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Conference of the Parties 29: Focus on Climate Finance Challenges

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Summary

The next Conference of the Parties (COP) meeting on Climate Change is scheduled to be held in November 2024 in Baku, Azerbaijan. The Paris conference in 2015 formalised the agreement that the developed countries will provide US$100 billion (S$135 billion) every year till 2025 for climate action in the developing countries. While the Organisation for Economic Co-operation and Development estimates indicate that this amount has been raised in 2022, there are contentions about the nature of funds raised and whether the developing nations will actually benefit from it. The next COP meeting is expected to provide some solutions.

The COP 29 United Nations Climate Change Conference at Baku in Azerbaijan in November 2024 will be the 29th Conference of the Parties (COP) and will bring together the signatory countries of the United Nations Framework Convention on Climate Change (UNFCCC).

At the 15th COP of the UNFCCC in Copenhagen in 2009, the developed countries committed to a collective goal of mobilising US$100 billion (S$135 billion) per year by 2020 for climate action in developing countries. The Paris Agreement in 2015 further reinforced this target and extended it to 2025. The agreement sought to facilitate access to financial assistance for mitigation and adaptation efforts. Following the initial commitment of countries in 2009, the obligation to provide financial support was enshrined in Article 9 of the Paris Agreement of 2015 which reiterated this call for the developed countries to provide the developing countries with financial assistance for mitigation and adaptation.

The COP 28 meeting in United Arab Emirates in November and December 2023, announced a Global Climate Finance Framework which sought collective action to make finance available, accessible and affordable. The meeting recognised that to support developing countries in achieving their climate objectives, the developed countries need to work to deliver on the goal of jointly mobilising US$100 billion (S$135 billion) in the context of meaningful mitigation action and transparency on implementation through 2025.

The seventh assessment of progress report of the Organisation for Economic Co-operation and Development (OECD), released in May 2024, towards the UNFCCC goal, finds that in 2022, the developed countries provided and mobilised a total of US$ 115.9 billion (S$161.4 billion) in climate finance for developing countries, exceeding the annual US$ 100 billion (S$135 billion) goal for the first time. The analysis presented in the report finds that public climate finance (bilateral and multilateral attributable to developed countries) accounted for close to 80 per cent of the total in 2022 and increased from US$38 billion (S$51.3 billion) in 2013 to US$91.6 billion (S$123.7 billion) in 2022. Following a small drop in 2021, adaptation finance reached US$32.4 billion (S$43.7 billion) in 2022, three times the 2016 level. Mitigation continued to account for the majority, representing 60 per cent of the total. However, the dominance in the funds provided seems to have been loans rather than more affordable sources of finance from developed countries. This has remained a contentious issue, particularly for low-income countries.

Oxfam, however, estimates that the true value of finance provided is just US$21 billion-24.5 billion (S$28.3 billion-S$33.1 billion) as of 2020, against a reported figure of US$68.3 billion (S$92.2 billion) in public finance that the rich countries said was provided. Moreover, the higher-income countries have also been criticised for giving most of the money as non-concessional loans. The fact remains that even with increases in the provision of climate finance over the years, no publicly available data supports the claim that it has been met just yet. Further, the quality of finance continues to remain a pressing problem, with market-rate loans comprising the largest segment of the overall finance provided by developed countries. This burdens the already debt-ridden developing nations it is supposed to help.

Bridging the Climate Finance Gap in Developing Countries

In the COP 27 meeting in Egypt, these issues were deliberated in great detail, with each stakeholder displaying intent. After much discussion and bargaining, the final agreement highlighted that US$4 trillion (S$6 trillion) to US$6 trillion (S$8 trillion) a year need to be invested in renewable energy until 2030, including investments in technology and infrastructure, to reach net-zero emissions by 2050.

However, major differences are emerging again between the rich and the developing countries on who should contribute to the new quantified goal on climate finance, according to the Third World Network, an independent non-profit that is tracking the negotiations. It is reported that in an Ad Hoc Work Programme of the UNFCCC, held in Cartagena in Colombia in April 2023, the United States is reported to have said the New Collective Quantified Goal is "voluntary" for those that "choose to pay". India, speaking for the like-minded developing countries, said the goal must be in accordance with the principles and provisions of the convention and the Paris Agreement. India has been continuously highlighting two major concerns of the Global South – technology and climate finance. At the G20 meeting held under India's presidency last year, it was agreed that the climate finance requirement will be to the tune of US$4 trillion (S$6 trillion) to US$6 trillion (S$8 trillion) per year by 2030, and that this should be available, accessible and affordable. The Bonn meeting of Climate Change in June 2024 seems to have made some progress in streamlining the content going into the New Collective Goal on Climate Finance and a draft decision should be ready before COP 29.

The OECD's analysis on trends of climate finance provided and mobilised by the developed countries for the developing countries show that there is a pressing need for international providers to significantly scale up their efforts in two essential areas: adaptation finance and the mobilisation of private finance. Scaling this up will require a major reorientation in the scope, composition and strategic use of international climate finance. Towards this objective, the outcome of the Baku meeting will be highly anxiously awaited.

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