COP29
Baku
Azerbaijan

COP29 must secure

a new climate finance goal that allows to increase funding for adaptation, urgently address loss and damage and achieve a

just transition now

The Conference of the Parties (COP) 28, held in Dubai, United Arab Emirates in 2023, represented a crucial moment in advancing the implementation of the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC). However, several outstanding issues persisted, especially those related to financing, which are fundamental for the progress in the fight against climate change, especially in Latin America and developing countries.

During COP28, it was observed that fundamental commitments to confront the climate crisis had not been met, such as transferring 100 billion dollars annually starting in 2020 from developed to developing countries. Although a report from the Organization for Economic Cooperation and Development (OECD, 2024) indicates that the goal was reached in 2022, there are discrepancies in relation to the transparency and accounting criteria of the amounts actually consigned. However, this annual transfer represents a limited sum and is incapable of addressing the climate crisis, which generates an atmosphere of mistrust.

Against this backdrop, countries are in the process of negotiating a new collective quantified goal (NCQG) on climate finance. This objective must take into account the needs and priorities of developing countries, in order to ensure in a sustainable and predictable way sufficient and quality resources to satisfy growing climate needs. Likewise, it must consider the obligations of States in matters of human rights, which extend extraterritorially and determine the allocation of the maximum available resources (both at the national level and under international assistance and cooperation) for the realization of the economic, social and cultural rights that the climate emergency puts at risk. This new goal, which will have to be defined and agreed at COP29, could have a significant impact on the increased ambition required in the submission of new nationally determined contributions (NDCs) in 2025.

Furthermore, during COP28 it was agreed to continue and strengthen the program to analyze compliance with objective 2.1.c of the Paris Agreement, which consists of “Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”, and in 2024 two workshops were held for this purpose. Implicitly, this objective indicates that it must be led by developed countries and contribute to redefining the global financing model. This objective has been fundamental in calling on international financial institutions and financial entities, including central banks, to join climate action, especially to address the debt faced by developing countries. In this situation, prominent leaders, such as the Prime Minister of Barbados, Mía Mottley, have responded to the call through the Bridgetown Initiative.

The consequences of extreme climate events reported around the world since the conclusion of the last COPs indicate the urgent need to increase resources allocated to adaptation tenfold. This change in the priority of the agenda becomes even more pressing because, according to the United Nations Environment Program (UNEP, 2023), financing for adaptation decreased by 15% in 2021, despite the increase of meteorological phenomena and other impacts of climate change. This, in turn, highlights the urgency and inevitability of increasing finance for loss and damage associated with such phenomena.

All of this is essential to establish a sustainable financial model in the world, which begins with a rapid and accelerated reduction of incentives and finance for carbon-intensive activities, such as fossil fuel subsidies. As a result of this need, the signatory organizations have identified strategic lines that must be achieved at COP29, to advance the agenda that allows a fair and sustainable transition, but above all, urgent attention to the climate crisis and its obvious consequences. The most important aspects that countries must agree on at COP29 in Baku, Azerbaijan, are the following:

1. A NCQG based on needs:

After eleven technical dialogues, the Parties already have various qualitative elements to define this new objective. Therefore, a decision should be adopted in Baku that considers aspects such as improvements in access to climate finance and transparency measures in relation to the goal, as part of the lessons learned from the 100 billion dollars goal. It is imperative that the goal has in its center public finance from developed to developing countries, based on grants and highly concessional schemes, and directed mostly at adaptation and loss and damage with support for just transitions. Likewise, it is necessary to guarantee access, promoting the inclusion of local communities and Indigenous Peoples, women and young people, among other groups in vulnerable situations, and avoiding an increase in the debt of developing countries. It must also be based on an amount that addresses the most relevant, immediate and transformative needs of developing countries, estimated in the order of trillions of dollars, and that a transparency scheme be established capable of monitoring its progress and review every 5 years or no more than 10.

2. Global stocktake and climate finance:

The first global stocktake at COP28 recognized the existing gaps between finance for mitigation and adaptation; as well as the failure to meet goals, such as the 100 billion dollar goal, the limited access to bilateral and multilateral financial mechanisms, the growing financial needs that climate change is generating for countries, and the need to reform the international financial architecture. However, many of these issues are under discussion in the NCQG and, in addition, countries must consider them in their new NDCs that must be presented in 2025. In this sense, it is essential that countries reflect the results of the first global stocktake in their new NDC in a concrete way.

3. Increased funding for adaptation:

At COP26, countries agreed to double adaptation finance by 2025, based on 2019 levels. During COP28, a report was presented showing that the gap is still significant, requiring at least 10 to 18 times more to close the adaptation finance gap in developing countries (UNEP, 2023). Therefore, at COP29 it is necessary for the NCQG to include a subgoal in terms of donations and concessional resources for adaptation, whose investments are lower due to low or no economic returns, and to accompany the ongoing discussions on the global goal of adaptation.

4. Capitalization of the loss and damage fund:

COP28 made progress in the operationalization of the Fund for Responding to Loss and Damage, and a series of countries contributed about 700 million dollars to it. Although the role of the World Bank as headquarters of the secretariat and interim trust fund of the Fund has been confirmed this year, agreements must still be reached to strengthen it. The decision-making processes of this Fund must respond exclusively to the priorities of developing countries and the guidelines established by the Board of the Fund, without receiving any external influence, especially from the World Bank, on strategic matters during its management. It is essential that this finance is innovative and additional to the resources destined for mitigation, adaptation and humanitarian aid, that it is sufficiently capitalized to disburse the necessary resources and that it ensures direct access to local and vulnerable populations in vulnerable situations in order to guarantee effective respect for their human rights. Therefore, a connection between the new finance objective and the loss and damage fund is desirable.

5. Improved access to climate finance:

At COP28 the need to improve access was raised, but no parameters were established to achieve it. COP29 must send the right signals to address the issue of access to finance, particularly for local communities and Indigenous Peoples, as well as other historically marginalized groups who are in a state of climate vulnerability, such as people with disabilities, women, children, girls and adolescents. In the case of emergencies, loss and damage must be addressed, as well as adaptation needs that cannot be postponed in developing countries. The latter should focus on locally-led adaptation principles.

6. Debt treatment:

Developing countries depend, to a large extent, on international finance to face the challenges posed by the multiple crises the world faces. However, in relation to the climate crisis, a large part of this finance has been mobilized through loans, which translates into an increase in debt levels and a reduction of fiscal space to address the consequences of climate change. In this sense, at COP29, international financial institutions and developed countries must address the treatment and restructuring of debts, including cancellation for countries with lower financial capacities, and debt exchange schemes for climate action for emerging countries, without this generating mechanisms of commodification of nature and common goods. Likewise, guarantee mechanisms must be established that allow developing countries to invest these resources in reducing emissions and increasing resilience, protecting biodiversity and ecosystem functions. Consequently, the consideration of extraterritorial human rights duties by developed countries is of the utmost relevance, particularly taking into account their obligations in terms of influencing decision-making within international financial institutions and the mandate of international assistance and cooperation established in binding treaties.

7. Decarbonization of public finances:

At COP28, the need to reduce inefficient fossil fuel subsidies was recognized. However, COP29 must establish the agreements to set a deadline, emphasize the need to achieve accelerated transition in developed countries and create the incentives for this to happen in developing countries. For the latter, it is necessary to accelerate the reduction of their dependence on carbon-intensive incomes, such as those from mining and oil concessions and the commercialization of gasoline, diesel and gas (which does not act as a “transition energy”). All this must be done taking into account the development principle present in the UNFCCC. A fundamental step is to end subsidies to hydrocarbon companies, which operate both upstream and downstream, and new fossil transportation infrastructure. Likewise, incomes must be diversified by promoting national investments that encourage a fair energy transition for vulnerable communities and sectors affected by said transition, ensuring that they have access to new environmental, economic and social opportunities, and considering macroeconomic variables such as employment.

8. A new international fiscal pact:

It is important to connect the discussion about the creation of a new international pact regarding fiscal management with the climate change agenda. This would generate more and new income to address the climate crisis, by imposing it on those who have the greatest resources and who pollute the most. Likewise, it is intended to establish strategies, such as environmental and carbon taxes in order to avoid polluting activities. It is essential to emphasize that the payment of environmental taxes will not exempt from criminal liability for environmental crimes, and one should avoid assuming that the taxes can fully measure the damage. The income obtained will be used to promote a fair energy transition. The future United Nations

Framework Convention on International Tax Cooperation and the proposal for taxation of high net worth individuals currently promoted by Brazil in the G20, is therefore of the utmost relevance. The issuance of explicit statements on such matters, together with the inclusion of these platforms as possible avenues to achieve part of the climate financing established in the NCQG, could be key incentives in this regard.

9. Towards a new international financial architecture and innovative and transformational finance:

It is necessary to promote a comprehensive transformation of the international financial architecture and promote the mobilization of high-quality, innovative and transformational finance to address climate change. In addition, that it incorporates innovative financial mechanisms that support sustainable development and climate resilience and that it privileges the voice of affected communities, guaranteeing their participation and access to information, in accordance with the Escazú Agreement. Likewise, there is an urgent need to reform international financial institutions, such as the International Monetary Fund and the World Bank, in a way that guarantees more equitable representation and respect for the legally binding duties that these organizations have as specialized agencies of the United Nations (that is, the respect and promotion of human rights through their actions or omissions). The most polluting shareholders must not have excessive power, and it must be ensured that countries and communities affected by the climate crisis have a significant influence on decisions to ensure a just transition to sustainable development. Financial entities, such as multilateral development banks, central banks, stock exchanges and credit agencies, are also urged to align with the objectives of the Paris Agreement. Not only is a new issuance of special drawing rights (SDR) required for immediate support, but also a review of its distribution system, since the current allocation is insufficient compared to the goals and needs of developing countries. Finally, the need for comprehensive strategic planning to identify and monitor climate financing at the international level, both public and private, is emphasized.

We thus consider that COP29 should be a point of convergence in the fight against climate change, establishing a new climate finance goal that reflects the urgency and equity necessary to confront this global crisis. Through a strong, equitable and fair financial commitment, we can ensure a livable future for all living things.