COP29 Summary Report

November 2024

COP29 HIGHLIGHTS

PROGRESS AND PARTNERSHIPS

HERE YOU CAN ALSO FIND IETA'S CLOSING STATEMENT ON COP29. READ MORE

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 FOR MORE INFORMATION.

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INTRODUCTION

COP29 IS MORE LIKELY TO BE REMEMBERED BY THE MAJORITY OF THE CLIMATE COMMUNITY FOR THE HIGHLY CHARGED ATMOSPHERE IN WHICH IT ENDED, AND FOR THE UNDERWHELMING AGREEMENT ON CLIMATE FINANCE GAVELLED THROUGH BY THE PRESIDENCY, THAN FOR BRINGING NINE YEARS OF WORK ON CARBON MARKETS TO A SUCCESSFUL END.

But in time, it may be that the completion of work on Article 6 will help heal the wounds of Baku: we're optimistic that the decisions taken at COP29 will unleash billions in investment into emission reductions and removals around the world and demonstrate IETA's founding conviction that markets are the most economically efficient way to deliver on our joint climate objectives.

The outcomes of this summit and to some extent the manner in which they were achieved reflected present-day geopolitical tensions, such as the war in Ukraine, growing conflicts in the Middle East and the spectre of nationalism, and macroeconomic strains reflected in rising national budget deficits and trade barriers.

And this COP also showed how fault-lines are developing in the historical polarisation of developed (UNFCCC Annex I) and developing countries when it comes to matters of climate finance. The original Convention is 32 years old, and it may be that these distinctions are no longer relevant, with some emerging economies starting to acknowledge their obligation to provide finance rather than receive it.

On markets, the nine years since Paris have also witnessed enormous change in countries' capabilities and willingness to adopt carbon pricing, and the need for a linking mechanism such as Article 6 has never been greater. The reaction to last year's breakdown of Article 6 talks in Dubai demonstrated that appetite is strong for a robust framework to guide and regulate international trade in carbon reductions. The adopted standards and rules for the new Article 6.4 Paris Agreement Crediting Mechanism (PACM) and guidance for Article 6.2 cooperative approaches will help to fully scale up the global carbon market with integrity and transparency.

The final 48 hours of COP29 took us to a fairly dark place: amidst deeply entrenched positions on climate finance, some Parties staged a walk-out in protest at their voices not being heard by a Presidency that had moved to behind-closed-doors talks relatively early in the process.

And eventually, after many decisions were quickly adopted early on Sunday morning, numerous Parties rose up to reject the decisions, criticising an opaque process that marginalised the concerns of many.

It would be insensitive to disregard these complaints amid the warm glow of our own successes – after all, were we not ourselves in that dark place a year ago?

This COP has raised all sorts of questions about process and inclusivity, and we hope that lessons can be learned.

COP29 President Mukhtar Babayev earned criticism from many quarters for his closed-doors approach to the final days of the talks.

COP29 AGENDA

NATIONS CAME TOGETHER IN AZERBAIJAN TO DELIVER A HEADLINE OUTCOME ON CLIMATE FINANCE: A NEW COLLECTIVE QUANTIFIED GOAL (NCQG) ON FLOWS OF CLIMATE FINANCE FROM DEVELOPED COUNTRIES TO THE DEVELOPING WORLD.

This was to be the successor to the 2009 Copenhagen Accord, which established a target for developed countries of $100 billion a year by 2020.

Article 9 of the Paris Agreement formalised the finance track of the talks, and in 2021 Parties agreed to a three-year process that would set the new NCQG.

Parties also face a February 2025 deadline to submit updated Nationally Determined Contributions for the period ending 2035. A small number of countries announced their updated NDCs in Baku.

Negotiations over adaptation were also on the agenda, with countries scheduled to continue discussions over how to measure progress on adaptation ahead of next year's COP, at which a set of indicators will be agreed.

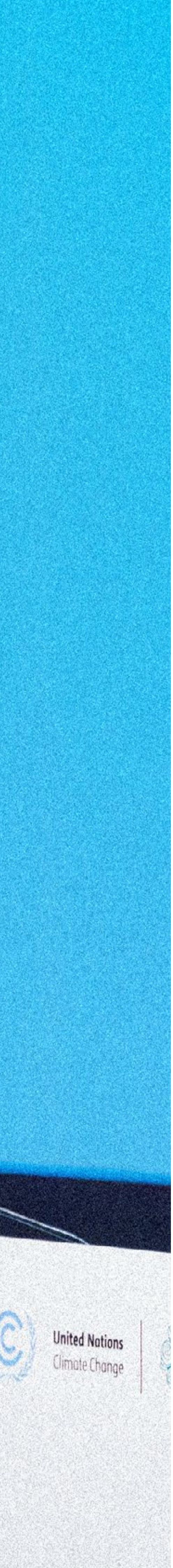
Discussions were also scheduled to continue on the Just Transition Work Programme, to help developing economies ensure the broadest possible impact of their shift to a low-carbon, climate-resilient future.

And by no means least, COP29 addressed the remaining elements of Article 6 by working on the outstanding governance issues relating to an international registry for Article 6.2, its links with the Article 6.4 registry, and detailed procedures and workflows for the issuance and transfer of mitigation outcomes.

This COP has raised all sorts of questions about process and inclusivity, and we hope that lessons can be learned.

NATIONS CAME TOGETHER IN AZERBAIJAN TO DELIVER A HEADLINE OUTCOME ON CLIMATE FINANCE

NEGOTIATIONS ON MAJOR ISSUES



WEEK 01

AS PARTIES GATHERED FOR THE OPENING OF COP29, UNFCCC EXECUTIVE SECRETARY SIMON STIELL EXHORTED THEM TO "SHOW DETERMINATION AND INGENUITY".

"Let's dispense with any idea that climate finance is charity," he told the opening plenary. "An ambitious new climate finance goal is entirely in the self-interest of every nation, including the largest and wealthiest."

And UN Secretary General António Guterres told COP that even more effort is needed.

"We need to implement solidarity levies on sectors such as shipping, aviation, and fossil fuel extraction – to help fund climate action," he said. And "we need a fair price on carbon."

Once the high-level segment was over, negotiators got down to work on Wednesday November 13.

The mainstream talks in the CMA focused on the NCQG. The co-facilitators of these negotiations, Yasmine Fouad of Egypt and Chris Bowen of Australia, had prepared a nine-page draft text before the start of COP, but after an early session on Tuesday, they were asked to reinsert many original proposals to reflect all Parties' views and proposals.

Inevitably, the updated document presented on Wednesday was a hefty 34 pages of heavily bracketed text. Among the many brackets were options for the total sum to be raised and mobilised: the choices range from $100 billion+ to $2 trillion. The G77 and China group proposed a $1.3 trillion+ figure.

Not only were there disagreements on the sum, but there were also diverging views on proposals to widen the range of donor countries beyond the traditional UNFCCC Annex II list of developed countries.

These suggestions were stoutly resisted by those emerging economies that most expected would be added to the list: China, the oil producing countries of the Middle East, and perhaps some of the larger southeast Asia economies as well.

Instead, as an example, China floated the idea of making voluntary and non-binding funding, and casting that as South-South cooperation rather than any formal commitment.

On Friday November 15, a new and slimmed-down draft negotiating text on the NCQG appeared, featuring far fewer options and many fewer brackets.

The wide variety in proposed financial sums remained, but these were acknowledged to be political matters that could only be resolved in the second week.

Worth noting in the draft was a paragraph that "encourages Parties and other relevant actors to explore the use of, and scale up...innovative sources of finance...including high-integrity voluntary carbon markets."

The end of the first week saw little consensus on the key issues, and indeed some Parties called for entire agenda items, namely the Mitigation Work Programme, to be postponed until 2025 for further consideration.

However, at a stocktaking plenary at the start of Week 2, COP president Babayev said ""COP29 cannot and will not be silent on mitigation. We will address the matter in every direction."

And Simon Stiell warned Parties that it was time to take a step forward. "We can't afford an outbreak of 'you first-ism'," he said. "Bluffing, brinksmanship, and pre-meditated playbooks burn up precious time. Let's cut out the theatrics and get down to real business."

"AN AMBITIOUS NEW CLIMATE FINANCE GOAL IS ENTIRELY IN THE SELF-INTEREST OF EVERY NATION, INCLUDING THE LARGEST AND WEALTHIEST."

WEEK 02

IT WAS ON TUESDAY 19 NOVEMBER THAT THE PRESIDENCY TOOK NEGOTIATIONS INTO CLOSED-DOOR SESSIONS, STEERED BY PAIRS OF MINISTERS WITH THE TASK OF BRIDGING THE STILL-WIDE GAPS ON MANY KEY ISSUES.

THE EU APPEARED TO BE WILLING TO BREAK THE DEADLOCK IN BAKU, WITH REPORTS EMERGING THAT THE BLOC WAS DISCUSSING INTERNALLY A COMMITMENT TO PROVIDE $200-$300 BILLION FOR THE NCQG.

This coincided with the G20 Leaders' meeting, taking place in Rio de Janeiro, where political heads reaffirmed their support for the Paris Agreement and the 1.5 degrees Celsius goal, and threw their weight behind the multilateral approach to dealing with climate change.

But while the Leaders' declaration "looked forward to a successful outcome on the NCQG", it was noticeably silent on the matter of formal financial commitments from G20 members.

Veteran analysts said the G20 declaration's mention of the need for "increased international collaboration and support" to scale up public and private climate finance was a new twist, a subtle hint that the wealthiest nations were aware of the need to broaden funding sources.

The leaders also threw their weight behind the Global Stock Take and its main points agreed in Dubai, including the pledge to treble renewable energy and double energy efficiency. However, there was no explicit reference to a fossil fuel transition.

The EU appeared to be willing to break the deadlock in Baku, with reports emerging that the bloc was discussing internally a commitment to provide $200-$300 billion for the NCQG.

A next stocktaking plenary on Wednesday November 20 heard back from ministers on the main agenda items.

Chris Bowen of Australia reported that Parties were sharply divided over how much of the NCQG should be "provided" and how much should be "mobilised". Bowen reported various proposals for provided funding: $900 billion, $600 billion and $440 billion.

What was clear from the NCQG report-back was that Parties were linking all aspects of the talks: the structure, quantum and contributors, and that it was again a case of "nothing is agreed until everything is agreed."

There were also reports on progress in the work streams on adaptation, the Mitigation Work Programme, the Just Transition Work Programme and the UAE Dialogue on the Global Stock Take. But for many delegates and organisations all eyes were on the NCQG.

And this was reflected in some Party interventions during the stock taking. Bolivia, for the Like-Minded Developing Countries group, said that there was too much focus on mitigation and NCQG, and that not enough time was being devoted to adaptation or just transition.

COP president Babayev told the meeting that there would be little point in developing a cover text for this COP: "We don't want to open a new battle front", he said.

On Thursday November 21 yet another iteration of the NCQG text brought an elaboration of the Week 1 reference to high-quality voluntary carbon markets as a potential channel for private sector funding.

The new text included a reference to "a global quantitative target covering a significant amount of global emissions by carbon pricing by 2030 and [reaching] ambitious carbon prices by 2035."

To be sure, few market stakeholders expected these options to remain in the NCQG text for long, and indeed they were cut in the next version, but they did offer insight into the thinking in some quarters that carbon markets can be counted as a valid source of climate finance.

The presidency held a "Qurultay" – a traditional Azerbaijani gathering for collective decisions – on Thursday afternoon to discuss all the draft texts.

More than once we heard "deeply disappointed", "concerned" or "unacceptable". The European Commission's Woepke Hoekstra called the package "imbalanced, unworkable and unacceptable," while New Zealand was "deeply frustrated".

On the whole, developed countries (and some developing country parties) expressed unhappiness that developing countries were hanging back from showing ambition and commitment on mitigation and taking forward the Global Stocktake, which encompasses pledges on renewable energy, energy efficiency and a fossil fuel phase-out.

And in turn, numerous developing country Parties expressed anger that the NCQG text contained no figures relating to financial contributions. Peru (for AILAC) said they were

“deeply disappointed that there is no target for finance in the document”, while Colombia said that “without a quantum, we’re negotiating over nothing”.

This lack of precision was addressed in the Friday version of the NCQG text, which proposed that COP “decides to set a goal in extension of the goal referred to in paragraph 53 of decision 1/CP.21, with developed country Parties taking the lead, to US$250 billion per year by 2035 for developing country Parties for climate action.”

With no plenary scheduled until Saturday morning, there were only a few public reactions to the text from Parties. The Marshall Islands called it “shameful”, AOSIS called the draft “unacceptable”, and the African Group called it “inadequate”. Even the lead negotiator from Azerbaijan said there wasn’t enough money on the table.

The Least Developed Countries group said it was “weak on many issues: the quantum is far less than needed, [and] it offers no guarantee of minimum allocation for our groups.”

The atmosphere had started to deteriorate on Friday as there appeared to be no willingness by developed country Parties to commit to a larger sum, while developing Party groups held fast to their demands for $1.3 trillion a year by 2035.

As the talks dragged into Saturday, the $250 billion figure became $300 billion, while a coalition of developing country Parties proposed a new framework to build this sum towards the $1.3 trillion a year target.

AMID A CLAMOUR FROM CLIMATE ACTIVISTS IN THE COP HALLWAYS, MINISTERS HUDDLED INTO THE EARLY HOURS OF SUNDAY TO PUT TOGETHER A COMPROMISE.

Named the “Baku to Belém Roadmap to $1.3 trillion”, the initiative will look for additional resources to boost the NCQG and may consider sources such as levies on maritime transport and aviation, and may well revisit the voluntary carbon market.

Amid a clamour from climate activists in the COP hallways, ministers huddled into the early hours of Sunday to put together a compromise, and this culminated in hastily called plenaries at which decisions were gavelled through.

KEY OUTCOMES OF COP29

NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE.	SHARM EL-SHEIKH MITIGATION AMBITION AND IMPLEMENTATION WORK PROGRAMME.
UNITED ARAB EMIRATES DIALOGUE ON IMPLEMENTING THE GLOBAL STOCKTAKE OUTCOMES.	GLOBAL GOAL ON ADAPTATION.
MATTERS RELATING TO COOPERATIVE APPROACHES REFERRED TO IN ARTICLE 6, PARAGRAPH 2.	FURTHER GUIDANCE ON THE MECHANISM ESTABLISHED BY ARTICLE 6, PARAGRAPH 4.
WORK PROGRAMME UNDER THE FRAMEWORK FOR NON-MARKET APPROACHES REFERRED TO IN ARTICLE 6, PARAGRAPH 8.	GUIDANCE RELATING TO THE CLEAN DEVELOPMENT MECHANISM.

A NUMBER OF AGENDA ITEMS RELATING TO THE GLOBAL STOCKTAKE AND ON FEATURES OF NDCS DID NOT ACHIEVE CONSENSUS AND WERE REFERRED FOR FURTHER CONSIDERATION IN 2025.

REACTION

AS SOON AS THE GAVEL FELL ON THE NCQG DECISION, NUMEROUS PARTIES EXPRESSED DISSATISFACTION WITH THE OUTCOME.

“THIS HAS BEEN STAGE-MANAGED, AND WE ARE EXTREMELY DISAPPOINTED.”

THE EUROPEAN UNION FOCUSED ON THE NEED TO ENLARGE THE CONTRIBUTOR BASE AND ON AN ENHANCED ROLE FOR MULTILATERAL BANKS IN THE NCQG. EU CLIMATE COMMISSIONER WOEPKE HOEKSTRA ALSO REMINDED THE COP THAT MITIGATION IS A CENTRAL GOAL OF THE UNFCCC, AND THAT COP29 HAD DELIVERED ARTICLE 6, "STANDARDS WITH A UN STAMP OF APPROVAL ON THEM".

"As it stands the new goal does not respond to the minimum requirements that have been laid down," Cuba said. "The pledge of $300 billion represents less than the $100 billion in 2009 if you take inflation into account."

Indian negotiator Chandni Raina said "We had informed the Secretariat that we wanted to make a statement prior to any decision on the adoption. This has been stage-managed, and we are extremely disappointed. Gavelling and trying to ignore Parties from speaking does not behove the UNFCC's system."

"The amount that is proposed is abysmally poor, it is not something that will enable climate action. This document is nothing more than an optical illusion. India does not accept the Goal proposal in its present form."

"This is an insult," Nigeria said. "We do not accept this."

THE EUROPEAN UNION FOCUSED ON THE NEED TO ENLARGE THE CONTRIBUTOR BASE AND ON AN ENHANCED ROLE FOR MULTILATERAL BANKS IN THE NCQG.

ARTICLE 6 AT COP29

ARTICLE 6.2

WEEK 01

TALKS ON ARTICLE 6.2 BEGAN IN EARNEST ON TUESDAY NOVEMBER 12. NEGOTIATORS HAD A HEFTY AGENDA CARRIED OVER FROM LAST YEAR'S UNSUCCESSFUL COP IN DUBAI:

01. Authorisation. This was a critical point, since it also covered the vexed question of changes and possible revocation of authorisations provided, which were major sticking points for the market. Significant time was spent discussing the content of authorisation statements, and whether authorisation of ITMOs is one single process or includes multiple steps. There was also discussion over whether the Centralised Accounting and Reporting Platform (CARP) should store all Letters of Authorisation in a publicly available format;

02. International Registry. Talks were dogged by the underlying question of what the nature of this registry should be – a fully-fledged transactional registry, or just a repository of aggregate amounts reported by Parties? There were deeply entrenched views on this, with Parties such as the US insisting the International Registry be nothing more than a "pull-and-view" database, and Party groups such as the African Group calling for the Registry to have more functionality, including the issuance of ITMOs.

03. Definition of "Cooperative Approach". Proponents of a definition sought to clearly define cooperative approaches under Article 6.2, prevent unilateral authorisation and deliver increased transparency of ITMO transactions: in their view, both a buyer and a seller needed to be involved for an ITMO to be authorised.

04. Reporting and Review. Parties negotiated over what information should be included in the initial report and authorisation statements, and whether to adopt the draft template that Parties will use to submit annual information, called Agreed Electronic Format (AEF). Parties also discussed how reports should be reviewed by experts, and any consequences for providing inconsistent information. There were many different proposals and positions on how, and in what order, the reviews should be carried out, and whether countries should wait for approval of their initial report before they can authorise ITMOs. This discussion is often referred to as "sequencing". The EU pushed for a set sequence in handling authorisation, reporting and reviews, but signalled flexibility if greater "upfront transparency" could be achieved through other provisions. The Like-Minded Developing Countries group were vocal that the quest for transparency should not limit the possibility of developing countries engaging with the mechanism.

05. Inconsistencies. Parties were seeking to establish a procedure for when the review process identifies ITMOs as being "inconsistent". It had previously been agreed that "persistent" and "significant" inconsistencies would require some intervention, but there was no consensus on how to define these terms and what measures should be taken against these ITMOs, since the Paris process doesn't have top-down enforcement.

DRAFT LANGUAGE ON THE INTERNATIONAL REGISTRY WAS TRYING TO BRIDGE DIFFERENCES BETWEEN PARTIES, BUT THE U.S. AND THE AILAC GROUP WERE BOTH UNHAPPY FOR DIFFERENT REASONS.

Maria AlJishi of Saudi Arabia co-facilitated informal discussions on Article 6.2 during the first week together with Peer Stiansen of Norway. She has also been the chair of the Article 6.4 SBM in 2024.

On Wednesday November 13, the Presidency issued a new iteration of the 6.2 draft text, but it was immediately apparent that many Parties were unhappy with some of the drafting work; in at least one case amendments were missing after emails bounced back from the UNFCCC.

On late Thursday evening, SBSTA chair Harry Vreuls of the Netherlands warned Parties in an informal consultation meeting that things were not going in the right direction and that the text was getting too long. He urged Parties to work overnight on substantive issues rather than "ands" and the "ors".

Delegates had discussed adding a section containing elements that the Initial Report should include. The Like-Minded Developing Countries and the Arab Group said that was unacceptable and beyond the group's mandate. The EU said this section is needed to ensure "upfront transparency" so that they could be more flexible on sequencing and on consequences for Parties with inconsistent reports.

The meeting broke up after just over an hour, while the co-facilitators were asked to produce another "clean" text. Our observers said it looked "very challenging" to bridge and resolve issues overnight.

A slimmed-down draft Article 6.2 text was issued just after midday on Friday November 15. The document ran to 19 pages rather than the previous 43 and contained no bracketed items or options.

At a Heads of Delegation meeting to discuss the document, several Parties expressed deep concern and discomfort, but most seemed to be willing to engage with the text. Indeed, negotiators decided to keep talking after the Heads of Delegation meeting was finished and continued late into the night.

Our observers said the updated draft was mixed. On the negative side, there was a definition of cooperative approach that would risk banning unilateral authorisations for NDC use and possibly make CORSIA unworkable.

Draft language on the International Registry was trying to bridge differences between Parties, but the U.S. and the AILAC group were both unhappy for different reasons.

On sequencing, there was now no obligation for Parties to wait for the review of their initial report to authorise and trade ITMOs. This we felt was a positive move.

And a new section with additional guidance on the initial report was seen as generally positive: more information is not a bad thing, our team said.

Eventually, at a late-night closing SBSTA plenary on Saturday November 16, the draft text for Article 6.2 was forwarded to the CMA for further work in Week 2, with a note confirming that Parties had not reached consensus on either item.

ADDITIONAL GUIDANCE ON THE INITIAL REPORT WAS SEEN AS GENERALLY POSITIVE: MORE INFORMATION IS NOT A BAD THING, OUR TEAM SAID.

ARTICLE 6.2

WEEK 02

THE OPENING COP/CMP/CMA PLENARY ON MONDAY NOVEMBER 18 SAW COP PRESIDENT MUKHTAR BABAYEV DIRECTING MINISTERS GRACE FU OF SINGAPORE AND SIMON WATTS OF NEW ZEALAND TO CONSULT "PREDOMINANTLY" ON ARTICLE 6.2 INTERNATIONAL REGISTRY FUNCTIONALITIES, AND ON THE CONNECTION OF PARTIES REGISTERED TO THE ARTICLE 6.4 REGISTRY.

"THERE WAS A DIVIDE IN THE ROOM ON WHETHER THE ARTICLE 6.2 REGISTRY WAS MEANT TO SERVE AS A PURELY ACCOUNTING REGISTRY OR WAS ALSO MEANT TO SERVE AS A TRANSACTION REGISTRY."

Talks on remaining issues in Article 6.2 also continued on a technical level under the co-facilitation of Maria AlJishi of Saudi Arabia and Peer Stiansen of Norway, with the goal of producing a clean text by Wednesday.

From Tuesday November 19, the negotiations moved behind closed doors, and there was precious little in the way of news.

On Wednesday November 20, a first stocktaking of the ministerial consultations heard from Singapore's Grace Fu on the discussions on the Article 6.2 registry issue.

"While the majority wish to do without, or said they could live without, the Article 6.2 registry having an issuance function, Parties were divided on whether it should be able to transfer and hold units," Fu reported.

"There was a divide in the room on whether the Article 6.2 registry was meant to serve as a purely accounting registry or was also meant to serve as a transaction registry."

SBI chair Nabeel Munir and SBSTA chair Harry Vreuls chaired their final session of the Subsidiary Bodies in Baku before stepping down.

Fu reported that one solution being considered is to implement a "dual-layer" system, whereby the Article 6.2 international registry would form an accounting layer that tracks and records ITMOs, with pull-and-review functionality, while the UNFCCC secretariat could provide an optional service layer as an extension – outside the scope of the 6.2 international registry – that provides Parties with issuance functionalities.

Simon Watts of New Zealand reported that in other issues related to Article 6, there remained divergent views on upfront information and on addressing inconsistencies.

In Thursday's "Qurultay" plenary we heard Party interventions on the different negotiation items, including Article 6.

On the role of authorisation of mitigation outcomes, Switzerland insisted that ITMOs being authorised for Other International Mitigation Purposes should not involve authorisation by one Party only, a position that threatens the role of Article 6 in CORSIA, for example.

Samoa, for the AOSIS group, called for "clear headings for Share of Proceeds and Overall Mitigation of Global Emissions in the Agreed Electronic Format".

Bolivia, for the LMDC group, said authorisation should take place at any time in the process: "a host Party should not be pressured into authorising its units."

Bolivia's Diego Pacheco told the plenary that "some Parties see the opportunity to add so many requirements that it translates into barriers to entry," and cited the texts on first transfer. He said the draft language was "so complicated and extremely technical that it prevents most of the Parties to engage in discussion around it."

And on transparency, EU member states said that this represents a red line for many. "Upfront transparency cannot be optional; it needs to be mandatory," Denmark said.

Applause from delegates as the Article 6.2 decision was formally adopted by the CMA early on Sunday morning.

ULTIMATELY, THE TEXT WAS APPROVED AND ADOPTED DURING THE FIRST PART OF THE CLOSING PLENARY, ON SATURDAY EVENING, NOVEMBER 23.

During the final days of COP29, negotiations on Article 6 continued behind closed doors at ministerial level, with limited opportunities for observers to engage or intervene. When new drafts came out on Thursday, Friday and Saturday, it was with relatively minor changes in each iteration, indicating that Parties were moving closer to an agreement.

Still, we were hearing across different rooms that the US might block the deal due to the registry issue, or the EU looking to block agreement due to the definition of cooperative approaches being removed and certain reporting elements being made voluntary instead of mandatory.

Ultimately, the text was approved and adopted during the first part of the closing plenary, on Saturday evening, November 23. The final decision text found a number of landing zones on critical items:

01. The definition of cooperative approaches was left out. Instead, further information was detailed regarding the authorisation of ITMOs. Participating Parties must provide specifics on the content of the authorisation for using ITMOs under each cooperative approach and a voluntary standardised template will be developed by the Secretariat to deliver required information.

02. Changes to Authorisation. Any changes to the authorisation of ITMO use from a cooperative approach shall not affect mitigation outcomes already first transferred, unless explicitly stated in the authorisation terms and conditions, which must outline the circumstances and processes to avoid double counting.

03. Timing of First Transfer. The timing of first transfer of mitigation outcomes and their recording for authorisation under OIMP must be clearly documented. Clarification is required that mitigation outcomes may only be first transferred if authorised by the first transferring Party. Each participating Party must specify a consistent definition of "first transfer" for a given cooperative approach.

04. Supplementary Reporting Requirements. Participating Parties are requested to include additional information in their initial reports and updated initial reports, as specified in Annex I of the decision. Some Parties had wanted this information to be mandatory (required) but they are now simply requested to do it. The same applies for the Agreed Electronic Format (AEF) for submitting annual information, which we had hoped would be adopted for Parties to use but was instead simply referred to as a request for countries to utilize.

05. Consistency Checks and Addressing inconsistencies. Processes are outlined for identifying, notifying, and correcting inconsistencies in submitted information, including through automated consistency checks, technical expert reviews (TER), and addressing significant or persistent inconsistencies. This includes notifying the CMA and publishing notices to relevant Parties. Instead of mandating that ITMOs with significant inconsistencies cannot be transferred – the final compromise landed that Parties are requested not to use ITMOs with inconsistencies that could impact on emissions balances, NDCs and double-counting.

06. Resolving the Registry Issue. As highlighted above, one of the most contentious issues during COP29 was to specify the nature of the Article 6.2 international registry and its interactions with external registries, including the 6.4 mechanism (PACM) registry. The final compromise clarifies that the connection of the 6.4 registry shall enable pulling and viewing, and enable transfer of authorised 6.4ERs to the international registry, and requests the UNFCCC Secretariat to provide, as an additional service for Parties that request it, registry services through which a Party may issue mitigation outcomes (an issuance function). Noting concerns from Parties, the text specifies that the issuance of such units do not constitute an endorsement by Parties to the Paris Agreement of the quality or environmental integrity of such units.

ARTICLE 6.4

WEEK 01

COP29 STARTED ON NOVEMBER 11 WITH A MAJOR VICTORY FOR THE ARTICLE 6.4 CARBON MARKET, NOW KNOWN AS THE PARIS AGREEMENT CREDITING MECHANISM (PACM).

IETA's Björn Fondén, International Policy Advisor in Singapore (left) spoke at an official UN side event at which the SBM presented its adoption of standards on methodologies and removals.

After the Article 6.4 Supervisory Body (hereafter referred to as the SBM) had adopted standards to govern project methodologies and removals activities at its final meeting before Baku, the opening plenary of the CMA – the COP body specifically governing the Paris Agreement – agreed to "take note" of the SBM's decision.

There had been some concern that the SBM's strategy, to bring these standards into force without waiting for the CMA's endorsement, might set a precedent, though others pointed out that the COP body retained the option to overrule subsidiary body decisions.

Indeed, the text of CMA's decision included a reminder to the SBM that it is the role of the CMA to "provide guidance" to the SBM, and that the SBM "supervises the mechanism...under the authority of the COP".

Tuvalu expressed the concern of several Parties, saying "We hope that adopting the decision at the start of CMA does not create a precedent. Each body under CMA has a mandate to report back to the COP, and time be given for due consideration for these reports, and for COP and CMA to make decisions based on them."

"The manner in which we have adopted this decision does not reflect the Party-driven process. We are uncomfortable with the trend and we sincerely hope this does not continue."

Nevertheless, market stakeholders were jubilant, pointing out that the decision will kick off the SBM's job of registering the many hundreds of Clean Development Mechanism projects that are waiting to transition into the PACM.

In time, existing project methodologies will also start to seek registration under the PACM, and we also expect the first A6.4 ERs to be issued next year.

Reaction from the environmental NGO community was stark. Many of them asserted there had been a lack of transparency in the CMA decision to "take note" of the SBM's adoption without discussion, and particularly on the first day of COP. And it gave many of these groups a chance to revisit old arguments against carbon markets.

THERE WAS ALSO SOME HIGH-LEVEL RECOGNITION OF THE WORK IETA DOES WHEN UNFCCC EXECUTIVE SECRETARY STIELL AND COP PRESIDENT BABAYEV HIGHLIGHTED RESEARCH BY IETA AND THE UNIVERSITY OF MARYLAND SHOWING THAT TRADING UNDER ARTICLE 6 CAN UNLOCK SAVINGS OF AS MUCH AS $250 BILLION A YEAR IN THE COST OF EMISSIONS ABATEMENT.

We felt that these reactions seemed to ignore some of the context around the SBM's work over the last two years, the numerous meetings and consultations that had gone into its work.

But the COP Presidency had clearly taken note of the impact last year of the Day 1 adoption of rules establishing the Loss & Damage Fund, and the impetus it appeared to give COP28, and Article 6 seemed to offer a similar opportunity.

While this marked the last important foundational piece of the PACM puzzle, the negotiators immediately turned to discussing matters under the headline of "Further Guidance" on the mechanism.

Indeed, COP President Mukhtar Babayev was at pains to stress to the CMA plenary that "the proposed decision on the annual report of the Supervisory Body will not conclude our work on Article 6.4 at this session. The work of CMA will continue under contact groups under which Parties can consider any further guidance to the SBM."

There was also some high-level recognition of the work IETA does when UNFCCC executive secretary Stiell and COP President Babayev highlighted in a press conference research by IETA and the University of Maryland showing that trading under Article 6 can unlock savings of as much as $250 billion a year in the cost of emissions abatement.

The press conference also featured Maria AlJishi and Martin Hession, the chair and vice-chair of the SBM, addressing the Day 1 CMA decision on Article 6.4.

AlJishi said the Article 6.4 standards on methodologies and removals have been drawn up to incentivise project developers to target "high-hanging fruit", by focusing on ambitious projects that are not currently economically feasible.

Martin Hession called the 6.4 mechanism a "step-change" that provides access to a potential supply of credits that is in line with the Paris goals. "If people want to invest, we will deliver transformational projects, rather than just low-cost," he said.

AlJishi told the conference that the adoption of the SB report means that "we can begin the work of developing further standards and guidance and elaborating our way forward to enable all the tools to come into play, as soon as next year."

"Many CDM projects have already begun transitioning to the Article 6.4 mechanism, and these are required to transition to Article 6.4 by next year," she pointed out. "That means hopefully we could see the first issuance of 6.4 credits very soon."

Asked about the process by which the decisions were adopted, AlJishi pointed out that "we are a UN body governed by the system; we must follow due process at all times. CMA is free to give us any guidance it wishes to."

It became evident over the course of Week 1 that Article 6 negotiators would need to spend more time working towards consensus on Article 6.2 before further advances would be possible on 6.4. With many of the 6.2 discussions touching on topics that relate to both mechanisms, it needed to be agreed first.

Nevertheless, Parties considered the few outstanding items on the 6,4 agenda from last year, such as the connection between the 6.4 mechanism registry and the International Registry, and some authorisation issues specific to 6.4. Parties were also allowed to provide further inputs to mechanism methodologies, including for removals.

Week 1 ended on Saturday November 16. For a while, it seemed that Parties were happy to forward the draft 6.4 text to the closing SBSTA plenary scheduled for later in the day.

However, the Like-Minded Developing Countries – a group that includes China, India, Indonesia and Saudi Arabia amongst its 24 members – opposed forwarding the draft and asked for more time to "coordinate" before sanctioning the forwarding of text to SBSTA and then to the CMA.

The hold-up was unexpected, principally because LMDC hadn't signalled its intent to stall the talks, but long-term observers noted that it's not unusual for the group to try to hold up progress in order to extract procedural leverage in other work streams at this stage.

But at a late-night closing SBSTA plenary, the draft texts for Article 6 were forwarded to the CMA for further work in Week 2, with a note confirming that Parties had not reached consensus.

MANY CDM PROJECTS HAVE ALREADY BEGUN TRANSITIONING TO THE ARTICLE 6.4 MECHANISM

ARTICLE 6.4

WEEK 02

AT THE OPENING COP/CMP/CMA PLENARY ON MONDAY NOVEMBER 18 PRESIDENT BABAYEV ASKED KATE HANCOCK OF AUSTRALIA AND SONAM TASHI OF BHUTAN TO CO-FACILITATE FURTHER TECHNICAL TALKS ON ARTICLE 6.4, AND TO PRODUCE AN UPDATE AND CLEAN DECISION TEXT ON THE BEST POSSIBLE OUTCOME ON THIS SESSION BY WEDNESDAY.

THE CLOSING PLENARY OF COP29 ON SATURDAY NOVEMBER 22 SAW THE 6.4 DECISION ON FURTHER GUIDANCE FORMALLY ADOPTED BY PARTIES.

We'd heard that the resumed discussions on Article 6.4 had become bogged down in a disagreement over whether the transition of CDM credits into the new PACM should be subject to an additionality test. The EU was pushing for this inclusion, while developing country parties rejected the proposal, pointing out that using updated criteria to judge older projects would likely render many of them ineligible.

From Tuesday November 19, the negotiations moved behind closed doors, and there was precious little in the way of news. We gained the impression that on most agenda items there was broad consensus, and that a final agreement was largely contingent on Article 6.2.

Eventually, with the COP bumping up against its scheduled Friday evening deadline, a final iteration of Article 6.4 was published.

Third-party sources reported that the reaction among negotiators was upbeat, with media quoting several negotiator sources as saying that the latest version of the documents could well be agreed on. However, stakeholders cautioned that the ongoing disagreements over the NCQG text could well delay or even prevent a formal adoption of the Article 6.4 draft.

This seemed to be the view among observers in the IETA community as well: Article 6.4 had reached a consensus but needed to wait for progress in Article 6.2 and in wider COP agenda items before we could be sure.

Eventually, the closing plenary of COP29 on Saturday November 22 saw the 6.4 decision on further guidance formally adopted by Parties.

01. The decision clarifies the authorisation process for Article 6.4 activities. This includes the options for first issuing Article 6.4 Mitigation Contribution Units (MCUs) without corresponding adjustments, that could later be authorised and 'upgraded' to Authorised 6.4ERs which can be used towards NDCs or Other International Mitigation Purposes (e.g. CORSIA). It also specifies how Share of Proceeds towards the Adaptation Fund and cancellation towards Overall Mitigation in Global Emissions (OMGE) takes place under such circumstances. It requests the SBM and the Secretariat to undertake further work on this process, to ensure integrity and avoid double-counting.

02. Further guidance on standards. The decision also provides additional guidance to the SBM in continuing work on the standards for methodologies and removal activities. It requests the SBM to engage, in consultation with interested stakeholders, further independent scientific and technical expertise and local communities, and include the knowledge, sciences and practices of Indigenous Peoples. It urges the SBM and the secretariat to expedite the establishment of the mechanism registry, and requests the SBM, while ensuring ongoing continuous improvements to reflect the best available science, to strive to ensure regulatory stability by avoiding frequent substantive revisions to its adopted standards, tools and procedures.

03. The 6.4 mechanism registry. As highlighted under 6.2, the 6.4 decision specifies that participating Party registries may voluntarily connect to the PACM registry, and the connection shall enable the transfer of authorized Article 6, paragraph 4, while ensuring avoidance of double counting; and requests the secretariat to implement the mechanism registry in a manner that will make the registry available for use by all Parties participating in the mechanism.

04. Transition of CDM activities. Finally, the text decides that afforestation and reforestation projects registered under the CDM may transition to the PACM, if the request arrives no later than 31 December 2025, is approved by the host country DNA, and lives up to the rules, modalities and procedures of the 6.4 mechanism, including the methodological and removal activity standards.

ON THE SIDELINES

WHILE PARTY NEGOTIATORS IMMERSED THEMSELVES IN THE TECHNICAL AND POLITICAL MINUTIAE OF THE AGENDA, OUTSIDE THE NEGOTIATING ROOMS THERE WERE PLENTY OF NEWSWORTHY DEVELOPMENTS.

In the High-Level segment of the talks, UK Prime Minister Keir Starmer said the UK will set a new NDC targeting emissions reductions of 81% compared with 1990 levels by 2035.

The UK's "NDC 3.0" joined a very short list of early commitments from major emitters, with last year's COP hosts the UAE (47% by 2035) and next year's hosts Brazil (67%) also having published their new NDCs.

Later in the second week, a group of seven countries committed to producing updated NDCs next year that will be consistent with IPCC emissions trajectories; absolute, economy-wide reduction targets covering all greenhouse gases, sectors, and categories; and will be aligned with steep and credible emissions reductions toward their respective mid-century net zero goals.

During the Rio de Janeiro G20 meeting, UK Prime Minister Keir Starmer and Brazil's president Luiz Inacio Lula da Silva launched the Global Clean Power Alliance. The initiative aims to assemble a group of countries to work together towards meeting the COP28 commitments to triple renewable energy and double energy efficiency.

The Alliance will undertake a series of "missions" to achieve its goals, the first of which is set to be a "finance mission" though no target numbers were immediately available.

The U.K. government kept up its flow of initiatives by publishing its principles for voluntary carbon and nature market integrity, which add to the body of work supporting greater integrity in the VCM. The government will hold a public consultation on the principles early next year.

IOSCO published its Final Report on the Voluntary Carbon Markets which describes the landscape of the VCM and proposes a code of Good Practice that is aimed at regulators, trading venues and market participants.

The first Thursday of COP was also Finance Day, and an ideal moment for the UN's Independent High-Level Expert Group on Climate Finance to publish its third report on climate finance.

The study, led by Nicholas Stern, concluded that global climate action needs between $6.3 and $6.7 trillion a year by 2030, with $2.4 trillion a year needed specifically for emerging economies.

They broke it down further: excluding China, the panel said the developing world needs $1.6 trillion for clean energy, $250 million for climate adaptation, $250 million for loss and damage, $300 million for sustainable agriculture and natural capital, and $40 million for fostering a just transition.

The experts said the funding needs to be raised through a combination of measures including a tripling of multilateral development bank lending, a doubling in bilateral donor support, $200 billion in unconventional sources such as levies for shipping, aviation and carbon markets. The rest would come from private sector mobilisation, they added.

The aftershocks of the US presidential election also reverberated around Baku's curiously-named Olympic stadium. The High Ambition Coalition of 25 nations issued a statement to reiterate its support for the COP29 process, and to make the point that the election of Donald Trump "would not put a stop to the process that's underway".

Ireland's environment minister Eamon Ryan put it succinctly: "Whatever one country does, the Paris Agreement still lives, it's still strong, it's actually delivering for countries because it is the way forward to a better economy. And any country that might want to veto or opt out I think will come back because they'll realise they're falling behind, they're missing out on the new economy to come."

And a similar view came from a surprising quarter; Exxon Mobil's CEO Darren Woods told the Wall Street Journal that Donald Trump should keep the US in the Paris Agreement.

"I don't think the stops and starts are the right thing for business," the Journal quoted Woods as saying. "It is extremely inefficient. It creates a lot of uncertainty."

There were also momentary flashpoints of drama in the early days of the COP. We learned for example that Argentina's president Javier Milei ordered his negotiators to leave COP29 on the first Wednesday. No reason was given, but the country's president has previously called the climate crisis "a socialist lie", and closed Argentina's environment ministry not long after being elected.

The news gave rise to concerns that Argentina was about to withdraw from the Paris Agreement, but these rumours were scotched by the country's foreign minister Gerardo Werthein, who said "we are not leaving."

Even Russian officials felt obliged to clarify that their country too was committed to the UN process, and urged the incoming US president not to make "spontaneous decisions that will harm the climate agenda."

AT THE IETA BUSINESSHUB

OUR INTERNATIONAL POLICY TEAM WAS ALSO QUOTED EXTENSIVELY ACROSS ALL MEDIA COVERING THE COP, GIVING OUR APPRECIATION OF THE PROGRESS OF THE TALKS.

IETA CONTINUED TO PROVIDE A STRATEGIC GATHERING SPACE FOR BUSINESS TO MEET, SOCIALISE, AND GET ALL THE LATEST CARBON MARKET INTEL OVER BOTH WEEKS. IT FEATURED A BROAD PROGRAMME OF OVER 50 SIDE EVENTS RANGING FROM VARIOUS ARTICLE 6 TOPICS TO REGISTRIES, CARBON REMOVALS, ADAPTATION, CLIMATE FINANCE, REGIONAL DEVELOPMENTS, MARKET INTEGRITY AND PRESS BRIEFINGS.

We would like to thank the 49 BusinessHub Partner Sponors, , without whom there would be no BusinessHub.

The Global Carbon Pricing Challenge, in which representatives from the UK, Chile, New Zealand, Finland and Denmark spoke about the challenges of driving ambitious carbon pricing systems.

IETA also launched our Article 6 Business Pulse survey in conjunction with the Article 6 implementation Partnership. The survey delves into private sector opportunities, implementation challenges, and the role of Article 6 in voluntary and compliance markets.

The key finding of the survey is that 83% of respondents would be willing to pay higher or even much higher than average market rates for correspondingly adjusted ITMOs, as well as for non-adjusted 6.4 Mitigation Contribution Units (MCUs).

The survey also revealed that projects in the areas of sustainable agriculture, Afforestation, Reforestation and Revegetation (ARR), carbon dioxide removals (CDR) and household devices in South and East Asia, South America and Africa were of highest interest, whereas REDD+ projects garnered the least interest from developers and buyers alike.

IETA was also involved in some excellent new papers published during COP29. Our nature-based solutions team wrote Financing REDD+ under the Paris Agreement, in which they examine the landscape for REDD+ and how it might evolve.

And we were pleased to endorse a report by ICAO that took a comprehensive overview of CORSIA emissions unit criteria and an explanation of the requirements for corresponding adjustments to guarantee the environmental integrity of CORSIA-eligible emissions units.

83% OF RESPONDENTS WOULD BE WILLING TO PAY HIGHER OR EVEN MUCH HIGHER THAN AVERAGE MARKET RATES FOR CORRESPONDINGLY ADJUSTED ITMOS

Across the rest of COP

IETA team members were also very busy across numerous pavilions and side events throughout the two weeks.

Dirk Forrister joined panel discussions at both Singapore's and China's pavilions and was a participant in the launch event of the Letter of Authorisation (LOA) template by the World Bank's Multilateral Investment Guarantee Agency (MIGA). Dirk also spoke at an official UNFCCC side event led by IETA, TNC, IPAM, and Emergent in which the role of high-integrity carbon markets in reducing deforestation, restoring ecosystems, protecting biodiversity, sharing fair benefits, and respecting IPLCs' perspectives was discussed.

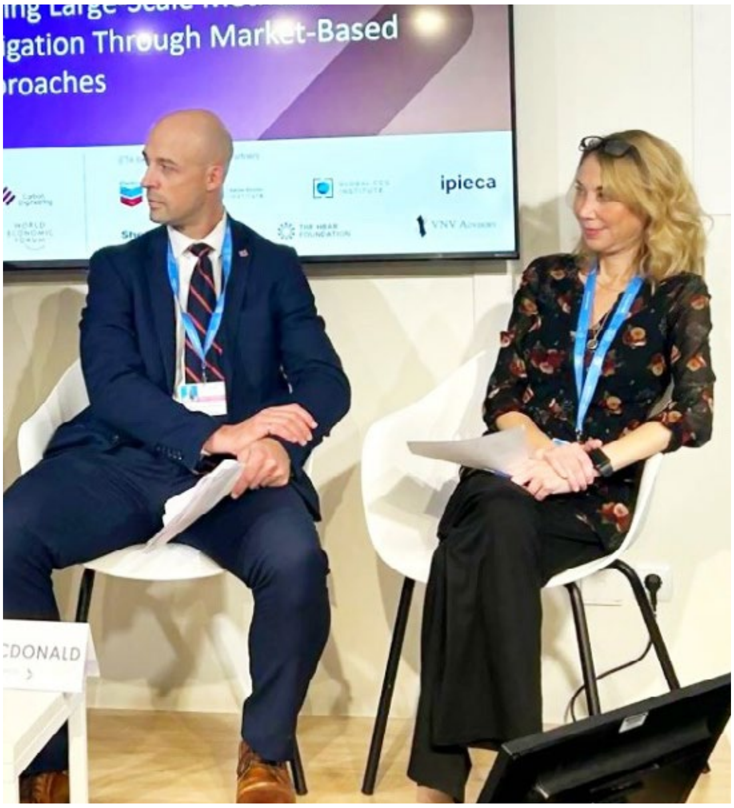
Andrea Bonzanni moderated a panel at the Korea pavilion including the Korean Energy Agency and a Korean project developer. The East Asian country plans to purchase 37.5 Mt of ITMOs by 2030, equal to about 8% of its total NDC commitment. Andrea also joined an official UNFCCC side event and one at the Spanish pavilion.

Björn Fondén spoke at an event on ASEAN carbon project finance at Malaysia's pavilion that focused on the potential for nature-based and technology-based carbon credits to support biodiversity and the energy transition, as well as numerous other panels on Article 6 and carbon markets developments across Asia-Pacific.

Katie Sullivan spoke at events covering topics such as scaling methane reductions, financing CCS/CDR, our own North America Annual COP Round-Up and an event on Alberta carbon market leadership.

Pedro Venzon participated in events with the governments of Oman and Peru, and representatives of the Brazilian National Confederation of Industry, in which Article 6, carbon market frameworks and nesting issues where discussed, while Luis Panichelli participated in a side-event with EKI and CAR on carbon credit use to achieve net zero, as well as at a UN REDD+ event.

IETA: COP29 SUMMARY REPORT

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Azerbaijan


United Nations
Climate Change


IETA

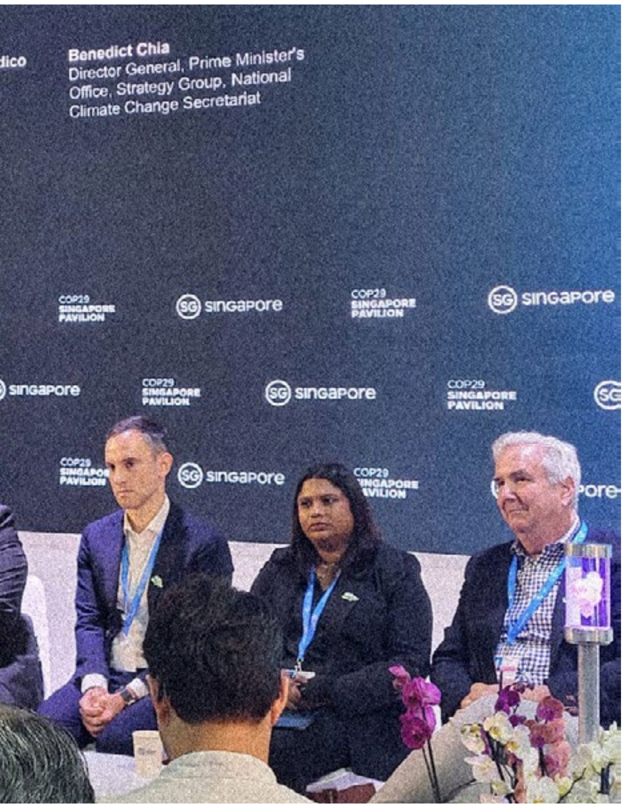

IETA
BUSINESS
HUB
MAKING
LUIS PANICHELLI


IETA
MAKING
NET ZERO
POSSIBLE
IETA25
15 November 2024
11:30-13:00
Advancing Carbon Market Integrity for
People and the Planet
DORIS HONOLD
PATRICIA ZURITA
FREDERICK TEO
SECRETARY YANA GARCIA


IETA25
12 November 2024
13:00-14:30
The State of Article 6


AZƏRTAC
apa
REPORT
CBC


COP29
Climate and Peace:
Enabling joint action to
leave no one behind
High-Level Panel
NORWAY


Benedict Chia
Director General, Prime Minister's Office, Strategy Group, National Climate Change Secretariat
COP29 SINGAPORE PAVILION
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