

High-level negotiations at COP29 on how to deliver the trillions of climate finance

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The 29th Conference of the Parties (COP29) of the United Nations Framework Convention on Climate Change (UNFCCC) taking place in Baku - Azerbaijan from November 11-22, 2024 provides a platform for important discussions on progress of climate finance. The conference has so far witnessed substantial commitments toward unlocking resources to support the global mitigation and adaptation financing. The highlighting areas entail increasing the level of climate finance commitments, improving the structure of climate finance, and championing private capital for green and resilient investment. As a result, the co-chairs of COP29 have published the draft text for the New Collective Quantified Goal (NCQG) for climate finance. The NCQG guides conversations and serves as a workable basis for discussion on scaling up climate finance. The Finance, Investment and Trade Day saw representatives from the private sector, multilateral development banks and philanthropic organisations, climate funds, international organisations, and civil society come together in a collective effort to finance tangible climate action.

For example, a group of leading multilateral development banks (MDBs) provided estimates for their annual collective climate financing for low- and middle-income countries to cumulatively reach USD 120 billion by 2030, including USD 42 billion for adaptation. The MDBs also aim to mobilise USD 65 billion annually from the private sector. For high-income countries, their annual collective climate financing is projected to reach USD 50 billion, including USD 7 billion for adaptation. These estimates encompass lenders including the Asian Development Bank (ADB), the World Bank Group, the African Development Bank (AfDB), the Asian Infrastructure Investment Bank (AIIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank Group (IDB), the Islamic Development Bank (IsDB), and New Development Bank.

Also, the Green Zone's climate action programme with a joint panel session, "Climate Finance Landscape in the South Caucasus and Central Asia" analysed the current state, challenges, and future of climate finance in the region, emphasizing sustainable investments, public-private partnerships, and existing financial mechanisms for resilience and adaptation. The panel discussion addressed challenges and opportunities for accelerating climate action in the South Caucasus and Central Asia. The discussion focused on increasing and optimizing financial support and exploring strategic partnerships. The COP29 Green Zone also hosted several panel discussions covering diverse topics such as innovative approaches to sustainable development, carbon emission reduction strategies, industrial sustainability, green technologies, sustainable energy, successful models for resource-based economies, and future prospects. For instance, Asian Development Bank announced USD 3.5 billion of funding for new programme to help counter the impact of melting glaciers. Azerbaijani banking sector pledged to allocate USD1.2 billion to green projects through to 2030. While Sweden announced contribution of USD 730 million to the UN Green Climate Fund (GCF) to support low-and middle-income countries to invest in adaptation measures to protect their societies against climate change and support investment in climate initiatives to reduce emissions.

Further, leaders from business, finance and philanthropic communities—including investors worth a collective USD 10 trillion in assets—announced at the COP29 Business, Investment, and Philanthropy Climate Platform (BIPCP) that they will unite for the first time to accelerate the deployment of private capital into climate markets. Partners for the event included AVPN, Bill & Melinda Gates Foundation, International Finance Corporation, Marrakesh Partnership, Sustainable Markets Initiative, WBCSD, World Economic Forum and XPRIZE.

Another milestone is the endorsement of the COP29 Baku Initiative for Climate Finance, Investment and Trade (BICFIT) Dialogue. In creating BICFIT, the COP29 brought together UNCTAD, the UNDP, the World Trade Organization (WTO), International Trade Center (ITC), multilateral development banks and multilateral climate funds. BICFIT will guarantee Finance, Investment, and Trade and drive the climate-change agenda by ensuring alignment, continuity and delivery across discussions, actions and initiatives between previous and future COPs in support of the UNFCCC and the Paris Agreement. The BICFIT Dialogue will incorporate existing global initiatives such as the Glasgow Financial Alliance for Net Zero (GFANZ), Coalition of Finance Ministers for Climate Action, Coalition of Trade Ministers on Climate, the Climate FDI Coalition, and the newly initiated Baku Global Coalition for SMEs Green Transition, to align climate finance, investment, and trade with sustainable development priorities. The BICFIT initiative stands as a principal platform for fostering collaboration and innovative solutions across climate finance, investment, and trade, empowering nations to tackle this formidable yet essential journey toward transformative structural change. This initiative enables alignment of trade, investment, and finance with climate goals, bringing stakeholders together to ensure these three drivers work in concert. Better coordination will lower the overall cost of a just transition, leveraging shared strengths and minimizing conflicts between climate policies and sustainable development.

Despite these strides and ongoing negotiations, the big question still remains: will COP29 deliver the trillions to meet the rising global climate finance needs? According to the projections by the Climate Policy Initiative, the annual climate finance needed through 2030 rises steadily from USD 8.1 to USD 9 trillion and estimated to reach USD 10 trillion annually from 2031 to 2050 (see figure 1).

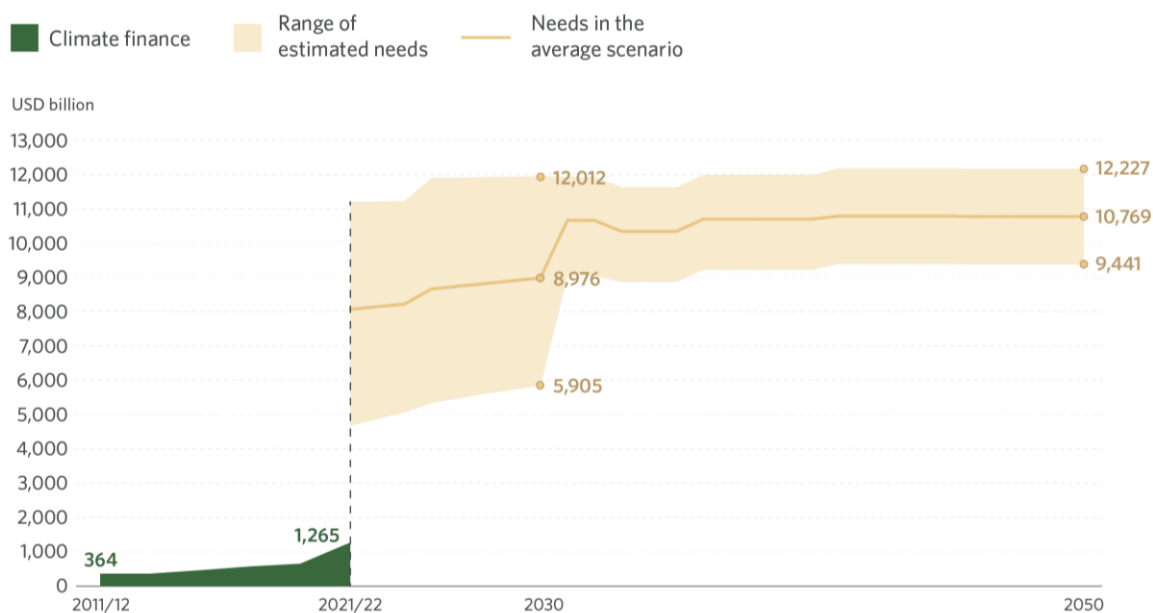


Figure 1: Global tracked climate finance and average estimated annual needs through 2050 (source: Climate Policy Initiative)

The climate finance agreements that will be reached at COP29 have far-reaching implications for combating climate change. Strengthening the volume and quality of climate finance and de-risking investments in developing economies can foster the shift towards low emission and achievement of net zero targets. This, in turn, can help achieve the objectives of the Paris Agreement, to prevent global warming and safeguard our planet.

To sum up, COP29 has so far shown that climate finance remains the key to advancing the world’s climate change agenda. As commitments, innovations and partnerships progress, the world will be able to strive for a better and more sustainable and resilient future for all.

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