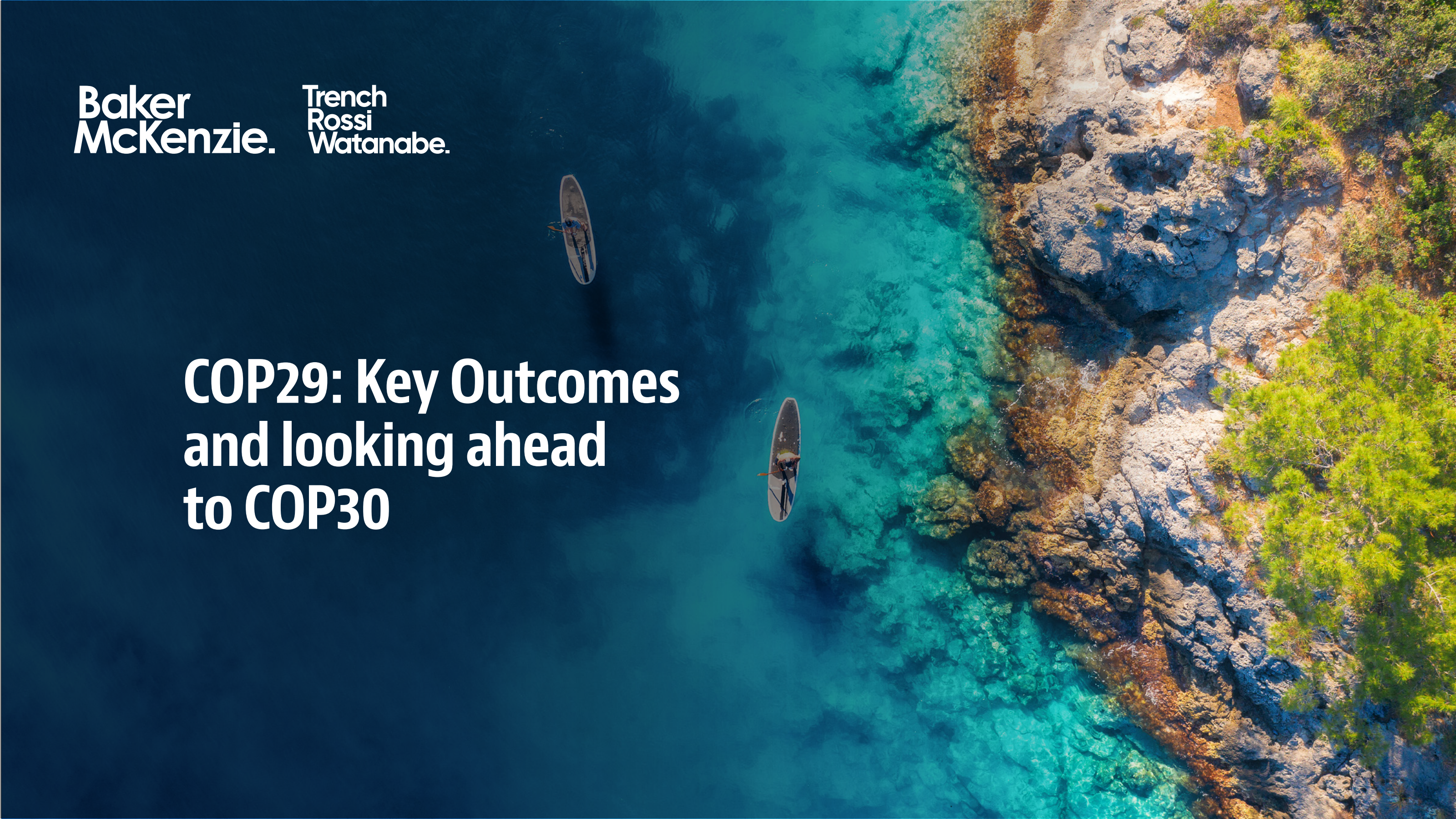


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COP29: Key Outcomes and looking ahead to COP30





Introduction

The 29th iteration of the annual conference under the United Nations Framework Convention on Climate Change (UNFCCC) came at a critical moment in time once again, with 2024 now on track to be the warmest year on record and the impacts of climate change accelerating, including extreme weather wreaking havoc on communities and economies across the world.¹

International climate change negotiations at the COP29 conference in Baku, Azerbaijan concluded on 24 November 2024. The COP29 Presidency's vision centered around two parallel and mutually reinforcing pillars: enhancing ambition and enabling action.

As has been the case for over 20 years, members of Baker McKenzie's Global Climate Change Practice were on the ground in Baku, actively engaged in understanding how UNFCCC negotiations create opportunities for the private sector.

¹ <https://wmo.int/publication-series/state-of-climate-2024-update-cop29>



The Finance COP: a new collective quantified goal

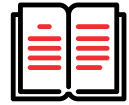
COP29 was billed as the “Finance COP,” where there was much anticipation as to whether a new collective quantified goal (NCQG) on climate finance to replace the previous goal of USD 100 billion per year goal agreed in 2009. This new climate finance goal is a key part of the Paris Agreement to support developing countries in their climate actions post-2025 and to inform the next round of nationally determined contributions (NDCs). The agreement of a fair and ambitious NCQG was the COP29 Presidency’s top priority.

After protracted and difficult negotiations, a new, somewhat contentious, goal² was set, with developed countries taking the lead to “mobilize” **at least USD 300 billion per year by 2035** for developing countries for climate action. This would come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, in the context of meaningful and ambitious mitigation and adaptation action and transparency in implementation. It recognizes the voluntary intention of parties to count all climate-related outflow from and climate-related finance mobilized by multilateral development banks toward achieving the goal. The decision also called on all to work together to enable the scaling up of financing to developing countries for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035. It also encourages developing countries to make voluntary contributions, including through South-South cooperation.

Further, the “Baku to Belém Roadmap to 1.3T” was launched. It is aimed at scaling up climate finance to developing countries to support low greenhouse gas emissions and climate-resilient development pathways and implement NDCs and national adaptation plans (NAPs), including through grants, concessional and non-debt-creating instruments, and measures to create fiscal space. A report is to be produced summarizing the work for COP30.

² FCCC/PA/CMA/2024/L.22: <https://unfccc.int/documents/643641>





Article 6: The Rulebook has been completed

After decision texts were not agreed on at COP28 in relation to the Paris Agreement's Articles 6.2 (the accounting framework primarily for the bilateral trading of internationally transferred mitigation outcomes (ITMOs) between countries) and Article 6.4 (the centralized UNFCCC crediting mechanism for mitigation activities, now called the Paris Agreement Crediting Mechanism (PACM)). Therefore, a decision at COP29 to finalize the Article 6 rulebook and fully operationalize Article 6 was considered crucial for scaling international carbon markets and enhancing NDCs, notwithstanding Article 6.2 transactions have continued to develop.

An important step in the lead up to COP29 in October 2024 was the Article 6.4 Supervisory Body's adoption of crucial standards for methodologies and removals, which are essential to make the PACM fully operational.

Decisions were then adopted at COP29 relating to Article 6.2 and Article 6.4, arguably unlocking the potential for Article 6 to channel significant climate finance. Some key aspects of those decisions include the following:

Article 6.2³

- The decision sets out the comprehensive elements each participating party shall include in the authorization of the use of the ITMOs from each cooperative approach.
- Critically, it was decided that any changes to the authorization of the use of ITMOs from a cooperative approach shall not apply to, or affect, mitigation outcomes that have already been first transferred, **unless** otherwise specified by the participating parties in applicable terms and conditions of the authorization that specify the circumstances for such changes and the process for managing them, to ensure that double counting is avoided.

- The decision addresses matters related to the first transfer of mitigation outcomes.
- The UNFCCC Secretariat-administered centralized accounting and reporting platform (CARP) will be a public repository of authorizations and will publish the results of consistency checks of the information submitted. While the technical review of cooperative approaches cannot stop Article 6.2 cooperative approaches, an increasing level of classification of issues will be published (including significant and/or persistent inconsistencies). Further, participating parties shall make reasonable efforts to resolve inconsistencies and demonstrate their resolution as soon as possible. Parties are "requested," but not mandated, not to use ITMOs that are identified as inconsistent.
- It was clarified that the connection of the PACM (Article 6.4 mechanism) registry and participating parties' registries to the Article 6.2 international registry shall enable the ability to pull and view data and information on holdings and the action history of authorized Article 6.4 emissions reductions (A6.4ERs). It will also enable the transfer of authorized A6.4ERs as ITMOs to the Article 6.2 international registry. Further, the UNFCCC Secretariat has been requested to provide, as an additional service for parties that request it (for example, where the party does not have a registry capability), registry services through which a party may issue mitigation outcomes as units. Where the UNFCCC Secretariat provides that service on request, it will be without any endorsement of the quality (including environmental integrity) of any mitigation outcomes involved.

Article 6.4⁴

- On the opening day, it was agreed to “take note” of the adoption by the Article 6.4 Supervisory Body in October 2024 of the standards for methodologies and removals, gaining momentum for Article 6 negotiations during COP29.
- Noting that, at the time of issuance of Article 6.4 reductions their authorization status is to be confirmed. There was clarification of the scope of the different types of authorization that could be applied (including the ability to delay a decision). The relevant host country can (a) authorize the Article 6.4 reductions toward achievement of NDCs and/or for other international mitigation purposes; (b) not authorize the Article 6.4 reductions for those purposes; or (c) allow Article 6.4 emission reductions to be issued, with the statement of authorization to be issued at a later stage. Regarding the latter option, the Supervisory Body is tasked with considering whether there needs to be a time limit from the date of issuance to when the host country shall provide a statement of authorization.
- The Supervisory Body is provided with additional guidance in its work on standards.
- It was decided that participating party registries may voluntarily connect to the PACM registry. The connection shall enable the transfer of authorized A6.4ERs, while ensuring avoidance of double counting and the ability to pull and view data and information on holdings and the action history of authorized A6.4ERs. The UNFCCC Secretariat has also been requested to implement the PACM registry in a manner that will make it available for use by all parties participating in the PACM.
- It was decided that afforestation and reforestation project activities and programs of activities registered under the Clean Development Mechanism may transition to the PACM and be registered as Article 6.4 activities if certain conditions are met, including that the request be made by 31 December 2025.



The completion of the Article 6 rulebook is significant as it has taken nine years to reach this milestone. Many market participants, including myself, are looking forward to the scaling up of carbon markets and increased investment. The possibility that bilateral trading of ITMOs under Article 6.2 can act as the long-term revenue solution for private finance to emission reduction and removal projects is particularly exciting. To enable scale and success, we will need to see opportunities Article 6 credits to have a place in key compliance markets, such as the European emissions trading system. With the right rules in place, we see Article 6 as a potential key element for enabling significant climate finance and technology transfer.

Andrew Hedges, Global Chair Climate Change Group, London



2024 has experienced various changes in the geopolitical landscape. While these changes and their potential impact on future negotiations and the trajectory of global efforts to address climate change were discussed at COP29, including on its sidelines, the feeling of many in attendance was that, irrespective of these changes, major aspects of the energy transition will go forward regardless and at an increasing pace because addressing climate change is important, and it also makes long-term financial sense. With each of the COPs I have attended, I have witnessed a steady increase not only in the participation, but the actual financing and projects coming from the private sector, including financial institutions. While many consider that financing to be strikingly short of what is needed, particularly in light of the NCQG agreed at COP29, the steady growth and engagement of the private sector in focusing more on climate is unstoppable, irrespective of these developments.

David Hackett, Senior Counsel, Chicago

Other Article 6 developments

During COP29, various bilateral agreements related to Article 6.2 were signed and significant initiatives were announced to fund and enable Article 6 initiatives to expand.⁵ The Multilateral Investment Guarantee Agency (MIGA), which houses the World Bank Group Guarantee Platform, also launched a Letter of Authorization (LoA) template to facilitate guarantee issuance in support of private investors engaged in Article 6 carbon markets.⁶



Other Matters

The Fund for responding to Loss and Damage is now ready to accept contributions after key documents were signed during COP29. It is expected to start financing projects in 2025.

Disappointingly, there was no agreement on the dialog on the implementation of the outcomes of the Global Stocktake.

⁵ Examples include the following:

- Ghana moves forward with digital carbon market ITMO trading into Singapore
- Signing of bilateral cooperation agreement on emission trading between the Swedish Energy Agency and Zambia's Ministry of Green Economy and Environment
- Norway and the Republic of Benin sign bilateral agreement under Article 6 at COP29
- Norwegian Global Emission Reduction Initiative
- Norway Launches Initiative to Cut Emissions in Developing Countries
- GGGI's Carbon Transaction Facility Secures World's Largest Single Pledge to date on Article 6 Carbon Trading with USD 100 m. from Norway
- Norway to Join ADB's First of Its Kind Article 6 Carbon Fund

⁶ <https://www.miga.org/press-release/deploying-world-bank-group-guarantee-platform-de-risk-carbon-markets>



Looking towards COP30

More ambitious NDCs in 2025?

The next round of NDCs is due in 2025 and, ideally, it should be informed by the Global Stocktake outcomes. Although negotiators failed to agree on the dialog's scope during COP29, some countries, such as the UK⁷ and Brazil,⁸ have already announced their updated NDCs. It is hoped that COP29 has built momentum toward more ambitious commitments, which are needed to keep the temperature increase to 1.5 degrees Celsius above preindustrial levels. COP30 is being billed as a key conference to further increase ambition to reduce emissions.

Role of private sector finance

The contentiousness of the NCQG reinforces the significant amount of climate finance needed.⁹ Mobilizing private sector finance will play a crucial role in meeting this challenge, as mentioned in the NCQG decision. Exploring funding methods like debt-for-impact swaps — as discussed in our recent publication, **Climate Adaptation Finance: The challenge for institutional investors and commercial banks** — and other financing instruments to address the gap between the amount of adaptation and other climate finance available and what is needed.

Article 6: What's next?

The decisions relating to Article 6 mean that the rules governing Article 6 have now finally been completed and that work can focus on implementation, including the development and approval of crediting methodologies, which is needed before trading under the PACM can begin. Integrity and transparency will be areas of focus, just as these issues continue to be in the voluntary carbon markets.

During COP29, the World Bank, the Voluntary Carbon Markets Integrity Initiative, the Integrity Council for the Voluntary Carbon Market, the United Nations Development Program, the Global Green Growth Institute and Japan's Article 6 Implementation Partnership released **Navigating Decisions on Carbon Markets** as a first step in coordinating technical assistance to help host countries design, implement and participate in high-integrity carbon markets.

⁷ <https://www.gov.uk/government/speeches/prime-ministers-national-statement-at-cop29-12-november-2024>

⁸ https://www.gov.br/planalto/en/latest-news/2024/11/brazil-presents-its-new-climate-target-aligned-with-mission-1.5oc?set_language=en

⁹ During COP29, the Independent High-Level Expert Group on Climate Finance **published** its third report on climate finance: "**Raising ambition and accelerating delivery of climate finance.**" It estimates that the global projected investment requirement for climate action is around USD 6.3-6.7 trillion per year by 2030, of which USD 2.7-2.8 trillion is in advanced economies, USD 1.3-1.4 trillion is in China, and USD 2.3-2.5 trillion is in emerging markets and developing countries (EMDCs) other than China. Of the projected investment needs of around USD 2.4 trillion per year in 2030 for EMDCs other than China, around USD 1.6 trillion is for the clean energy transition, USD 0.25 trillion is for adaptation and resilience, USD 0.25 trillion is for loss and damage, USD 0.3 trillion is for natural capital and sustainable agriculture, and USD 0.04 trillion is for fostering a just transition.



COP30: the “Nature COP”?

COP30 is set to be held in Brazil in 2025. Due to its proximity to the Amazon rainforest, it is being billed as the “Nature COP.”

At COP29, Brazil launched¹⁰ the **Brazil Climate and Ecological Transformation Platform** (which was initially unveiled in October 2024).¹¹ The Platform aims to expand investments in ecological transformation toward the decarbonization of the economy, the sustainable use of resources and the improvement of the quality of life. There are already seven confirmed projects amounting to USD 10.8 billion in capital that could be mobilized.

In line with the trends seen at previous COPs, we expect to see an increase in the importance, profile and focus on nature, as well as more discussions regarding the interconnectedness of nature and climate. It will be watched with interest whether nature and biodiversity will feature more prominently at COP30 and how the work being done through the Convention on Biological Diversity COP will intertwine with the work done at the UNFCCC COP to bring great outcomes for both nature and climate, despite the different governance, processes, conventions, COPs and undertakings.

¹⁰ <https://www.gov.br/secom/en/latest-news/2024/11/cop29-brazil2019s-commitments-mark-global-advancements-in-the-fight-against-climate-change>

¹¹ <https://www.gov.br/fazenda/pt-br/acao-a-informacao/acoes-e-programas/transformacao-ecologica/bip/saiba-mais/brazil-climate-and-ecological-transformation-investment-platform-launches-to-help-deliver-brazil2019s-ambitious-development-and-climate-goals>



It was an amazing opportunity to attend my very first COP in Baku, Azerbaijan, where I closely observed the climate geopolitics’ movements during the official negotiations. For me, it became clear that the process of multilateralism established in the past is not progressing at the speed we need. The echo in the corridors seemed to be: “Is it enough to discuss such a relevant issue only once a year, with just a quick preview in Bonn?” Bilateral, trilateral and plurilateral agreements are extremely necessary from now on if we want to advance the climate agenda more quickly, overcoming the differences between countries and effectively starting the implementation phase.

It was also very interesting to see the private sector and civil society positioning themselves on the implementation agenda during COP29. I had the opportunity to speak at the event “Driving Collaboration for Sustainable Development,” organized by Samauma with the participation of UNICEF, regarding the Brazilian carbon market and the latest regulatory updates and opportunities for nature-based solutions projects in Brazil.

As COP30 in Brazil approaches, I look forward to seeing the focus on nature-based and technological solutions to address climate change, while strengthening local communities and bringing about transformative actions for environmental protection.

Brazil has unparalleled expertise in diplomatic relations and, by assuming the presidency of COP30, it can definitely lead by example, positioning itself above the ‘usual’ discussions between the Global North and the Global South (i.e., developed countries and emerging and developing countries, respectively) by leading the roadmap for a coalition of the willing. As a global society, we must not forget that climate, biodiversity and desertification are different faces of the same problem, which need to be addressed simultaneously. I believe Brazil can positively influence negotiations for the next decade, by demonstrating that sustainable development is in its DNA.

Manuela Demarche, Partner, Trench Rossi Watanabe,* São Paulo

*Trench Rossi Watanabe and Baker McKenzie have executed a strategic cooperation agreement for consulting on foreign law.



Baker McKenzie is leading on the development of both international and domestic climate change markets and climate finance. As the only law firm ranked Band 1 in Chambers' Global Market Leaders for Climate Change for 16 consecutive years, we have unrivaled knowledge and expertise in climate change law, climate finance and wider sustainability solutions.

We are currently engaged on multiple levels in advising governments, companies and other entities on the implementation of the Paris Agreement, emerging compliance and disclosure regimes, and innovative approaches to carbon markets and climate finance transactions. Our team was present in Baku for COP29, and we look forward to engaging in groundbreaking discussions with all key stakeholders to share insights and continue to offer cutting-edge advice to our clients.



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