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COP29 - Deliverables in Terms of Climate Goals

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Abstract

The 29th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), also known as the COP29, was held from 11th November, 2024 to 22nd November, 2024 in Baku, Azerbaijan. The summit held promising turn of events in the form of climate finance for developing countries like India to take a leap forward in combating climate crisis and averting its ill effects. The article explores the outcome of the COP29 and its scope for India. There is also impending scope for CMAs and the Sustainability Standards Board (SSB) of the ICMAI with the changing focus on climate crisis in all levels of the economy, where their expertise would be of immense benefit.

COPs: History and Importance

The United Nations Framework Convention on Climate Change (UNFCCC) was adopted in 1992 as an international treaty to combat climate change by keeping check on the average global temperatures and its effects on climate. It currently has 198 Parties to it, and has brought in significant outcomes like the Kyoto Protocol (1997), The Paris Agreement (2016). Its adoption can be seen as the first definite global step towards tackling climate crisis, with the Conference of Parties (COP), its decision-making body bringing countries together for discussions and collective action towards the climate goal. The COP holds yearly meetings, and reviews progress of the adopted steps to prevent climate change and the performance of its Parties in various goals set for the same.

With arresting global warming at the root of the COP, the Kyoto Protocol and the Paris Agreement were its landmark outcomes, with these legally binding treaties setting definite achievable goals on its Parties and reviewing progress on a yearly basis. Though the action to be taken towards climate change still remains the need of the hour and the effort needs to be greatly increased in this direction, initiatives under the Kyoto Protocol as well as the Paris Agreement, among other things, have fueled a positive response to low-carbon solutions and establishing carbon neutrality goals in micro and macro levels. The recently concluded COP29, held from 11th November, 2024 to 22nd November, 2024 in

Baku, Azerbaijan, also comprised of the 19th session of the meeting of the Parties to the Kyoto Protocol, and the 6th session of the meeting of the Parties to the Paris Agreement.

Credits: World Meteorological Department

The Kyoto Protocol

The Kyoto Protocol, though adopted on 11th December, 1997 in Kyoto, Japan, came into force on 16th February, 2005 owing to the complex ratification process. 192 countries are Parties to this at present. Its adoption is a milestone in the efforts towards reducing greenhouse gas (GHG) emissions, and places a commitment on the developed nations to stabilize GHG emissions under the principle of "common but differentiated responsibility and respective capability", rightly identifying these economies are the largest contributors to the high emissions levels. Binding targets were set on developed countries and economies in transition for reducing emissions, with flexibility for each nation in designing the mechanisms for achieving these targets. The first commitment period from 2008 to 2012 aimed for a target to reduce emissions to an average of five percent against the 1990 levels, and the second commitment period from 2013 to 2020 targeted a reduction of 18 percent against this level.

The Paris Agreement

On 12th December, 2015 at the COP21 in Paris, it was agreed to work for the common cause for combating climate change as well as adapting to its unavoidable effects, with assistance to developing nations in mitigating the climate change impact. A sustainable low carbon future was at the core of the Agreement, along with keeping the rise of global temperature below 2 degrees Celsius above pre-industrial levels, and strive to limit it even further to 1.5 degree Celsius. Some of the other crucial focus areas of climate change which were identified in the Paris Agreement are global peaking and climate neutrality, sinks and reservoirs of GHGs including forests, enhancing adaptive capacity, addressing loss and damage resulting from climate change, creating awareness, voluntary co-operation among Parties to enable international transfers of mitigation outcomes, and sourcing finance for a global impact, with extra support to developing and less developed nations.

A prominent outcome of the Paris Agreement was the Nationally Determined Contributions (NDCs), which are national climate action plans developed by each Party nation keeping its capacity and limitations in mind, with a clear outline on its plans and ambitions to reduce GHG emissions and mitigate the results of global warming. The NDCs are to be updated every five years with a more ambitious goal. Another important decision was to have a global stock-take every five years to determine the collective progress of the Parties using scientific advancements, thereby enabling them to modify or advance their efforts based on results.

COP28 held in Dubai in 2023 witnessed the first stock-take under the Paris Agreement, and the results were very underwhelming. The progress was seen to be slow in all aspects across climate change action across nations, and the outcome of the conference was that the Parties decided to accelerate all such aspects by 2030. COP28 was the first of the three consecutive COP summits with the goal to reset climate action, and towards this, 1.5 degree Celsius was set as the defining compass, and a COP Presidential *Troika* (group of three) was formed between the UAE, Azerbaijan and Brazil, with the latter two receiving the baton in turns for the next two COP summits. The COP28 ended with a signal for speedier transition from fossil fuels to renewable energy sources in their climate commitments by Parties. COP29 is the second of the said three consecutive COP summits.

COP29

Though there is always a keenness on the outcome of every COP, COP29 had a particular area of focus – climate finance, to the extent that it has been called the finance COP. However, there were other critical aspects that were decided at this summit, of which a few prominent ones are discussed below.

The New Collective Quantified Goal

The COP15 held in Copenhagen in 2009 laid the foundation for global finance to combat climate change with the developed countries deciding to mobilize 100 billion USD every year until 2020, which was later extended to 2025, for assisting the developing and less developed countries in fighting climate change.

Since the previous milestone for this finance was until the year 2025, the COP29 held immense prominence in setting a new target for financing from developed nations for supporting developing countries. This is termed the New Collective Quantified Goal (NCQG) on climate finance and was approached with high expectations at the COP29, considering that the 2030 agenda is nearing with a speed disproportionate with the progress in performance indicators. The NCQG was viewed as a course correction for this disproportion, as the NDCs are also due for a third round of review in 2025, and the availability of finance under the NCQG was a critical factor for the developing nations in setting a more ambitious NDC. The UNFCCC estimated that the implementation of the NDCs will cost around 5.8 to 5.9 trillion USD cumulatively by 2030.

The NCQG was agreed to be 300 billion USD annually with developed nations "taking the lead", which was triple the earlier agreement, but faced backlash from developing and less-developed nations as the agreed finance was nowhere near to the expectations of 1.3 trillion USD set by some of the developing nations. There was also no mandate on the developed nations to provide this entire 300 billion USD per year, they were to mobilize the said funds, which meant facilitating private sector participation. The source of these funds was also critically important for the developing nations, as finance in the form of loan would create more burden on these nations as opposed to grants, but there were no definite decisions in the COP29 in this regard.

Credits: www.futureearth.org

Loss and Damage Fund

The Loss and Damage Fund is a financial mechanism established by UNFCCC in the COP27 held in Egypt in 2022 to assist developing and less developed countries in recovering from economic and non-economic losses caused by adverse effects of climate change, whether they are extreme events like hurricanes, landslides and floods or slow onset events like rise in sea levels, loss of biodiversity etc. It was set up with the clear understanding that the repercussions of the actions of developed countries that play a huge role in climate crisis is mostly faced by developing countries, which contributes the least to the crisis. The launching of the Fund was decided in COP28, and significant steps towards operationalization was taken in COP29 by making the necessary appointments and signing significant agreements. The financing of projects is expected to start by 2025.

At present, there is a total pledged financial support of more than 730 million USD for the Fund, but the estimated yearly losses and damage is estimated to be 580 billion USD by 2030. Better outcomes could be expected from the future COPs now that the Fund has materialized.

Carbon Markets

The Paris Agreement, under its Article 6, introduces the concept of carbon crediting and various mechanisms to achieve it, including international co-operation for voluntarily transferring mitigation outcomes of carbon emissions, generation and trading in carbon credits under the supervision of UNFCCC etc. These make a broader contribution to the Sustainable Development Goals through environmental integrity and social co-operation and also held nations in achieving its NDCs more effectively.

After close to a decade of negotiations on its terms and conditions, the COP29 achieved a significant milestone by adopting crucial measures for implementing the carbon trading as well as setting up a global carbon market. While there are implementation and transparency issues in the present stage which may pave way for potential misuse and greenwashing, it is indeed a very positive first step in the path of mitigation of GHG emission outcomes which can be bettered in the years to come.

What COP29 means for India

India took a strong stand against the NCQG being incomparably lower than what was expected or what was the need of the hour from the developed nations, by rejecting the climate finance deal that was concluded at COP29 calling it an optical illusion and insisted on the need for equitable and timely climate finance.

Though the financing expectations were a setback, the adoption of carbon crediting will prove positive for India. It is all set to establish a domestic carbon market, with suitable amendments to Energy Conservation Act, 2001 and detailed regulations already in place for a carbon market under the Carbon Credit Trading Scheme, laying the groundwork for India's emerging framework on carbon pricing. This will significantly help India in its carbon neutral goals of achieving zero emissions by 2070.

With Indian states facing many repercussions of climate change in the form of massive floods and landslides in very recent times, loss and damage fund could prove immensely beneficial to mitigate the effects of climate crisis as well as adapting to the changing climate scenario.

Role of ICMAI in the Changing Climate Scenario

With carbon trading set to play a prominent role in the Indian sustainability efforts, specific accounting as well as tax treatment for the same will have to be devised. The Institute of Cost Accountants of India as well as its Sustainability Standards Board (SSB) could take an early step and make recommendations to the Government for laying the groundwork for the same. When the climate crisis initiatives reach a micro-level impact in the near future, CMAs will also have a critical role to play in identifying and advising cost-effective strategies and ensuring optimal resource allocation, reducing wastage and enhancing the financial sustainability of initiatives of organisations while planning a supply of goods or service. It is the right time for CMAs to rise to the occasion and adapt to changes to achieve greater heights.

Conclusion

Climate change is real, and its impact is visible to us in daily life in the form of extreme natural calamities to the internalized low-quality air that we breathe. With the 2030 Agenda for achieving Sustainable Development Goals inching very close, COP29 was held at a critical moment in time for setting ambitious NDCs by nations if timely and adequate finance was available and accessible to them on an equitable basis. While the COP29 failed to deliver in this regard, the focus shifts to the COP30 to be held in Brazil in 2025, which is the final leg of the three consecutive COP summits with the goal to reset climate action. Any more delay in timely action would tip the scale gravely against humanity, and the time to act is now.

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