

COP29

THOUGHTS FROM THE GROUND

BY WILL ARNOLD

November saw the 29th annual Conference of the Parties (COP) take place in Baku, Azerbaijan, a country that has, and continues to, benefit substantially from the exploration and production of fossil fuels. Its President described oil and gas as a “gift of God”. Further, the conference began just days after the election of Donald Trump, who pulled out of the Paris Agreement in his first term, casting a shadow over proceedings.

The focus of this COP was finance, focusing on providing money to poorer countries to help shift to a low-carbon economy and adapt their infrastructure to extreme weather. Many developing countries around the world have contributed very little to climate change, but are amongst the most vulnerable to its impacts. It is estimated that about \$1.3 trillion a year will be needed by 2035 for countries to achieve and for the world to stay within the 1.5C limit.

Media reports suggested that negotiations were fractious, with representatives of developing countries frustrated with the amounts that developed countries were willing to offer. Tensions were strained further by attempts from certain countries to water-down language around the phasing-out of fossil fuels and transition to cleaner energy forms. In-fact, no consensus was reached on how or even whether to acknowledge the outcome from last year’s summit which called for nations to transition away from fossil fuels. This conversation will likely be picked up next year in Brazil.

Days after the conference was scheduled to finish, a deal was agreed which left few satisfied. The total agreed on was \$300 billion annually by 2035 with developed countries “taking the lead”, this is triple the previous target agreed but substantially below the \$1.3 trillion needed. In a statement, the Least Developing Countries Group said; “Once again, the countries most responsible for the climate crisis have failed us.” There was recognition that further funds are needed, and the outcome called on all actors to work towards \$1.3 trillion, including significant private sector flows.

COP is about much more than the main negotiations which is the focus of the press. Our colleague Too Fang Ning, ESG Analyst and Sustainability Specialist based in Singapore, attended the two-week event as part of the Singapore Youth delegation and commented that the atmosphere at the pavilion programmes was much more productive and collaborative. It involves people from all walks of life sharing experiences to learn from and ideas to build on. Each pavilion puts on various events and talks, and our colleague hosted a talk on climate and nature which involved some high-profile speakers from the United Nations (UN) and Intergovernmental Panel on Climate Change (IPCC).

Our colleague noted that one of the big themes outside of the main negotiations, but linked to it, was the de-risking of climate finance, which was led by the World Bank. At a time when government debt sustainability issues are at the forefront, the private sector has an increasingly important role to play in financing the transition and achieving the \$1.3 trillion goal. By reducing risk, investing in climate finance will naturally become more attractive to private sector investment. Scaling up climate finance is a key role Multi-Lateral Development Banks can play in the transition, and portfolios have exposure to this theme through various development bank bonds.

Next year's COP will be held in Belem, Brazil, on the banks of the Amazon River. Given the Amazon has a central role in climate resilience there is optimism for a renewed focus, to realign priorities and address the shortcomings of recent meetings. The need for transformative action has never been more apparent, but the passion and ideas of many in attendance provide hope that this can be achieved.

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