Climate Finance at COP29

In 2024, governments needed to seize the opportunity of the 'finance COP' in Baku to agree on a serious climate finance goal, capable of providing foundations for a liveable planet for all. Instead, the world's poorest and most marginalised, who remain most exposed to the impacts of the climate crisis, were left without a clear finance plan and continuing to pay the price themselves.

Key messages

- The scale of the climate crisis cannot be overstated, 2024 was the hottest year on record,[1] and 3.3-3.6 billion people live in contexts highly vulnerable to climate change.[2] Its impacts could also push up to 132 million more people into extreme poverty by 2030.[3]

- Without sufficient grant-based climate finance, lower-income countries – which have contributed the least to global emissions – cannot take the actions needed to mitigate further global warming, or to support their populations in dealing with the impacts. Meaning the world's most marginalised people, including women and girls, will continue to pay the highest price.

- COP29 in Baku, Azerbaijan, needed to agree on a new climate finance goal – referred to as the New Collective Quantified Goal (NCQG) – to ensure that 'developed countries', with historic responsibility for causing the climate crisis, deliver new and additional public finance, at scale, to 'developing countries' who face the worst impacts.

- Yet, the finance goal agreed at COP29, of $300bn annually by 2035, fell far short of the quantity required to meet the needs. It also shifted responsibility away from 'developed country' governments, with the final text lacking clear accountability mechanisms for who will deliver what.

- Of further major concern is the poor quality of the finance agreed at COP29. Rich countries could and should have recognised the need for finance to be delivered as grants and from additional sources beyond depleted aid budgets, by agreeing to binding measures to ensure this. Such finance could be generated by making the most polluting companies and individuals pay, at no extra burden to ordinary taxpayers.

- But instead, rich country governments are looking to deliver climate finance through more loans, which risks deepening the existing debt crisis for lower-income countries, and through unrealistic expectations about how far the private sector can reach.

What was at stake at COP29: The November 2024 COP in Baku, Azerbaijan, had been named the 'finance COP' because its primary aim was to agree on a so-called 'New Collective Quantified Goal (NCQG)' for climate finance.[4] Climate finance is essential to enable countries to transition their economies away from fossil fuels ('mitigation'), to adapt to climate impacts ('adaptation'), and to pay for the escalating costs of the damage to homes, crops, livelihoods and lives ('loss and damage'). Recognising the importance of climate finance to enable a liveable planet for all, in 2009 governments of 'developed countries' agreed to provide $100bn in climate finance annually by 2020 to 'developing countries.' This goal, delivered two years late, was due to expire in 2025 – making it critical to agree upon a new finance goal by the end of 2024. However, following three years of preparatory negotiations, governments arrived at COP29 with significant divergences.

Rich countries came unprepared to put ambitious positions on the table. This, combined with serious shortcomings in the process led by the Presidency, meant that a text with a financial sum only appeared on the afternoon of the COP's scheduled last day. This left no time for meaningful negotiations to take place; in COP overtime, the Presidency gavelled through a decision, despite strong objections from several lower-income countries and Christian Aid's

[1] Reuters (2024) https://www.reuters.com/business/environment/2024-will-be-hottest-year-record-eu-scientists-say-2024-12-09/
[2] IPCC (2022), https://www.ipcc.ch/report/ar6/wg2/;
[3] Work Bank (2020), https://openknowledge.worldbank.org/entities/publication/a549a5ee-71cd-5ed4-bcf3-3a8cb508b199
[4] House of Commons Library (2024), https://commonslibrary.parliament.uk/research-briefings/cbp-10083/

For further information, please contact:
Lucy le Roux, Campaigns and Advocacy Coordinator, Scotland Lleroux@christian-aid.org

Christian Aid is a key member of ACT Alliance. Eng and Wales charity no. 1105851 Scot charity no. SC039150 Company no. 5171525 Christian Aid Ireland: NI charity no. NIC101631 Company no. NI059154 and ROI charity no. 20014162 Company no. 426928. The Christian Aid name and logo are trademarks of Christian Aid. © Christian Aid December 2024

Global South civil society partners.[5] The Least Developed Countries Group, representing over one billion people, described the decision as "a travesty. It sacrifices the needs of the world's poorest".[6]

The NCQG is too low and is not binding:
A variety of estimates find that total global climate finance needs run into trillions of dollars per year.[7] In the context of the range of estimates of need, groups of lower-income nations unified behind the relatively conservative call for $1.1 - 1.3tn annually as the quantum for the goal, also calling for a significant percentage of this to be grant-based funding. Two numbers were landed upon in the final NCQG text: $300bn and $1.3tn.

- **The $300bn per year:** This is the figure that it was determined will be delivered by 2035. It has been met with deep disappointment because it doesn't come close to even the conservative estimates of need. The finalised text also lacks clarity and accountability for who will deliver what part of it. It encompasses money from a "wide variety of sources", including public funds, development-bank loans and private finance "mobilised" by government spending, and it doesn't specify how much of this $300bn will be grants. Also, accounting for inflation, it does not represent a tripling of finance from the $100bn goal as some rich governments say.

- **What about the $1.3tn?:** This is merely a call for private investment, with no responsibility at all upon governments – who are the only actors that are party to the UN climate agreements – to ensure it materialises. This number is therefore no more than aspirational, as no one can be held accountable for its delivery.

The NCGQ risks both deepening debt & bypassing areas of greatest need:
Climate finance should be delivered predominantly as grants, not loans. The provision of this finance is a moral obligation, the payment of an ecological debt, owed by historical emitters to countries that have played little part in causing the climate crisis but are on the frontline of the impacts. However, the lack of any specified level of grants-based finance within the new NCGQ means that loans will make up significant proportions of the $300bn goal. The agreement places the emphasis on the private sector and multilateral development banks to carry the burden of delivering the finance, despite the evidence that these avenues will deepen the existing debt crises of lower-income countries. Many lower-income countries are already in a debt crisis that is preventing them from meeting the needs of their people or responding to the climate emergency. For example, thirty-four African countries already spend more on external debt payments than healthcare and or education.[8] The African continent is responsible for just 4% of global carbon emissions.[9] More loans to tackle a climate crisis they did not cause will push countries deeper into debt. Instead, countries need assurance of grant-based finance, to tackle the climate crisis. At COP29 they did not get this.

The private investment that is being relied upon to meet the goal has further limitations. Private investment can play an important role in supporting the transition away from fossil fuels and the scale-up of renewable energy projects – as these are areas that can generate a return. Yet, the evidence shows that public finance (grants) will need to be the predominant source for supporting communities, especially those most marginalised, to adapt to climate impacts and to cover the costs of the losses and damages – as these simply do not turn a profit for private investors. For example, to date, less than 50 cents in every $100 of all climate finance is private finance for adaptation.[10] It is also particularly difficult for the most climate-vulnerable countries to attract private finance. For example, Small Island Development States (SIDS) were only able to access 9% of private climate finance from 2016 to 2022, having been judged too risky.[11]

The NCQG does not ensure finance will flow to adaptation or Loss & Damage: Under the previous $100bn goal the aspiration to "achieve a balance between adaption and mitigation" was not

[5] Climate Action Network International (2024), https://climatenetwork.org/2024/11/23/cop29_betrayal_in_baku/
[6] LDC Climate Change (2024), https://www.ldc-climate.org/press_release/cop29-a-staggering-betrayal-of-the-worlds-most-vulnerable/
[7] To take one example, LSE (2024), https://www.lse.ac.uk/granthaminstitute/news/new-report-recommends-cop29-negotiations-on-climate-finance-should-focus-on-mobilising-1-trillion-per-year-for-developing-countries-by-2030/
[8] Christian Aid (2024), https://www.christianaid.org.uk/resources/our-work/between-life-and-debt
[9] Aljazeera (2023), https://www.aljazeera.com/news/2023/9/4/how-much-does-africa-contribute-to-global-carbon-emissions
[10] Christian Aid (2024), https://www.christianaid.org.uk/resources/our-work/putting-our-money-where-our-mouth
[11] Christian Aid (2024), https://www.christianaid.org.uk/resources/our-work/putting-our-money-where-our-mouth

For further information, please contact:
Lucy le Roux, Campaigns and Advocacy Coordinator, Scotland Lleroux@christian-aid.org

Christian Aid is a key member of ACT Alliance. Eng and Wales charity no. 1105851 Scot charity no. SC039150 Company no. 5171525 Christian Aid Ireland: NI charity no. NIC101631 Company no. NI059154 and ROI charity no. 20014162 Company no. 426928. The Christian Aid name and logo are trademarks of Christian Aid. © Christian Aid December 2024

realised, with a much smaller proportion of overall finance going to adaptation needs compared to mitigation.[12] Hopes that the new goal would correct this and include a clear allocation for adaptation were not realised. As for loss and damage, i.e. the impacts of climate change that can no longer be adapted to, while the text includes an ambition to increase public resources for this, there is nothing binding to make that happen. The separate Fund for Responding to Loss and Damage is voluntary and only has $731.15 million pledged to it, which is trifle given that Christian Aid estimates the cost of Loss and Damage in 'developing countries' at approximately $290-580bn by 2030.[13]

Scotland must deliver on climate targets:

- The Scottish Government deserves credit for conversations at COP29 with civil society representatives from the global south about loss and damage and the need for funding to reach communities directly. Also, for providing climate finance in 2024 to communities through the Humanitarian Emergency Fund and Climate Justice Fund.

- However, the Scottish Government's progress on Scottish domestic emissions is far too slow and much more rapid action is needed in 2025. One of the most significant things that Scotland can do to help our global neighbours, is to have a just transition to a low carbon economy.

- We urge the Scottish Government to demonstrate true climate leadership by advancing polluter pays options. This pathway is critical to delivering our moral obligation to the most marginalised people on the frontline of the climate crisis, to maintaining momentum in global climate action and to ensuring the wellbeing and security of all.

Additional public finance can be raised by making polluters pay:

Countries don't need to dip into already depleted public purses to cover their contributions. Instead, they could follow the polluter pays principle, where the most polluting industries and people pay a fair share of the costs of their activities, currently borne by communities who have contributed the least yet are most affected. The fossil fuel industry, for example, is receiving record profits in recent years. Christian Aid research suggests a range of options through which the UK and Scottish Governments might be able to raise our fair share of climate finance, including a fossil fuel profits tax, a net wealth tax and a combination of smaller, targeted taxes such as the existing International Air Passenger Levy. Oxfam estimates that fair taxes on the UK's biggest polluters and redirecting fossil fuel subsidies could have raised up to £23bn in 2023 – money which could have been spent on climate action in the UK and in climate vulnerable countries.

We urge MSPs to petition the Scottish Government to:

- **Deliver on Scotland's domestic targets** and just transition with a focus on rapid de-carbonisation within domestic heating, transport, and agriculture.
- **Deepen Scotland's support for climate-impacted communities globally**, by strengthening the Climate Justice Fund and championing loss and damage. This should include considering increasing the Climate Justice fund (Scotland's fair share for loss and damage is estimated to be around £1.15-2.5 billion) and retaining a loss and damage element to the Humanitarian Emergency Fund.
- **Use of progressive taxation to generate funds and change behaviors** (Air Departure Tax should be used and could particularly to target private jets, similarly a frequent flyer levy could be considered.)
- **Sign up to the Fossil Fuel Non-Proliferation Treaty.**[14]

[12] World Resources Institute (2022), https://www.wri.org/insights/adaptation-finance-explained
[13] Christian Aid (2023), https://www.christianaid.org.uk/sites/default/files/2023-05/ld-report-may-2023.pdf
[14] Fossil Fuel Treaty (2024), The Fossil Fuel Non-Proliferation Treaty Initiative

For further information, please contact:
Lucy le Roux, Campaigns and Advocacy Coordinator, Scotland Lleroux@christian-aid.org

caid.org.uk
Christian Aid is a key member of ACT Alliance. Eng and Wales charity no. 1105851 Scot charity no. SC039150 Company no. 5171525 Christian Aid Ireland: NI charity no. NIC101631 Company no. NI059154 and ROI charity no. 20014162 Company no. 426928. The Christian Aid name and logo are trademarks of Christian Aid. © Christian Aid December 2024