ESG

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COP29 Priorities

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Introduction

The 29th United Nations Climate Change Conference (COP29) is fast approaching and will take place in Baku, Azerbaijan, from 11 Nov to 22 Nov 2024. Against the backdrop of growing geopolitical tensions and uncertainty in the international environment, world leaders are expected to make progress on climate commitments and deliver on their mandates at this key annual event. This report highlights some of the key priorities where progress is expected at COP29.

1. Climate finance for developing economies

Developing economies, especially small island states and developing economies, face the greatest climate risks and are most heavily impacted by climate change impacts. These economies require international support to finance climate adaptation, as domestic resources are insufficient to mitigate the impacts.

The New Collective Quantified Goal (NCQG) on climate finance is a key element of the Paris Agreement adopted in 2015, that aims to set a new financial target to support developing economies in their climate actions for the post-2025 period. This aims to replace the previous goal set in 2009, where developed economies committed to mobilising US$100bn per year by 2020 through to 2025 to address the finance needs of developing economies in managing climate change impacts. Developed economies mobilised US$115.9bn in climate finance for developing economies in 2022, which exceeded the goal for the first time.

Currently, the NCQG is under negotiation and is expected to be finalised by 2025 to bridge the existing gaps in climate finance, particularly in areas like clean energy and climate resilience. Challenges to achieving this include deciding on a realistic new target, as well as determining the contributors to and recipients of the finance involved. Other topics of debate are an appropriate timeframe that the new climate finance goal will cover and the scope of coverage i.e. whether the NCQG will cover the costs of loss and damage.

2. Mobilising the loss and damage fund

The loss and damage fund, to be hosted by the Philippines, was established to support vulnerable countries in recovering from the impacts of climate-related disasters such as drought and floods. Several contributors have pledged money to the fund, including US$245.39mn by the EU and US$17.5mn by the US. The amount pledged so far still falls short of what is required as estimates show that vulnerable countries may face as much as US$580bn annually in climate-related damages by 2030 and US$1.7trn annually by 2050.

The details of funding arrangements and ensuring transparency would need to be further discussed in order to mobilise finance at scale, without exacerbating debt issues. Progress on this front is important to achieve a fair outcome at COP29 related to loss and damage, as vulnerable countries seek support in a time where the frequency of climate-related disasters is increasing. However, determining equitable distribution of funds may be contentious as some countries that are eligible to receive funds could also be high emitters of greenhouse gas emissions.

3. Operationalising Article 6 to enable high quality carbon markets

A fully operationalised Article 6 would enable better quality carbon markets through bilateral agreements (Article 6.2) and a centralised multilateral carbon marketplace (Article 6.4). There was a lack of progress on Article 6 of the Paris Agreement at COP28, as countries did not reach a consensus on either Article 6.2 or Article 6.4. Regardless, several Article 6.2 agreements were signed on the sidelines of the conference. For example, Singapore and Papua New Guinea signed an implementation agreement on carbon credits cooperation at COP28, marking the first Article 6.2 implementation agreement for Singapore.

Article 6 of the Paris Agreement remains a complex issue, as negotiators need to agree on definitions and technicalities such as carbon project eligibility and methodologies. As stakeholders are prioritising high quality carbon credits, getting Article 6 up and running is important for a functioning carbon market that delivers high-quality carbon credits. This can enable international emissions trading and allow stakeholders to use carbon credits as a complementary decarbonisation strategy to achieve their climate goals.

4. Efforts in transitioning away from fossil fuels

Nearly 200 countries at COP28 pledged to 'transition away from fossil fuels in a just, orderly and equitable manner, so as to achieve net-zero by 2050.' As the text lacked fixed timelines and allows room for different interpretations of the text, COP29 is expected to follow up on details such as tangible targets and actions for the green transition to happen on the ground. Otherwise, it is not likely that the transition away from fossil fuels can occur in a way that holds countries accountable to achieve net-zero by 2050.

This also ties in with the need for developed economies to provide financing to developing economies to enable the latter to transition away from fossil fuels. Developing economies like Indonesia and the Philippines are Southeast Asia's two most coal-dependent countries, with their reliance on coal still increasing. As both countries have abundant solar and wind power potential, mobilising funds from developed economies can support coal-dependent countries in tapping renewable energy sources and transitioning away from coal.

5. Looking ahead to new national climate commitments

Nationally determined contributions (NDCs) embody countries' efforts to reduce national emissions and achieve the long-term goals of the Paris Agreement. The Paris Agreement requires countries to put forward new NDCs every five years i.e. 2020, 2025, 2030. All countries are expected to come forward with the submission of the next round of national climate action plans by the 10 Feb 2025 deadline. This round of NDCs will be prepared with an implementation timeframe leading up to 2035 and is expected to be more ambitious than the previously submitted NDCs.

The new NDCs should be informed by COP28's Global Stocktake, which was an assessment of global progress on climate action that revealed the gaps in current national climate policies. The NDCs should also reaffirm pledges made at COP28, such as pledges to transition away from fossil fuels and triple renewable energy capacity globally by 2030. COP29 would be an opportunity to set expectations for what the new NDCs should aspire to.

Conclusion

COP28's Global Stocktake found that existing efforts are not on track to achieve long-term climate goals aligned with limiting global warming to 1.5°C. COP29 will be an important moment for countries to signal their intent for more ambitious climate targets and plans leading up to updated NDCs due in 2025. The success of COP29 can be measured by the progress of key priorities like the NCQG, loss and damage fund and Article 6 discussions to enable greater climate action.

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