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COP29 Deal on Climate Finance: Disappointment for the Developing Nations

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Summary

The United Nations Climate Change Conference – the annual series of Conferences of the Parties – ended recently in Baku, Azerbaijan. The summit declaration for climate finance activities of the developing countries has met with huge disappointment from the Global South. The wealthy nations are being blamed for having caused rampant historic pollution themselves but now offloading climate burdens onto the developing nations. The offer of US$1.3 trillion (S$1.781 trillion), of which the rich nations will contribute US$300 billion (S$411 billion) from varied sources, has been described as paltry. It is felt that the developing nations were forced to accept the deal which suffered from procedural flaws.

The Conferences of the Parties – the 29th edition of the United Nations (UN) Climate Change Conference (COP29) – concluded at Baku in Azerbaijan on 22 November 2024 after 11 days of negotiations seeking a collective decision to harness increasing carbon emissions. The outcome of the talks, in terms of climate finance for developing nations to meet their targets and transition away from fossil fuels to curb greenhouse emissions, has been largely described as ‘weak’ or ‘disappointing’.

The conference commenced with the developing nations seeking a target of US$1 trillion (S$1.37 trillion) per annum for the period 2025-35, to be arranged by the developed nations to help the former meet their emission targets and was projected as the New Collective Quantified Goal (NCQG). This is against the US$100 billion (S$137 billion) which had been projected for the period up to 2025 as per the Paris Agreement.

There were expectations that the Baku talks would conclusively agree upon a realistic amount but the sharp split between the developed and developing countries on the quantum has created a sharp divide. What has emerged after days of hectic deliberations is an overall package of US$1.3 trillion (S$1.781 trillion) per year from all public and private sources, for the developing nations to implement their climate action. Of this amount required for the decade till 2035, the obligation of the rich nations to mobilise is a meagre US$300 billion (S$411 billion) per annum. The amount will be raised from a wide variety of sources (public and private; bilateral and multilateral, including alternative sources). It will replace the existing annual US$100 billion (S$137 billion) for the 2020-25 period target (it was promised in 2009 to mobilise US$100 billion [S$137 billion] per year by 2020). Governments that would be expected to lead the financing include the European Union (EU), Australia, the United States (US), Britain Japan, Norway, Canada, New Zealand and Switzerland.

Negotiators from the developing countries had hoped that the NCQG would mobilise US$1.3 trillion (S$1.781 trillion), out of which at least US$600 billion (S$822 billion) would come as grants or equivalent sources through the developed nations. While the developing countries had out rightly rejected the earlier draft, which had offered only US$250 billion (S$342 billion) as the share of the rich nations, hectic backroom diplomatic efforts had been on to address this critical issue Bilateral meetings, which are away from the media glare and are the norm for such multilateral negotiations, had lent hope of finding a solution which was at least partly acceptable to the developing nations. On the other hand, the rich industrialised nations have been consistently demanding that the developing countries, which have emerged as relatively strong economies now and are big emitters, must also do their bit in contributing to the new finance target. Proposals from Canada and Switzerland in the NCQG detail parameters to identify these countries. These proposals, however, had been opposed by the 130-odd constituents of the G77 and China.

It is claimed that US$300 billion (S$411 billion) does not address the needs and priorities of developing countries. It is incompatible with the principle of Common but Differentiated Responsibilities and equity, regardless of the battle with the impact of climate change. The feeling that the negotiators have been left with is that the Global South is being pushed to transit to low-carbon pathways even at the cost of growth. These countries have to face the Carbon Border Adjustment Mechanism (CBAM) and other measures that are being imposed by the developed countries to make the transition difficult.

Once the CBAM is implemented from 2026, it will put a tariff burden on such products of the developing countries, including India and China, and impact their trade. The CBAM is a tool to put a price through imposing a border tax on carbon-intensive goods, like iron and steel, aluminium and cement, that are entering the EU. Thus, the threat of the use of unilateral trade measures by the developed countries, combined with its own domestic policy limitations, would be a big constraint for India.

Meanwhile, climate action activists had been demonstrating in Baku over the constant stonewalling of demands for larger grants from developed nations. Accusations have been made against the US for "a legacy of burning up the planet" and failing to pay its fair share of climate finance. However, the developed nations have argued that higher direct government funding is politically unrealistic, particularly with Donald Trump's election and his well-known views on wanting to withdraw from the Paris Agreement.

There has been further criticism of the way the COP29 President, Mukhtar Babayev, did not allow countries such as India and others from the Global South to make statements prior to the resolution being adopted. These countries believe that the decision had been stage-managed. India has rejected the deal claiming that it brings out the unwillingness of the rich nations to fulfil their responsibilities. India's action has triggered similar reactions from other developing countries who look to India to champion their cause. It is also contended by many observers that the weak climate finance outcome and India's rejection, endorsed by several developing countries, may impact the countries' update on their nationally determined contributions (NDCs) – climate action targets – next year.

The disappointment in the global south stems from the feeling that the present deal will unravel three years of planning that went into containing global warming below 1.5-2.0 degrees Celsius from pre-industrial levels. A fair finance deal was expected to be the bedrock of the new NDCs, emission-mitigating targets and strategies presented to the UN by countries every five years, which is due in February 2025. It is believed that the current NDCs will lead to a temperature rise of 2.6-2.8 degree Celsius.

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