

# THE STATE OF CLIMATE NEGOTIATIONS



# INTRODUCTION

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# COP29

IN THE LEAD-UP TO COP29, THE WORLD CONTINUES TO NAVIGATE COMPLEX GEOPOLITICAL CHALLENGES, INCLUDING THE ONGOING CONFLICT IN UKRAINE AND A NEW ESCALATION IN THE MIDDLE EAST. THESE TENSIONS, COUPLED WITH AN EXTREMELY POLARISED AND UNCERTAIN US ELECTION, CONTRIBUTE TO TENSE AND FRAGMENTED POLITICAL LANDSCAPE. MOREOVER, OVER HALF OF THE WORLD'S POPULATION WENT TO THE POLLS IN ELECTIONS THIS YEAR, ADDING TO THE POLITICAL UNCERTAINTY. HOWEVER, THE IMPACT OF CLIMATE CHANGE CONTINUES TO MANIFEST MORE CLEARLY WITH WILDFIRES, FLOODS, DROUGHTS, AND HEAT WAVES WORLDWIDE HIGHLIGHTING THE URGENCY OF CLIMATE ACTION.

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## IETA AT COP29

IETA is thrilled to host the COP29 IETA BusinessHub from the 11 to 22 November to 2024. Located in the Blue Zone at Pavilion H6, the official COP29 UNFCCC negotiating grounds, providing a gathering place for the progressive business community.

An extensive programme of side events, dialogues, roundtables and social networking events will bring together leading experts and policymakers from around the world to discuss and analyse the current state of play, what is next for compliance and voluntary markets, and promote business cooperation on carbon markets and climate finance. IETA will also provide daily e-mail updates on Article 6 negotiations and other key developments.

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SINCE 1999 IETA HAS BEEN THE LEADING VOICE OF BUSINESS ON AMBITIOUS MARKET-BASED CLIMATE CHANGE SOLUTIONS AND DRIVING NET ZERO. IETA ADVOCATES FOR TRADING SYSTEMS FOR EMISSIONS REDUCTIONS AND REMOVALS THAT ARE ENVIRONMENTALLY ROBUST, FAIR, OPEN, EFFICIENT, ACCOUNTABLE AND CONSISTENT ACROSS NATIONAL BOUNDARIES. REPRESENTING MORE THAN 300 LEADING INTERNATIONAL ORGANISATIONS, IETA IS A TRUSTED PARTNER IN DEVELOPING INTERNATIONAL POLICIES AND MARKET FRAMEWORKS TO REDUCE GREENHOUSE GAS EMISSIONS AT THE LOWEST COST WHILE BUILDING A CREDIBLE PATH TO NET ZERO EMISSIONS. SEE [WWW.IETA.ORG](http://WWW.IETA.ORG) FOR MORE INFORMATION.

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# COP29 OVERVIEW

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ACCORDING TO THE WORLD BANK, LESS THAN 1% OF GLOBAL EMISSIONS ARE COVERED BY A CARBON PRICE AT OR ABOVE THE RANGE ESTIMATED TO ACHIEVE THE PARIS AGREEMENT GOALS.

LAST YEAR IN DUBAI, THE GLOBAL STOCKTAKE (GST) UNDERSCORED THE WORLD'S LAG IN MEETING ITS CLIMATE OBJECTIVES. THIS YEAR, THE COP29 PRESIDENCY HAS BEEN URGING FOR THE ENHANCEMENT OF AMBITION AND ENABLING OF ACTION. IN BAKU, NATIONS WILL HAVE AN OPPORTUNITY TO SET A NEW GLOBAL CLIMATE FINANCE GOAL AND STRENGTHEN THEIR NATIONAL CLIMATE COMMITMENTS TO PUT THE WORLD ON TRACK TO ACHIEVE THE PARIS AGREEMENT GOALS.

Against this backdrop, carbon markets continue to grow. Over the year, we have seen China's announcement to expand its national ETS to new sectors and important emerging economies such as Brazil, India, Chile, Colombia, Türkiye, and Vietnam advancing in domestic market implementation. Still, according to the World Bank, less than 1% of global emissions are covered by a carbon price at or above the range estimated to achieve the Paris Agreement goals<sup>1</sup>

On the voluntary side, we continue to see significant steps toward strengthening integrity and setting targets aligned with the Paris Agreement. Beyond the efforts of ICVCM and VCMI, the White House Voluntary Carbon Markets Joint Policy Statement and Principles, represented a major step towards clarifying expectations regarding the quality of credits in the market. However, persistent low public confidence, lack of strong and unified guidance from governments, lack of support from initiatives such as ISO and SBTi that can provide an actionable path for companies to meet corporate targets, and a challenging macroeconomic environment kept the voluntary carbon market volumes and investment stagnant.

Despite the tense geopolitical backdrop, there have been positive signs in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. After the official launch of the Loss and Damage Fund at COP28, its governance structure was solidified over 2024, with the Philippines being selected to host its board, the establishment of collaborative ties with the World Bank, and the appointment of an Executive Director. Still, questions around transparency, resources, funders, time of commitments, and activities to finance remain open and will demand focused attention from negotiators at COP29.

With financing taking centre stage at COP29, the primary focus will be establishing the New Collective Quantified Goal (NCQG) on Climate Finance, set to surpass the \$100 billion annual floor initially pledged by developed countries. Finalising Article 6 is ranked as the second highest priority by the COP29 Presidency, who has worked to secure consensus on this item since early in the year. Delegates are also expected to identify global adaptation indicators and provide additional guidance on how countries can set their National Adaptation Plans (NAPs).



DESPITE THE TENSE GEOPOLITICAL BACKDROP, THERE HAVE BEEN POSITIVE SIGNS IN THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC) NEGOTIATIONS.



We expect the negotiations on the NCQG to be very challenging. Developing nations are increasingly vocal in urging developed countries to fulfil and expand on previous commitments, while developed countries are pushing to broaden the base of contributors to include economically advanced emerging nations, such as China and Saudi Arabia. These longstanding divides are increased by the gap between the estimated quantum, which now ranges from \$500 billion to over \$1 trillion annually, and contentious questions that persist regarding who will contribute, the balance between public and private funding, and whether funds will come as grants or loans. For unlocking private finance, a success on Article 6 is an essential enabler.

The COP29 Presidency has emphasised that tackling the climate crisis requires collective action. It has launched an “Action Agenda” with nine initiatives and pledges to drive climate progress beyond formal negotiations. Key efforts include the Climate Finance Action Fund for voluntary contributions from fossil fuel producers, the Green Economic Zones and Corridors Pledge to boost regional sustainable development, and the Global Energy and Grids Pledge, aiming for a sixfold increase in global energy storage by 2030.<sup>2</sup> European governments

have also reaffirmed their commitment to pay \$100 billion annually to help developing countries cope with climate change.

Finally, COP29 will be the first supported by a Troika, a mechanism launched at COP28 that includes the current, previous, and incoming COP presidencies to guide and uphold momentum across conference cycles. With an impending update to Nationally Determined Contributions (NDCs) by 10 February 2025,<sup>3</sup> the Troika has organised multiple high-level meetings over 2024 to promote action and increase ambition worldwide. However, some analysts have raised concerns over Troika members’ plans to expand fossil fuel production and investment, questioning whether such a posture could heighten negotiation tensions, potentially challenging the Troika’s efforts in fostering more ambitious climate commitments in Baku.

On the positive side, a success in Baku on the NCQG on Climate Finance and the Article 6 package could bolster countries efforts to set stronger NDCs, given the improved financial outlook from public finance and international carbon markets. Simply put, Baku’s successes could set the stage for more ambitious NDCs for COP 30 in Brazil next year.

EUROPEAN GOVERNMENTS HAVE ALSO REAFFIRMED THEIR COMMITMENT TO PAY \$100 BILLION ANNUALLY TO HELP DEVELOPING COUNTRIES COPE WITH CLIMATE CHANGE.

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# ARTICLE 6 IN THE NEGOTIATING ROOM

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AFTER TWO CONSECUTIVE COPS FALLING SHORT OF FULLY OPERATIONALISING ARTICLE 6, THE PRESSURE IS MOUNTING ON NEGOTIATORS AND EXPECTATIONS ARE HIGHER FOR CARBON MARKETS OUTCOMES IN BAKU. THE RECENT MOVE BY THE ARTICLE 6.4 SUPERVISORY BODY (SBM) TURNING THE RECOMMENDATIONS ON METHODOLOGIES AND REMOVALS THAT FAILED TO BE ADOPTED IN DUBAI INTO STANDARDS HAS BEEN A SIGNIFICANT STEP, AS IT DECREASES THE CHANCES ARTICLE 6.4 OPERATIONALISATION BE BLOCKED BY TECHNICAL DETAILS AND CAN SPEED UP THE PROCESS. STILL, SOME PARTIES AND STAKEHOLDERS HAVE RAISED GOVERNANCE CONCERNS WITH THE SBM'S PROCESS, WHICH MAY RESULT IN DIFFICULT TALKS IN BAKU.

Broad recognition that further guidance on the already operational Article 6.2 is needed to enhance market transparency, build confidence and scale up engagement may increase the chances of an agreement that can strengthen international climate cooperation. The COP29 Presidency will play a key facilitating role in mediating long-standing and deeply held divergent views on the nature of Article 6.2 approaches. Such pressures and activism from the Azerbaijani Presidency led to higher level engagement throughout the year.

Heads of Delegation (HoD) have met to discuss outstanding Article 6 issues multiple times throughout the year, both formally during SB60 in Bonn as well as in informal bilateral and multilateral meetings. Furthermore, for the first time since COP26, ministerial level talks are scheduled in Baku, with Ms Grace Fu from Singapore and Mr Simon Watts from New Zealand appointed as ministerial cofacilitator.

On the next page is a summary of key Article 6 topics under discussion and IETA's position on each of them as described in our [Article 6 Position Briefs](#).



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# COP29: KEY TOPICS UNDER DISCUSSION

A SUMMARY OF KEY ARTICLE 6 TOPICS UNDER DISCUSSION AND IETA'S POSITION ON EACH OF THEM AS DESCRIBED IN OUR ARTICLE 6 POSITION BRIEFS.

**AUTHORISATION** – After discussions on this topic at COP27 and COP28 led to no outcome, Parties are hoping to agree on guidance regulating the process and content of authorisations, as well as the scope for changes to and revocations of previously granted authorisations. Calls by some Parties to restrict the scope of unilateral authorisation through a definition of cooperative approach seem to have subsided. For A6.4ERs, there are issues regarding timing, changes and the treatment units issued by the mechanism without an authorisation statement by the host Party.

IETA strongly advocates streamlining authorisations by adopting standardised procedures, forms and templates, as well as addressing multiple elements in a single process where possible and relevant. We also support the provision of authorisation as early as possible in the project lifecycle and limiting changes and revocation to exceptional circumstances, well-defined in advance. Finally, it is key to ensure that new guidance does not negatively impact existing cooperative approaches and authorisations.

**THE ARTICLE 6.2 INTERNATIONAL REGISTRY** – Parties are required to have access to a registry to participate in cooperative approaches and existing 6.2 guidance states that an international registry run by the UNFCCC must be established for Parties who wish to use it for their activities under Article 6.2. Whether such a registry would allow for the issuance and transaction of ITMOs (transactional model), or just for the tracking of aggregate information (pulling-and-viewing model) remains a very contentious matter. IETA believes that neither option (transactional or pulling-and-viewing) would significantly alter the quality or scale of Article 6 markets as Parties and crediting programmes may avail themselves of existing tools such as the Climate Action Data Trust (CAD Trust) to support transparency and integrity. However, we share concerns about whether the

UNFCCC oversight of connected national programmes with the Article 6.2 registry might become duplicative and inefficient. Ultimately, market participants and buyers (both sovereign and corporate) will have to define their own criteria for assessing the integrity of the ITMOs they wish to procure under Article 6.2.

**FIRST TRANSFER, SEQUENCING, REVIEW, ADDRESSING INCONSISTENCIES** – Existing guidance contains a complex hierarchy of timelines and rules for authorisations, the issuance and transfer of ITMOs, the application of corresponding adjustments, as well as reporting and review of information. While most of these concepts were specified in previous decisions, there are still several outstanding issues that Parties were unable to agree upon at COP28.

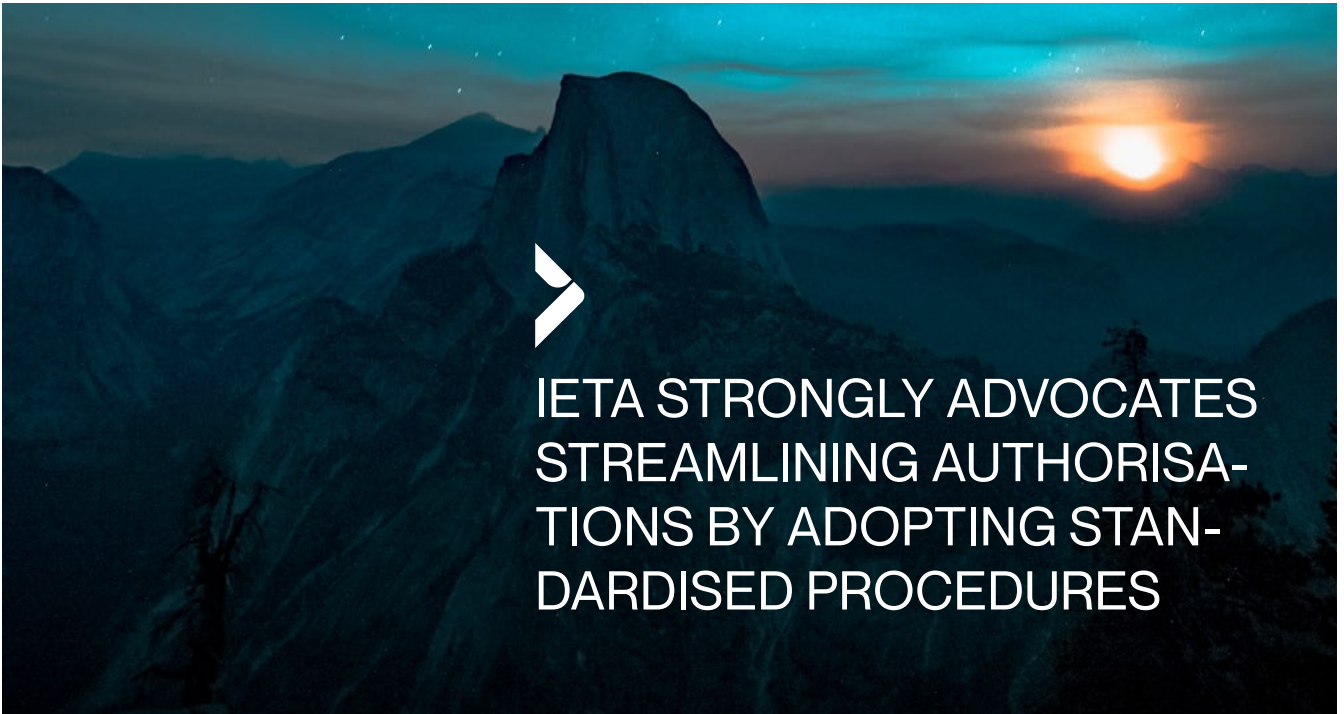
In relation to first transfer, IETA believes that Parties should:

- clarify the relevant trigger for first transfer in the authorisation of the cooperative approach and include this information in the initial report;
- define first transfer consistently across all Parties participating in a specific cooperative approach, but not necessarily for all cooperative approaches for which a Party participates;
- avoid defining first transfer as the use or cancellation of ITMOs as such a definition may render the tracking of ITMOs overly complex and undermine the integrity of the cooperative approach; and
- provide guidance on how first transfer is defined if an ITMO is authorised for both NDC and other international mitigation purposes (OIMP).

IETA also believes strong transparency can be achieved without imposing undue restrictions to the trading of ITMOs between Parties and entities. For this reason, we do not believe it is necessary for the review of the initial report to be finalised before ITMOs can be authorised and traded.







## IETA STRONGLY ADVOCATES STREAMLINING AUTHORISATIONS BY ADOPTING STANDARDISED PROCEDURES

Registries and the UNFCCC Article 6 database should clearly flag when an ITMO is associated with a pending review, identified as inconsistent. Actions in case of significant and persistent inconsistencies should be identified to ensure market well-functioning and trust.

Finally, IETA urges Parties to rapidly adopt a detailed template for annual report (Agreed Electronic Format, or AEF) to underpin transparency in international carbon markets and provide clear guidance to Parties.

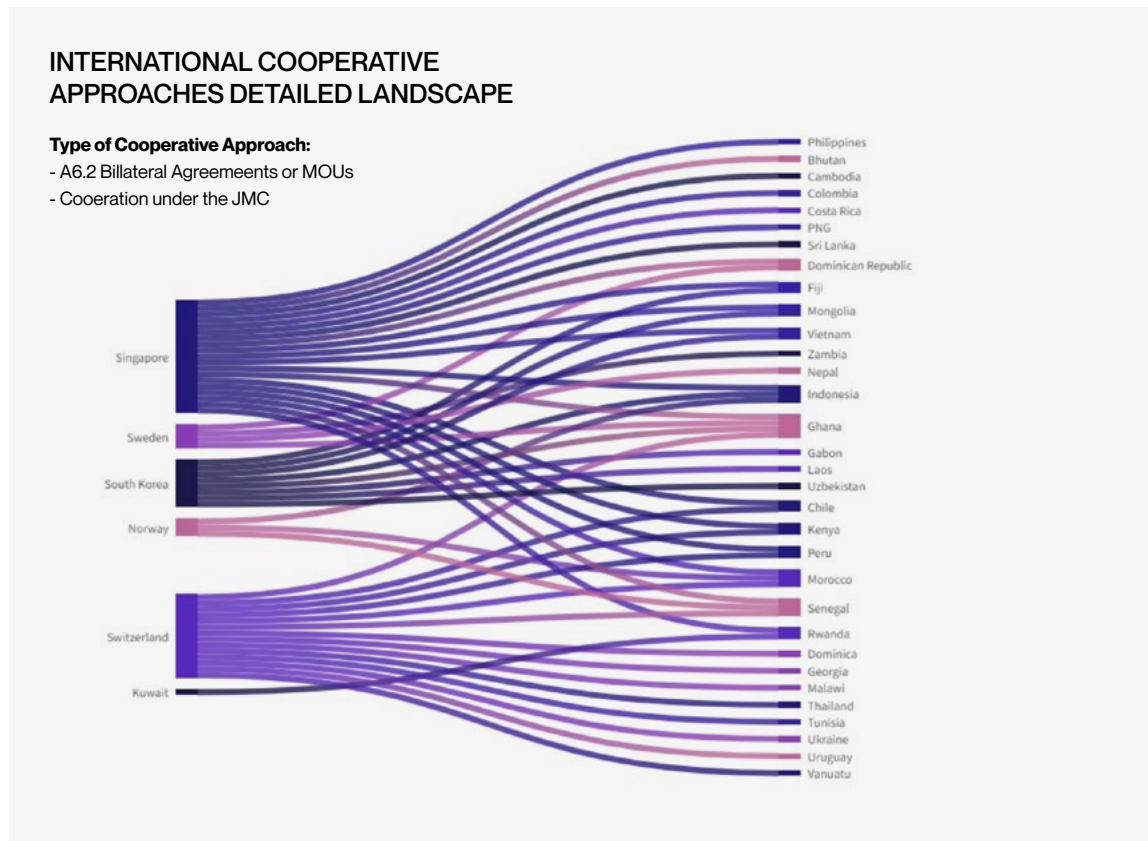
**ADOPTION OF SBM RECOMMENDATIONS –** Endorsement of the work of the SBM by Parties at COP29 is of utmost importance as it underpins the full operationalisation of the Article 6.4 mechanism (now renamed Paris Agreement Crediting Mechanism, or PACM), especially with regard to the development of new activities and the broader process of “Paris alignment” of carbon markets. We call on all Parties to avoid further politicisation of the technical considerations of the SBM and allow the SBM to swiftly move ahead with the outstanding element necessary to operationalise the Paris Agreement Crediting Mechanism (PACM).

## ARTICLE 6 IN THE REAL WORLD

IN LINE WITH A TREND OBSERVED SINCE THE AGREEMENT AT COP26, COUNTRIES ARE PROGRESSIVELY ENGAGING IN ARTICLE 6.2 COOPERATIVE APPROACHES. OVER THE LAST 12 MONTHS, SEVERAL NEW BILATERAL AGREEMENTS WERE SIGNED, MORE THAN A DOZEN LETTERS OF AUTHORISATION (LOAS) WERE GRANTED, THE FIRST ITMO TRANSFER BETWEEN SWITZERLAND AND THAILAND WAS COMPLETED, AND SIX PARTIES SUBMITTED THEIR FIRST INITIAL REPORTS TO THE UNFCCC. IETA TRACKS AND ANALYSES THESE BILATERAL AGREEMENTS AND LOAS AND PUBLISHES VARIOUS VISUAL TRACKING TOOLS ON OUR WEBSITE.



THE MAJORITY OF AUTHORISATIONS ARE FROM AFRICAN HOST COUNTRIES – ONLY TWO ARE FROM THE MIDDLE EAST, TWO FROM LATIN AMERICA, ONE FROM ASIA, AND ONE FROM OCEANIA.



We observe that the number of Host Country unilateral authorisations far outweigh the number of bilateral agreements between two Parties to the Paris agreement. We have tracked five bilateral authorisations and more than 20 unilateral authorisations issued by host Country to private company. As some unilateral authorisations are kept confidential and not immediately reported to the UNFCCC, there might be additional ones IETA is not aware of. The majority of authorisations are from African host Countries – only two are from the Middle East, two from Latin America, one from Asia, and one from Oceania. We also observe that almost 70% of all authorised projects are cookstove projects. To mitigate country risk, some project developers have diversified by having LOAs in multiple countries.

From our analysis of the content of LOA, we find that there is wide variation in the type and number of clauses – with some being very simple, while others having extensive terms and conditions. We also note that some Parties have imposed a diverse array of conditions such as fees, profit sharing arrangements, contributions to the Adaptation Fund, cancellations for overall mitigation of global emissions (OMGE) and retention of a share of the mitigation benefits for domestic use. We expect the number of bilateral agreements and LOAs to expand considerably with announcements at COP29 as well as throughout 2025, especially if a positive outcome is achieved in Baku.

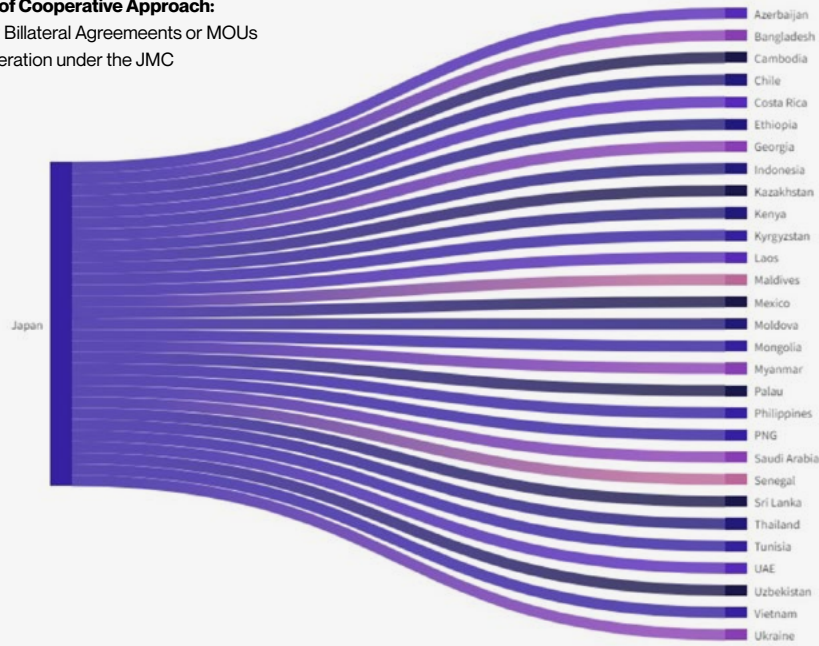


**WE EXPECT THE NUMBER OF BILATERAL AGREEMENTS AND LOAS TO EXPAND CONSIDERABLY WITH ANNOUNCEMENTS AT COP29**

## INTERNATIONAL COOPERATIVE APPROACHES DETAILED LANDSCAPE

### Type of Cooperative Approach:

- A6.2 Bilateral Agreements or MOUs
- Cooperation under the JMC

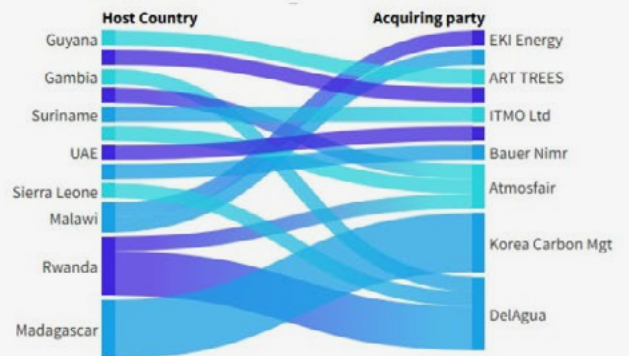
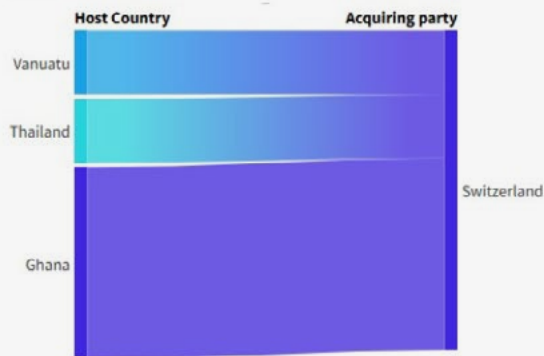


WE EXPECT THE NUMBER OF BILATERAL AGREEMENTS AND LOAS TO EXPAND CONSIDERABLY WITH ANNOUNCEMENTS AT COP29 AS WELL AS THROUGHOUT 2025, ESPECIALLY IF A POSITIVE OUTCOME IS ACHIEVED IN BAKU.

## LOA TRACKER

### Type of Authorisation:

- Bilateral Authorisation
- Unilateral Authorisation



Source: IETA (last updated on 11/10/2024)

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