Will The COP29 Presidency Live Up To Expectations On Climate Finance?

Mizan R Khan

The Conference of Parties 29 (COP29) of the UN Framework Convention on Climate Change (UNFCCC) is expected to be the COP of climate finance. The reason is that not much progress has been achieved so far in realizing the required support at a minimum for the developing countries' needs. For example, the pledges of developed countries to provide $100 billion a year by 2020 were not realized. Instead, the Paris Agreement extended the goal post, so that by 2025, the UNFCCC parties have to agree on a new collective quantified goal (NCQG), keeping the $100 billion goal as the floor. During the last three years, already 11 so-called Technical Expert Dialogues have taken place, in which I had the privilege of attending a few. But no concrete number has been floated so far, but time has been spent mostly on procedural aspects – only to procrastinate the process. Another example is that the pledge of doubling adaptation finance made in Glasgow at COP26 still does not have a roadmap. Instead, there is a tendency to expand the agendas of COP including on climate finance, as a result of which climate finance alone has 13 agendas on its different aspects to discuss at COP29.

This short piece focuses on one such climate finance agenda – Article 2.1c of the Paris Agreement, which is about making finance flows consistent with low greenhouse gas emissions and climate-resilient development pathways. To prepare the ground for discussion, the second workshop was held on 6-7 October 2024 under the Sharm el-Sheikh Dialogue on the scope of Article 2, paragraph 1(c), and its complementarity with Article 9 of the Paris Agreement. This workshop was organized by the United Nations Framework Convention on Climate Change (UNFCCC) secretariat and co-hosted by the Ministry of Foreign Affairs of the Government of Egypt and the United Nations Development Program. Based on the views expressed by Parties and non-party stakeholders throughout 2023 and 2024, including through the recent call for submissions, several potential topics and issue areas have been suggested by Parties and non-party stakeholders for discussion during the dialogue in 2024.

This author was invited to attend and contribute to the deliberations. The two-day discussions focused on agency and country experiences in mobilizing climate finance. Together, there was a breakout group discussion, which discussed reforms of multilateral financial institutions, the role of the private sector, and governments' regulatory frameworks that can enable domestic mobilization of financial resources. Participants expressed different views which will be presented by the Co-Chairs as a report under the agenda on this issue at COP29. However, it was a little frustrating that the topics discussed did not match much with the divergent views expressed by parties and non-party stakeholders in their submissions on the issue.

One basic difference in the views between the developed and developing countries was that the former preferred operationalization of Article 2.1c and expansion of the sources of finance including new contributors from developing countries and mobilization of finance from domestic sources including by private sector. But the submissions particularly from Saudi Arabia on behalf of the Arab

Group and India on behalf of the Like-Minded Developing Countries (LMDC) highlighted the need for reaching a consensus on interpretations of Article 2.1c, which continue to remain divergent. For this purpose, these groups proposed to work on agreeing to the basic understanding of the Article and the approaches to operationalize it. The LDC submissions also highlighted the need for enhancing the clarity of the article, on adaptation and loss and damage finance, on reforms of MFI Reforms, and avoiding negative impacts on, balance of payments, debt distress, aligning of education, health with human rights. Further, LDC highlighted concessional finance, low-cost, and long-term concessional finance, along with expanding the stakeholder base including ministries of finance, MFIs, the private sector, and other development partners.

The US and the EU submissions also have some positive aspects. Such as aligning deliberations on this topic with other financial processes, the issues of debt, and the rising cost of capital, particularly for low-income and vulnerable countries. Among the submissions, the EU perhaps stands out in terms of initiating carbon pricing and removal of fossil fuel subsidies. The latter two are regarded as the fundamental way forward to mobilize finance for investment in mitigation and adaptation.

However, one submission from UNCTAD contains two important ideas, which can contribute to unlocking the intractability of climate negotiations. One is the need for more market-shaping strategies, not market-led initiatives, which can contribute to regulatory mechanisms for financiers of dirty assets, and establish pathways to align financiers with green transition by the private sector. The second issue that it proposes having a differential approach to package transition away from fossil fuels between developed and developing countries. The argument is the differential levels of development between these two groups of countries, for which developing countries must be allowed adequate space for the transition, keeping in view the energy poverty of a large population in some fossil fuel-dependent countries.

Thus, this discussion on Article 2.1c is just one of 13 agendas dedicated to climate finance, the most important of which is about reaching a consensus on the NCQG. So, agreements on these two important agenda items can go a long way to mobilizing a minimum level of finance and investments for achieving low-carbon and climate-resilient development across the globe.

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