiations, announced a \$1.4-billion pledge with the UK, Germany and the Climate Investment Funds for international assistance for industrial decarbonization, and the launch of steel breakthrough priority actions to drive coordinated action on standards, demand, R&D, trade and finance.

All these key activities will become building blocks in the lead up to COP30. There is a major opportunity to establish COP30 as a step-change summit, refocusing efforts within the UNFCCC to keep accountability to obligations and promises made so far, and importantly, to optimally trigger action and mobilize the necessary finance, including with enhanced coordination between the COP process and the international cooperation ecosystem and development and economic agendas.