Baku energy storage investment

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Marked by tough negotiations, COP29 closed with agreement to triple finance to developing countries by 2035 and a long-awaited breakthrough on international carbon markets. Yet not all expectations were met. flow"s Desir?e Buchholz summarises the key takeaways from Baku

The political climate for this year’s UN Climate Change Conference in Baku, Azerbaijan – also known as COP29 – was testing. Several key European leaders such as French President Emmanuel Macron, German Chancellor Olaf Scholz and Ursula von der Leyen, President of the EU Commission, skipped COP29 for different reasons, while US President-Elect Donald Trump is widely expected to pull the United States out of the Paris climate agreement again, as he did during his first term.1

“The event now serves as a forum to discuss how to tackle climate change without the support of the US, which is estimated to contribute around 13% of annual global carbon emissions,” wrote Debbie Jones, Global Head Sustainability and Data Innovation, Deutsche Bank Research in her pre-COP assessment What to expect at COP29 in Baku published on 11 November, the conference’s opening.

At the same time, business leaders did not rank the 2024 conference as highly as in previous years, the report found. Figures 1 shows that COP mentions by corporates were lower in the run-up to the conference on a relative year-to-year basis. Yet, this is not the case for key climate related terms such as climate change, decarbonisation, and energy transition (Figure 2) – suggesting that it is not the topic of climate change but rather the format of COP that ranks lower on business leaders’ agendas.

Despite these headwinds, COP remains an important global platform to jointly address the challenges of climate and nature and to develop solutions – with Baku attracting delegates from nearly 200 countries. “Government representatives are very clear by now that it takes banks and industrial companies to bring the transformation to life. They want to know what really works – and what doesn’t. That’s why the exchange at COP is so important,” commented Jörg Eigendorf, Chief Sustainability Officer at Deutsche Bank while attending the conference.

So, what were the concrete outcomes this year? This article summarises the four key takeaways from the conference – focusing on areas where progress has been made and where more work is needed at next year’s COP30 at Belém, in the heart of Brazil’s Amazon.

Long before COP29 kicked off, it was clear that climate finance would be this year’s key focus – institutions such as the World Economic Forum had even dubbed the event the “Finance COP”, seeing it as an opportunity to align climate finance contributions with estimated global needs2. Last year’s COP28 in Dubai calculated that developing countries will need US$215–387bn annually up until 2030 for adaption measures alone.3

Yet negotiations were tough and prolonged, given the gulf between the expectations of contributing and recipient countries: Not until the early hours on Sunday, 23 November did all parties agree to triple annual finance to developing countries from the current US$100bn to US$300bn by 2035.

The figure still falls well short of US$1.3trn public spending in the form of grants rather than loans annually that poorer countries had demanded to ensure investment in clean energy and adaption to climate change. The final agreement includes a weaker “call on all actors to work together to enable the scaling up of financing to developing country parties for climate action from all public and private sources to at least US$1.3tn per year by 2035” – emphasising once again the importance of mobilising private capital.

On the other hand, developed countries unsuccessfully attempted to convince some of the excluded countries – namely China and countries in the Middle East – to be re-classified as contributors to reflect changes in the global economic landscape. Currently, contributors to the financing target are still defined as the 24 countries who were OECD members when the United Nations Framework Convention on Climate Change (UNFCCC) was signed in 1992. The final deal now “encourages” developing countries to make contributions on a voluntary basis.

“This new finance goal is an insurance policy for humanity, amid worsening climate impacts hitting every country,” commented Simon Stiell, Executive Secretary of UNFCCC, on the agreement. “But like any insurance policy, it only works if premiums are paid in full, and on time. Promises must be kept, to protect billions of lives,” he warned.

In the first week of the conference, 11 multilateral development banks (MDBs) announced that their annual collective climate financing for low- and middle-income countries will reach US$120bn by 2030, of which US$42bn are earmarked for extreme weather adaptation measures, with US$65bn to be mobilised from the private sector.4

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Web: https://www.sumthingtasty.co.za/contact-us/
Email: energystorage2000@gmail.com
WhatsApp: 8613816583346