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## COP29: The “Finance COP” and the Road to Brazil



Energy Research Paper

The Al-Attiyah Foundation



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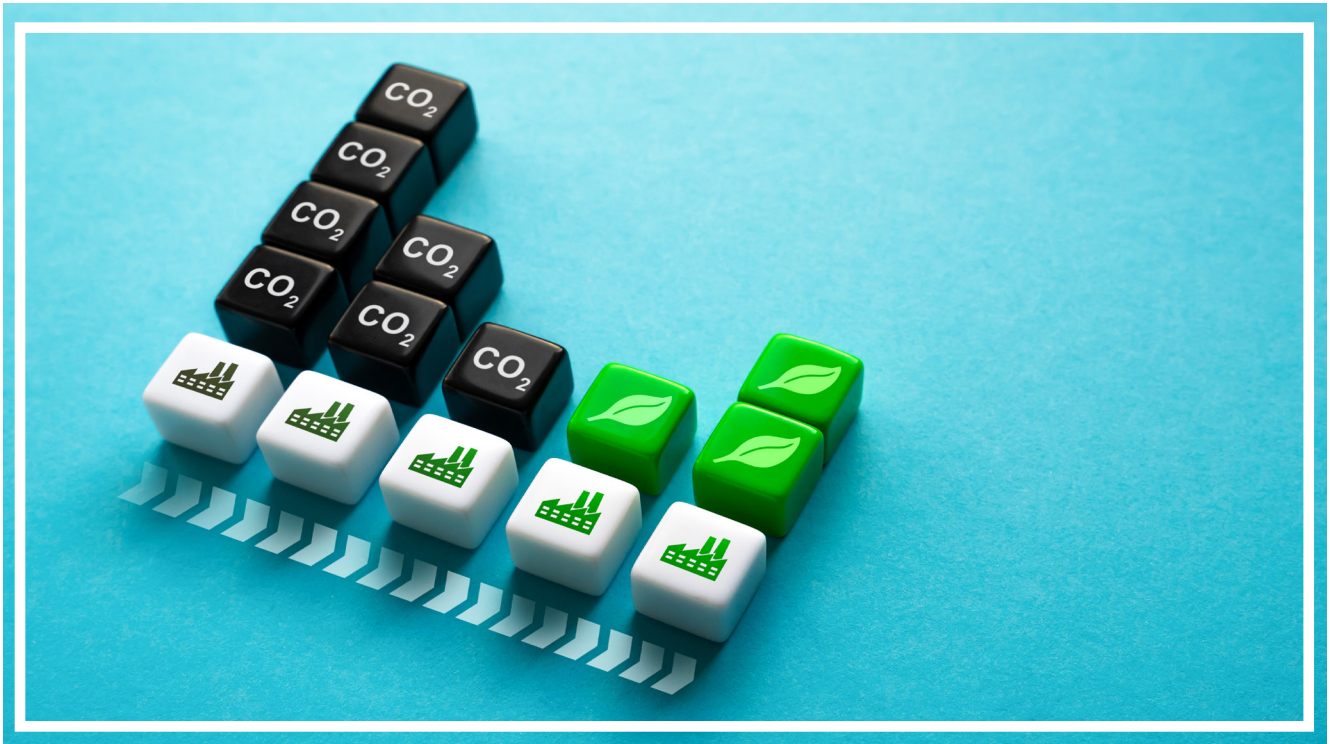


The 2024 United Nations Climate Change Conference (COP29) conference in Azerbaijan was the third in succession held in the wider Middle East region, and the third in a row to occur in a significant oil and gas producer. Billed as the "Finance COP", it concluded with significant discussions, commitments, and implementation of important policies, but also with political controversies. What were the key achievements, and which areas were not progressed? What are the implications for the next COP, in Brazil? And how does COP29 modify the outlook for long-term fossil fuel demand?

## ENERGY RESEARCH PAPER

This research paper is part of a 12-month series published by the Al-Attiyah Foundation every year. Each in-depth research paper focuses on a current energy topic that is of interest to the Foundation's members and partners. The 12 technical papers are distributed to members, partners, and universities, as well as made available on the Foundation's website.





- COP29, held in Baku, Azerbaijan from 11-22nd November 2024, was an important yet less high-profile climate summit following COP28 in Dubai in 2023 and ahead of COP30 in Brazil in 2025.
- The conference focused primarily on climate finance, notably finalising the New Collective Quantified Goal (NCQG) for climate funding to support developing countries. Little progress was, though, made on “loss and damage” funding.
- Progress in climate finance was central, with discussions on scaling funds from \$100 billion to \$1.3 trillion annually, incorporating public and private investments. The public commitment is now \$300 billion. However, the commitments remained insufficient, especially in terms of grants versus loans for developing nations facing significant debt challenges.
- Another critical task was advancing carbon market regulations under Article 6 of the Paris Agreement. Articles 6.2 and 6.4 were agreed, which should start the process of international trading of mitigation outcomes, such as nature-based carbon removals.
- COP29 also addressed the updating of Nationally Determined Contributions (NDCs), with deadlines for countries to submit their new climate plans by February 2025. Once mostly complete, this will be helpful in framing the discussion at COP30, and in illuminating likely emissions pathways if nations deliver on their commitments.
- Despite some headway, contentious issues such as fossil fuel transition, adaptation financing, and the phase-out of fossil fuel subsidies were not resolved, and indeed the COP28 call for “transitioning away” from fossil fuels was not repeated or endorsed.

- Political challenges, including Azerbaijan's hosting amidst geopolitical tensions and concerns over fossil fuel ties, contributed to a less smooth process. The election of Donald Trump in the US, who is expected again to withdraw his country from the Paris Agreement, cast a political cloud over the COP process.
- There were also constructive criticisms of the COP format, with calls for reform from figures like Ban Ki-Moon and Christiana Figueres, advocating for more frequent, solution-focused meetings, with more permanent scientific support.
- The next UN climate conference, COP30 in Brazil, is expected to focus particularly on deforestation and to push further push for tangible climate commitments, though the fossil fuel debate remains divisive among key nations.
- The direct impact of COP29 on fossil fuel demand is expected to be minor. There were no major "side-deals" on other energy technologies, unlike at COP28. A more pragmatic meeting of minds between nations hostile to fossil fuels and those producing and exporting them, and between developed and developing countries (and the "in-betweens, notably China) is vital for future COPs to make continuing progress.
- Overall, COP29 served as a transitional summit with modest progress on critical climate issues, setting the stage for higher-impact discussions at COP30.





COP29, the 29th Conference of the Parties of the UN Framework Convention on Climate Change (UNFCCC), was held in Baku, Azerbaijan, between 11 and 22 November 2024. It followed COP27 in Egypt and COP28 in Dubai, UAE in the preceding years. It will be followed by COP30 in Brazil in November 2025, and by COP31, probably in Australia, in 2026.

Azerbaijan was something of a compromise choice as host, given that COP29 was scheduled to be held in Eastern Europe but many other venues were not possible because of the political disagreements arising from Russia's war in Ukraine. Also, the preceding COP28 marked the conclusion of the first "global stock-take". COP29 was therefore not as high-profile as COP28, nor, probably, as COP30 will be, and did not have as much high-level political backing and attendance. More than 56,000 people attended, most of them in-person, down from about 85,000 at COP28 but still the second highest attendance in history<sup>i</sup>.

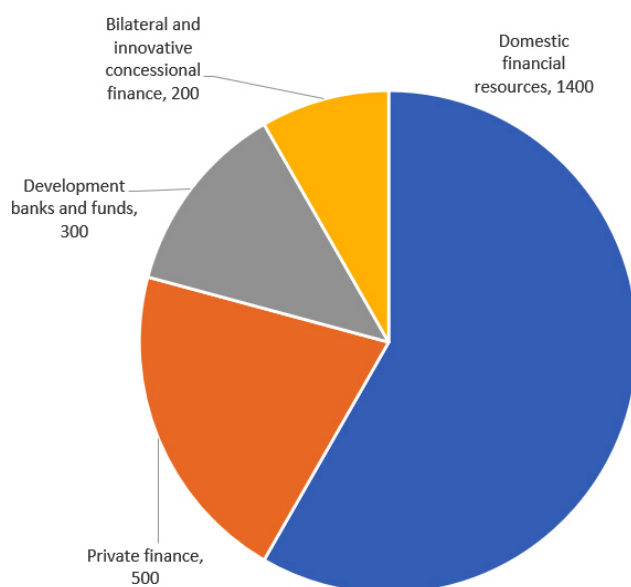
Nevertheless, COP29 had some crucial tasks. It was billed as the "Finance COP", and one of the most important issues was to decide on the New Collective Quantified Goal (NCQG) for annual climate finance to support developing countries from 2025 onwards. The "loss and damage" mechanism agreed at COP28 should be finalised. And Article 6 of the Paris Agreement, dealing with carbon markets and international cooperation, should be finalised.

Parties to the Paris Agreement are required to update their initial Nationally Determined Contributions (NDCs), last updated in 2020, by February 2025. These NDCs run to 2035. COP29 was therefore the last opportunity for discussions before the next round of updates.

Progressing climate finance was a core task of the “climate COP”. Developing countries had begun by demanding \$1.3-2.4 trillion of climate finance annually from developed countries<sup>ii</sup>. This would involve about \$1 trillion of external funding, of which \$500 billion would come from the public sector (Figure 1). This was a sharp increase from the \$100 billion of annual funds committed at COP15 in 2009 to be provided by 2020. Eventually, that \$100 billion target was reached by 2022<sup>iii</sup>, although inflation had eroded a significant part of its value.

Finally, COP29 settled on a New Collective Quantified Goal (NCQG) of core financing of \$300 billion per year, which was intended to encourage an “additional layer” of \$1.3 trillion, made up primarily of private-sector finance.

**Figure 1 Sources of Target Climate Finance Target for Developing Countries<sup>iv</sup>**



A large part of this funding, though, is likely to be re-purposed or re-labelled. The “additional layer” is particularly vague, as it will be hard to say how much private-sector money has actually been catalysed by government action.

The Global Solidarity Levies Task Force will explore options for levies to raise climate finance, for example charges on international shipping or aviation. The Expert Review on Debt, Nature and Climate is due to publish its findings in Q1-Q2 2025, to tackle the issue of debt in low- and middle-income countries. This is an important issue, particularly given the inclination of developed countries to provide finance as debt rather than grants, while many countries have little capacity to take on additional debt.

Various climate funds have been established previously: the Green Climate Fund, the Global Environment Facility, and the Fund for responding to Loss and Damage. Guidance for these funds was set at COP29. Nevertheless, the modalities for scaling and distributing this finance remain unclear. It would be helpful for private-sector capital to understand how goals, such as those of tripling renewables and doubling energy efficiency gains, translate to concrete policies that affect business<sup>v</sup>. Private-sector finance available for developing countries needs to see a robust pipeline of implementable projects.

One key point of contention was the role of wealthy countries classified as “developing” in the Kyoto Protocol. These include China and the GCC states. They resisted any firm commitment but will be “encouraged” to make voluntary contributions.

Estimates of “fair” financial flows vary from \$200 billion to \$1600 billion annually, with most figures around the \$1000 billion level (Figure 2). This provides reasonable support for the \$1300 billion (\$1.3 trillion goal). Not surprisingly, these flows would go mostly from Europe, North America and Eastern Europe/ West-Central Asia to other global regions.

Perhaps surprisingly, the Middle East would be due significant funds, on the other of 2% of regional GDP, although its share of the total funding is small.

Other important issues included the balance between loans (on commercial or concessionary terms) and grants, and the ease of accessing finance. The specific cases of Least Developed Countries (LDCs) and Small Island Developing States (SIDS) were mentioned, with calls for easier processes for them. Otherwise, little progress was made on these points.

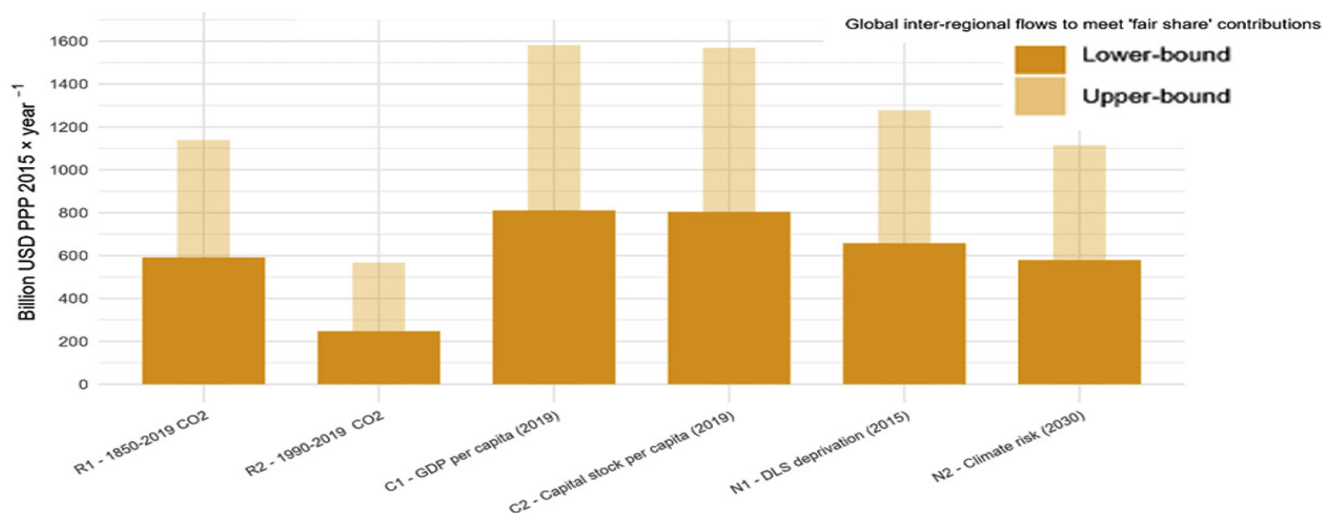
The climate finance now specifically includes all climate-related money flowing through multilateral development banks such as the World Bank. A "Baku to Belém Roadmap" will work on enabling the additional \$1 trillion of finance by 2035, to progress the issue by COP30. There will be a progress report by 2028, and a review in 2030.

Specifically, a little more money was pledged for the Adaptation Fund, which is meant to have \$300 million annually, but so far has only \$124 million.

And the Fund for Responding to Loss and Damage gained \$85 million to reach \$759.4 million. This remains far short of total adaptation and loss-and-damage needs. Loss-and-damage alone is expected to reach \$580 billion per year by 2030. There is also a risk that a substantial amount of the public-sector financing is simply rebadged or repurposed development funding from other areas or represents funding for wider projects of which the climate or environmental aspect is only a smaller part.

Realistically, this was probably about as good a result as could have been expected. It falls well short of the needs of developing nations. However, at a time of high debt levels, inflation and fiscal stringency in developed countries, and an atmosphere turning against strong climate action in some places, there was never a plausible chance of securing anything close to \$1.3 trillion in public-sector money. The guidelines are at least helpful for counties in preparing their NDC updates, as an indication of the level of financial flows they could expect.

Figure 2 "Fair Share" Financial Contributions<sup>vi</sup>





The Warsaw International Mechanism for Loss and Damage is intended to be reviewed every five years. But important elements of this review were not decided in Baku and will instead be discussed at the intersessional meeting in Bonn.

## CARBON MARKETS

Another key goal of COP29 was to complete the work from COP28 of operationalising international carbon markets under the Paris Agreement's Article 6. At Baku, agreement was reached on Article 6.2, covering international trading of mitigation outcomes between countries. That is, one country can fund projects that reduce emissions in another, while counting the result against its own abatement commitment. Article 6.2 includes mechanisms for authorising and tracking such transactions and carrying out technical reviews to ensure integrity. Article 6.4, covering the Paris Agreement Crediting Mechanism which governs trades between a country and another entity, such as a company, includes compulsory guard mechanisms to protect human rights and the environment in such carbon offset projects, including the consent of indigenous people. And the supervisory body has an agenda set for 2025.

This progress on Article 6, long delayed, is crucial in mobilising finance into the most cost-effective areas. This should reduce the financial burden at least of meeting interim emissions reduction targets. Nature-based solutions and carbon capture and storage are two sectors that are likely to benefit.





Every five years, the process established in the Paris Agreement is meant to include a "Global Stocktake" (GST), a review of countries' climate measures and progress. The GST was held at COP28. COP29 was meant to decide future processes for following up, but these discussions were not successful and have been deferred to COP30. The EU wanted more factual content in the GST, and that every country's NDC should contain absolute emissions reduction goals. China and Saudi Arabia, amongst others, resisted these positions<sup>vii</sup>.

The UK and Brazil announced new, more stringent, NDCs during the talks. The UAE has also released a more ambitious Third NDC. February 2025 is the official deadline for the next round of updates.

Based on previous performance, most though not all Paris signatories will submit updated NDCs, though some may be delayed into 2026. It would obviously be preferably to have as many as possible completed before COP30.

A group of developing and developed countries, including the EU, UK, Norway, Chile and Panama, did commit that their new NDCs would include top-level, economy-wide targets that have steep reduction pathways to reach net-zero. Mexico, which joined the group, became the last G20 country to commit to a net-zero date, by 2050. Indonesian president Prabowo Subianto also suggested that his country could reach net-zero by 2050, versus its 2060 official goal.

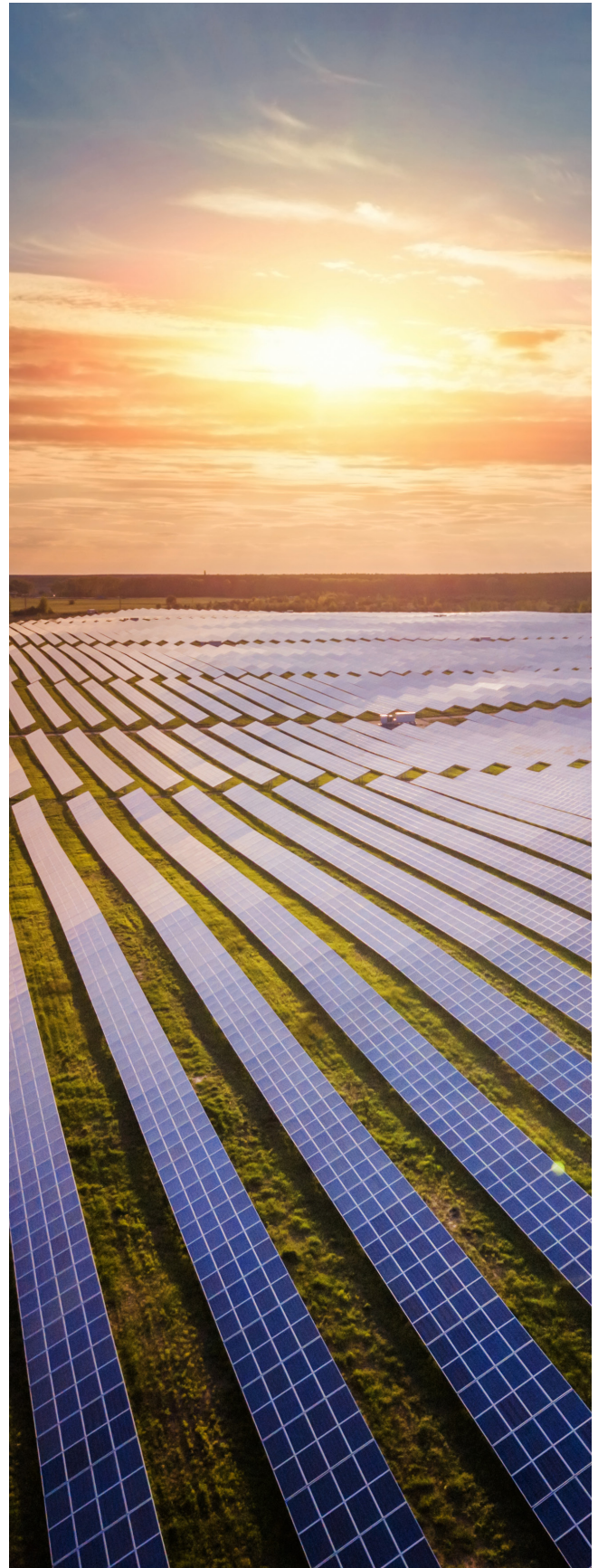
Adaptation governs coping with unavoidable climate change, as opposed to mitigation which covers reducing emissions. Building on the work from COP28, Baku discussed how to track adaptation measures, and what the right indicators were. But this issue remains open for finalisation at COP30, as do National Adaptation Plans. The Baku Adaptation Roadmap was launched.

## FOSSIL FUEL TRANSITION

COP28 reached an at least symbolically important declaration, the "UAE Consensus", to "transition away" from fossil fuels. In contrast, no further advance was made on this issue at COP29, nor was there a repeated mention in the final outcome of "transitioning away".

There was no agreement on phasing out fossil fuel subsidies. These remain a fiscal drag on governments, an encouragement to wasteful energy consumption, and an impediment to adoption of low-carbon alternatives.

There was also no further progress on three of the other key goals discussed at COP28: tripling global renewable capacity by 2030, doubling the rate of energy efficiency improvements, and (from a subset of countries), doubling installed nuclear capacity. These three aims all depend on finance. They are also hampered by regulatory and policy barriers, such as inadequate grid capacity, subsidies, slow approval procedures, and misaligned incentives. Most of these issues must be tackled at a national level.





COP29 was challenged by politics. The difficulty of agreeing a host location, and the limited experience in Azerbaijan of hosting such an event, presented difficulties. There were some early missteps, such as including no women on the 28-member organising committee, an error which was quite quickly rectified<sup>viii</sup>. The country also did not possess the same diplomatic weight as earlier hosts such as Germany, France or the UAE, or next year's Brazil.

The host country faced diplomatic criticism relating to the war over the breakaway region of Artsakh (Nagorno-Karabakh), supported by Armenia<sup>ix</sup>.

Several mostly European governments, environmental groups and campaigners were also unhappy with the hosting of the event by a significant oil and gas producer, the second in succession after the UAE in 2023 (Egypt, site for COP27 in 2022, is a notable oil and gas producer, but not a large exporter).

The next host Brazil, also a big oil and gas producer, has not faced such criticism yet (nor has Germany, still a major miner and user of coal, which has hosted several COPs, as well as the intersessional talks next due in June 2025). Australia, a major gas and coal exporter, or Turkey, a big miner and user of coal, could hold COP31 in 2026.

During the event, former UN secretary general Ban Ki-Moon and former UN climate head Christiana Figueres were signatories to an open letter arguing that the COP process was "no longer fit for purpose" and that countries that did not support the phase-out of fossil fuels should no longer be allowed to hold the COP presidency<sup>x</sup>. Practically, that would probably have left COP29 without a venue, given that Russia would veto other Eastern European candidate countries. From the opposite political angle, libertarian Argentinian president Javier

Milei withdrew his country's delegation from the talks, although Argentina says it has no plans to leave the Paris Agreement.

The COP29 president, Mukhtar Babayev, is the Minister of Ecology and Natural Resources, but had previously worked at state oil company SOCAR<sup>xi</sup>. Chief executive of the event, Elnur Soltanov, also attracted negative media coverage for apparently promoting oil and gas deals in private meetings beforehand. And misleading environmentalist coverage identified large numbers of "fossil fuel lobbyists" attending<sup>xii</sup>, using a very expansive and often inaccurate classification.

Nevertheless, the event was overall well-organised and logistically smooth.

The practical results of COP29, though, are likely to be overshadowed by the return to office of Donald Trump, which occurred just ahead of the event, on 5 November. Trump is likely, again, to withdraw the US from the Paris Agreement, to support fossil fuel development and use, and to view American climate funding for other countries very unfavourably. The effect of his other policies, for example on domestic manufacturing, and support for carbon capture and hydrogen, is less clear and still may be more positive for climate.

## OTHER ISSUES

COP28 had strongly foregrounded health, and nature, including nature-based solutions for carbon sequestration. These issues were not as prominent in Baku. It is likely that COP30, in the Amazon rainforest in Brazil, will again strongly return to the theme of nature, and specifically reducing deforestation.

As with other COPs, side-agreements were an important outcome, between groups of likeminded countries and other actors. Notably, there was agreement on:

- Reducing methane from organic waste, signed by 30 countries covering nearly half of such emissions globally
- Increasing global energy storage by six times, now signed by over 100 countries
- "Continuity coalitions" designed to build on the work of previous COPs, specifically this time covering urban climate action, health and the role of farmers.

These initiatives, though helpful, are not as striking as those reached at COP28 regarding areas such as nuclear power, energy efficiency and renewables.

COP29 most lived up (or down) to the impression of an “in-between” COP sandwiched by the more high-profile gatherings in the UAE and Brazil. The next climate talks will be in Bonn, Germany, in June 2025, which are preparatory for COP30 in November.

The open letter signed by Ban Ki-Moon and Christiana Figueres, among others, called for a reform of the COP process. In their view, it should be more streamlined, more frequent, with smaller gatherings and more solution oriented. Countries should “held to account” for their NDCs and COP should have its own permanent scientific advisory body<sup>xiii</sup>. Separately, Brazil's Ministry of Environment and Climate Change, Marina Silva, advocates unifying and finding synergies between the three Rio conventions on climate, biodiversity and desertification<sup>xiv</sup>. Notably, COP16 on Desertification was held in Riyadh, Saudi Arabia, in December 2024.

These are worthy suggestions, but likely to be overshadowed by the politics of the US and like-minded states. A COP process without the US will be more influenced by China, with European diplomacy pushing in more radical climate directions but probably without sufficient political backing from other states.

The impact of COP29 on fossil fuel demand is likely to be modest. There was no significant progress on the COP28 goal of “transitioning away” from fossil fuels, nor major commitments on competing technologies, other than on energy storage. If anything, more climate finance – if delivered – will probably support economic growth and resilience in developing countries and therefore slightly support their fossil fuel demand, at least in the medium-term.

The political division, though, between states that are ideologically hostile to fossil fuels, and those that are open to their continuing use in some form, is deepening. This is not helpful to the COP process or to climate progress in general. Even some major developed countries, notably the US, Canada, Australia and Norway, are important exporters of fossil fuels.

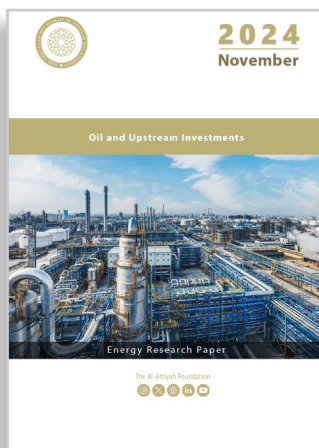
The European countries that oppose fossil fuel use need to be more open to the concerns of developing countries, who want reliable, affordable energy, and wish to use their own fossil fuel resources to support economic development in a responsible way. This includes being more realistic about Europe's own climate path and acknowledging some politically-driven approaches that have been costly and ineffective.

Conversely, major fossil fuel exporters and users, including the GCC, Russia, China, India and Indonesia, need to present a more scientifically robust view of how continuing fossil fuel use at some level is compatible with climate goals. This inevitably includes some large-scale of carbon capture and storage, hydrogen and atmospheric carbon removal. The required policies and pathways need to be plausible and strong near-term action to be taken to make them a reality.

COP30 in Brazil will again address the fossil fuel issue<sup>xv</sup>, the host country being an important producer. Deforestation will, of course, be a crucial topic, as it has not been for at least the last three COPs. Deforestation contributes 11% of global greenhouse gas emissions, compared to 76% from the energy system<sup>xvi</sup>. The updates of NDCs should give a clearer picture as to where the world is heading on emissions – if policies are delivered.

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- iv. The \$2.4 trln climate finance wish list for developing states, 11 November 2024, A. Currie, High-Level Expert Group on Climate Finance (<https://www.reuters.com/breakingviews/cop29-will-highlight-bifurcated-energy-transitions-2024-11-11/>)
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- vi. Fairness considerations in global mitigation investments, Science, Volume 378, Number 6624, 17 November 2022, (<https://www.science.org/doi/full/10.1126/science.adf0067>)
- vii. New climate finance goal adopted at COP29, 3 December 2024, Sweden Ministry of Climate and Enterprise (<https://www.government.se/articles/2024/12/new-climate-finance-goal-adopted-at-cop29/>)
- viii. Women added to Cop29 climate summit committee after backlash, 19 January 2024, The Guardian (<https://www.theguardian.com/environment/2024/jan/19/women-cop29-climate-summit-committee-backlash>)
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- xi. COP29 Presidency Team (<https://cop29.az/en/presidency/cop29-presidency-team>)
- xii. Fossil fuel lobbyists eclipse delegations from most climate-vulnerable nations at COP29 climate talks, 15 November 2024, Global Witness (<https://www.globalwitness.org/en/press-releases/fossil-fuel-lobbyists-eclipse-delegations-most-climate-vulnerable-nations-cop29-climate-talks/>)
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- xv. Brazil will not ‘shy away’ from fossil fuels issue as COP30 host: envoy, 20 November 2024, AFP (<https://www.france24.com/en/live-news/20241120-brazil-will-not-shy-away-from-fossil-fuels-as-cop30-host-envoy>)
- xvi. COP30 in Brazil: So What? 2024, Instituto Clima e Sociedade (<https://climaesociedade.org/en/artigo/cop30-in-brazil-so-what/>)

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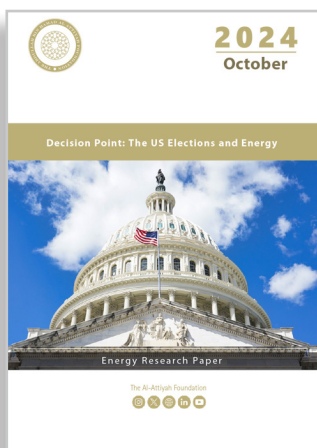


**November – 2024**  
**Oil and Upstream Investments**

The oil industry is in an investment upcycle, even though the demand rebound after the COVID-19 pandemic has largely abated. Whilst the low-carbon energy system roll-out continues, oil will continue to meet global energy demand and define energy security for years to come.



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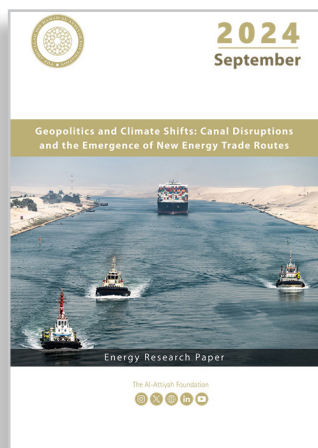


**October – 2024**  
**Decision Point: The US Elections and Energy**

Almost half the world's population is expected to vote this year, marking an unprecedented turnout. Soon, it will be the United States' turn – on 5th November 2024, it will elect a new president and numerous legislators, including all 435 members of the House of Representatives and 34 of the 100 Senate seats, along with various state and local offices.



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**September – 2024**  
**Geopolitics and Climate Shifts: Canal Disruptions and the Emergence of New Energy Trade Routes**

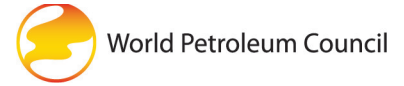
Geopolitics and climate have emerged as the two wildcards impacting the world's busiest trade chokepoints, i.e. the Suez and Panama Canals. Daily shipments through the Suez Canal in the Red Sea have dropped by 50% since January 2024, while Panama Canal transit restrictions have led to a 32% decline since October 2023.



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