

CHART OF THE WEEK

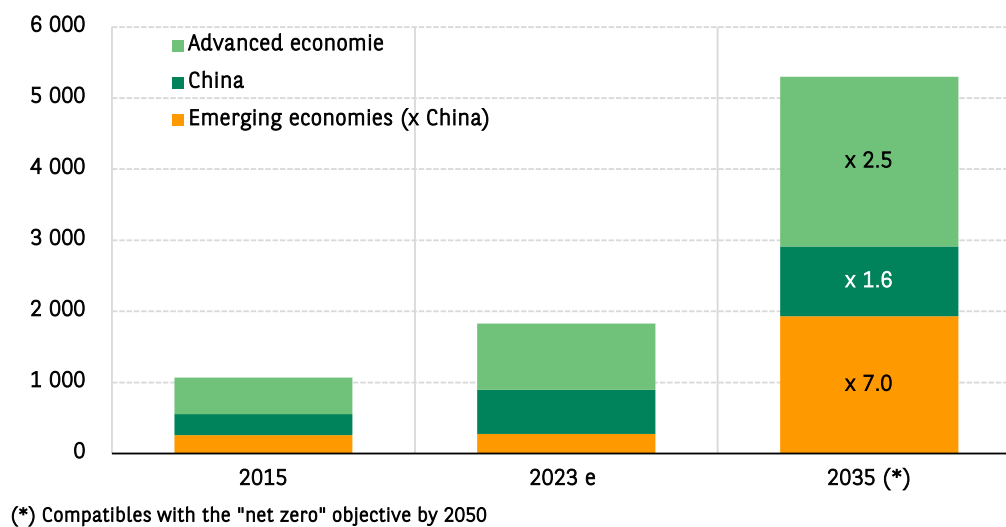


27 November 2024

THE COP29 IN BAKU: NEITHER A GAME CHANGER, NOR A DEAD END

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INVESTMENTS IN CLEAN ENERGIES (USD bn at 2023 prices)



Source: IEA, BNP PARIBAS

While emerging economies (EMEs), apart from China, have contributed little to global warming, the future CO₂ emissions curve and the resulting additional temperature rise will largely hinge on their ability to conciliate growth and decarbonisation. However, due to limited financial resources, their investments in the "green" transition are low, at around 50 dollars a year per capita, compared to investments which are around seventeen times higher (850 dollars a year per capita) in developed countries¹. This disparity gave rise to the idea of securing transfers from developed to developing countries at the Copenhagen Conference of the Parties (COP), in 2009.

As a result, developed countries have pledged to help developing countries to fight the effects of climate change, with USD 100 billion of transfers per year. In 2024, in Baku, this target was raised to USD 300 billion per year. While the amounts are tripled on paper, past and present dollars don't compare well due to inflation. Based on a constant 2024 price level, transfers are rather doubled. They more or less meet existing EMEs green investments, but definitely not those required to keep global warming under +1.5°C (see chart).

Nevertheless, the USD 300 billion amount is not trivial, in times of budget constraint, and with the United States on the cusp of leaving the Paris Agreement once again. It is also being reached with no commitment in return to move away from fossil fuels (an European Union demand) and no formal participation from China, which will continue to provide climate financing on a voluntary basis.

The discrepancy with the USD 1.3 trillion figure targeted (and set as a goal in the COP 29 announcement) reflects accurately the current situation: public finances alone will not be able to cover all needs and private savings will have to come into play to support the effort. The challenge is not just financial. Here, the legal environment of contracts, the political risk management, the monitoring by international institutions, the support from guarantee systems, etc., count as much as the USD billions that add up.

Climate financing for emerging countries is not a standard undertaking, as it is a multi-faceted effort involving many different stakeholders. Despite their shortcomings, only COPs can provide the multilateral framework required to move the convoy forward. Even with the small steps made in Baku, the progress achieved by COPs is always better than the alternative of everyone going alone for themselves.

¹ Emerging countries excluding China, estimates for 2023, based on data provided by the International Energy Agency. See IEA, IFC (2023), *Scaling up Private Finance for Clean Energy in Emerging and Developing Economies*, June. IEA (2021) *Net Zero by 2050 A Roadmap for the Global Energy Sector*, May.

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