



ASSOCIATION OF OIL, GAS
AND RENEWABLE ENERGY
COMPANIES OF LATIN AMERICA
AND THE CARIBBEAN



EXECUTIVE
REPORTS

February **2025**

Arpel Publication
EJ01-2025



COP29 Baku The financing COP

November 11-22, 2024, in Baku, Azerbaijan



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Author

This report was prepared by the Executive Secretariat of Arpel, with the collaboration of:

Rosario Martino, ANCAP | Arthur Lee, CHEVRON | Andrés Romero, ECOPETROL | Lorena Bracho, EP PETROECUADOR | Sara López, EP PETROECUADOR | César Díaz, GEOPARK | Fernando Guzman Cieri, PAN AMERICAN ENERGY | Patricia Marques, PETROBRAS | Leonardo de Carvalho, PETROBRAS | Sergio Bergerman, RAIZEN | Sonia Baluk, TEMA

Irene Alfaro
Arpel Senior Managing Director
E-mail: ialfaro@arpel.org.uy

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The 29th edition of the Conferences of the Parties to the United Nations Framework Convention¹ on Climate Change, COP29, had financing as a central theme and concluded, in this regard, in the establishment of a **New Collective Quantified Goal** (NCQG) of at least **USD 300 billion/year by 2035**. Although it represents three times as much as the previous one (USD 100 billion/year, agreed in 2009, reached in 2022, and in force until this COP), it is still considered insufficient, which is why both public and private actors, were called to scale financing at a minimum of USD 1,300 billion/year. The “Baku to Belem” roadmap was established to achieve this objective by adding private funds, key to the Paris Agreement.

Such funding would come from public, private, bilateral and multilateral sources. The division of this value is not clear, given that it brings no distinction between public and private input, or between grants and loans.

Some developing countries, which can contribute financing, are also included (voluntary south-south collaboration). This fact does not imply that their category will change to “Developed”.

The negotiations during COP took place in a tense environment; even representatives of some of the least developed and island countries abandoned the room during negotiations because of the lack of consideration to the principle on common but differentiated responsibilities. Despite this, significant agreements were reached on carbon markets.

¹ CMNUCC

Carbon markets

Pending aspects since COP26 in Glasgow were completed, for articles 6.2 and 6.4 of the Paris Agreement.

From a business perspective, this was the most important achievement of COP29. Both types of global carbon markets are fully operational.

The supervisory body of Article 6.4 is fully operational and can begin to develop its portfolio of emissions reduction projects, as the Executive Board of the CDM (Clean Development Mechanism) was able to do from 2001.

The importance of carbon markets in Article 6 lies mainly in the possibility of attracting financing for Parties to achieve their climate commitments. This cross-border cooperation is expected to reduce the cost of NDC implementation by up to \$250 billion per year by 2030. Financial flows from compliant carbon markets could reach \$1 trillion per year by 2050.

Bilateral cooperative approaches

Article 6.2

This article focuses on cooperative approaches to internationally transferred mitigation outcomes (ITMO). Negotiations concluded on various aspects of the implementation of this article, some of which are highlighted below:

Inconsistency checks and addressing

The process is strengthened to identify, notify and correct inconsistencies in the information reported and ensure that double counting is avoided.

Technical experts review

It defines the specific information that will be reviewed. Significant and persistent inconsistencies identified in the review process will be publicly displayed on the platform.

Special circumstances

Are recognized for least developed countries and small island developing states, reaffirming previous decisions on supporting the development of their capacities to meet participation requirements.

Multilateral carbon markets

Article 6.4

This article defines a new global carbon market that replaces the old Clean Development Mechanism, or CDM. The corresponding agreements to highlight were:

Definition of guiding principles

Voluntary participation, real, measurable and long-term benefits for climate change mitigation, defined scopes of activities, ensuring that emissions reductions are additional to those that would otherwise occur, verification and certification of emissions reductions, and precise accounting to avoid double counting.

Registry interoperability

between Article 6.4 mechanism, the registries of participating Parties and the registry for ITMOs. This way, the exchange of data and the transfer of authorized emissions reductions will be facilitated.

A key point for these markets to facilitate any financing in the future is regulation and legislative programs; have the institutionalized structure to simplify and accelerate this investment and define where it should go.

Although COP29 made progress on the topic, there is still a long way to go before achieving a unified market. An aspect to highlight is that there will be no new resolutions regarding article 6 until 2028, which will guarantee stability in the rules established.



Just transitions

Despite the consensus reached at the G20² on the PRINCIPLES FOR JUST AND INCLUSIVE ENERGY TRANSITIONS (Annex 1), COP29 did not conclude its negotiations to develop the JUST TRANSITION WORK PROGRAM (Annex 2). The draft document includes, for example, the multi-sectoral and multi-dimensional approach to just transitions (emphasizing the need to involve the private sector) and the importance of creating enabling national environments for program preparation and implementation. There was a polarization between developed and developing countries and a notable divergence in the proposal for a concrete and implementable work plan, supported by means of implementation and international cooperation, or just a set of recommendations. This topic will be taken up again in the session of the Subsidiary Body, in June 2025, and is expected to be concluded at COP30³, which has been called **“Just Transition COP”**.

At the end of 2023, Arpel published the White Paper “Just Energy Transitions in Latin America and the Caribbean”⁴ with the aim of opening dialogue on this topic, its challenges and opportunities, and building development paths for the region in a competitive business environment. The document reflects the position regarding the meaning of these transitions, agreed upon by all member companies, and highlights the importance of the role of the hydrocarbon industry in the transition, contributing with its financial, human and project-executing capacity, diversifying towards renewable energies and mitigating emissions in its operations. The industry is a fundamental pillar in the balance of energy sources to supply safe, affordable and sustainable energy during the transition. This document represents a fundamental instrument to promote open dialogue with the main stakeholders worldwide, and thus continue contributing with its consideration in international negotiations with a view to the next COP.

Technology Mechanism and associated processes

The continuity of the joint work program between the Technology Executive Committee (TEC) and the Climate Technology Center and Network (CTCN) was approved for 2023-2027.

The TEC and the CTCN are the two components of the Technology Mechanism, which first became operational at COP16 in Cancun in 2010. The TEC is a political body made up of expert members from various governments of developed and developing countries. The CTCN is an implementation body, made up of consulting companies, technology and service providers, and other multilateral technology consortia.

² Foz de Iguazú, Brazil, October 4, 2024.

³ Belem, Brazil – November 10 to 21, 2025.

⁴ <https://www.arpel.org/en/publications/just-energy-transitions-in-latin-america-and-the-caribbean>

Global Goal on Adaptation

(GGA)

Parties defined indicators that will allow measuring how countries are preparing to face climate challenges, prioritizing the most affected countries. Its structure and integration with other processes were reviewed, such as the Global Stocktake (GST) of COP 28 and the National Adaptation Plans.

What is GGA?

Defined in Article 7 of the Paris Agreement with the objective to improve adaptation capacity, strengthen resilience and reduce vulnerability to climate change.

Why is it important?

The Intergovernmental Panel on Climate Change (IPCC) found that current adaptation responses are fragmented and unequally distributed. Significant adaptation gaps exist across sectors and regions, and those gaps will continue to grow if implementation doesn't increase.

Next steps:

- **Baku adaptation roadmap** to support the implementation of the UAE (United Arab Emirates) Framework for Global Climate Resilience. The framework, adopted at COP28 in Dubai, aims to guide the achievement of the GGA, and includes a set of targets that parties are urged to achieve by 2030.
- **High-level dialogue** on adaptation at each COP, to identify ways to improve framework implementation.

Sharm El-Sheikh Mitigation Program

Implementation aspects of the Program, first established at COP27 in 2022, were agreed upon and further defined. Likewise, it was recognized that specific actions depend on each country, international cooperation and the mobilization of financial, technological and capacity-building support for developing countries.

Fund for loss and damage

created at COP27 with the aim of providing financial assistance to countries most vulnerable to the impacts of climate change. During COP29, the "Trustee Agreement" and the "Secretariat Headquarters Agreement" were signed between the Fund's Board of Directors and the World Bank, as well as the "Host Country Agreement" between the Fund's Board of Directors and the host country, the Republic of the Philippines. To date, total financial support pledged to the Fund exceeds \$730 million. With these advances, the Loss and Damage Fund will be able to begin financing projects from 2025.



Fossil fuels

There was no explicit reference in the final text to the commitment to “transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science”, signed at COP28. Arab countries, including the oil-producing countries of the Persian Gulf, and China opposed any negative mention of fossil fuels. The corresponding treaty proposal made no progress during COP29. Brazil will seek to position in the region the progress of a decision in this regard prior to COP30 and with the updating of the NDCs involved⁵.

Methane

During COP29, the Declaration on Reducing Methane from Organic Waste was launched, with more than 30 initial signatory states that - together - represent 47% of global methane emissions from organic waste. Organic waste is the third largest source of anthropogenic methane emissions, behind agriculture and fossil fuels. Regulatory actions were promoted to reduce methane emissions in several sectors, including new policies and regulations of major methane emitters in the oil, gas and waste sectors. The availability of methane emissions data was also expanded, with the launch of new methane detection satellites and expanded monitoring and reporting efforts.

⁵ The next round of NDCs (NDCs 3.0) will be delivered by February 10, 2025, and has the objective to review goals for 2030 and set new goals for 2035.



Conclusion



COP29 made progress with regards to climate finance and carbon markets, but political tensions persisted. The New Collective Quantified Goal (NCQG) of USD 300 billion annually by 2035 is an important step, though insufficient, requiring greater mobilization of public and private funds. The full operability of carbon markets under Article 6 of the Paris Agreement offers opportunities to reduce NDCs implementation costs and attract investments. However, consensus on a just transition and on the phasedown of fossil fuels is not complete. The Methane Reduction Declaration underscores the importance of addressing emissions in key sectors, including oil and gas. The hydrocarbon industry, as a pillar of the energy transition, must continue diversifying its energy mix, mitigating emissions, and promoting inclusive dialogues to achieve global climate goals in a sustainable and equitable manner.

ANNEX 1: Principles for just and inclusive energy transitions (G20)

With the aim of leaving no one behind, G20 members endorse the following voluntary principles to promote clean, sustainable, just, affordable and inclusive energy transitions in line with SDG 7, the Paris Agreement and the "Outcome of the First Global Stocktake" adopted at the 28th UN Climate Change Conference. Reiterating the importance of accelerating the energy transitions by including, in line with technological neutrality, a wide range of options towards low emissions development to reach global net-zero greenhouse gas emissions/carbon neutrality by or around mid-century, recognizing the role of international cooperation to foster energy transitions, acknowledging existing frameworks and initiatives that promote a shift to sustainable economies that promote both environmental sustainability and job creation, focusing on social justice, poverty eradication and fairness, and bearing in mind national and international commitments and respective different national circumstances, needs and priorities as well as the different pathways and approaches, countries are encouraged to design their energy transitions policies taking into account the following voluntary principles.



1 | Energy planning for just and inclusive energy transitions

Acknowledge the importance of long-term regional and domestic energy planning and policies across various sectors to guide actions and financing mechanisms that promote energy transitions and design and implement just and inclusive energy transition policies in individual countries, while ensuring energy security, affordability, accessibility, and markets stability and economic prosperity.

2 | End energy poverty

Tackle all forms of energy poverty, with a focus on ensuring access to affordable, reliable, sustainable and modern energy, including more efficient and less polluting cooking methods, for all.

3 | Social dialogue and stakeholder participation

Foster social dialogue and encourage meaningful and effective participation by all relevant stakeholders, including from affected communities, employers' organizations and trade unions in the decision-making processes related to energy transitions.

4 | Social protection

Strengthening the access to appropriate social protection systems for all as part of just and inclusive energy transitions to support workforce and communities, with consideration to the disadvantaged groups and those in vulnerable situations.

5 | Policies inclusiveness

Incorporate intersectional perspectives on gender balance, including women empowerment, age, ethnicity and those in any vulnerable situations into energy planning and policies and ensure a fair distribution of costs and benefits.

6 | Respect rights

Respect, promote and consider respective obligations on human rights, and on the rights of Indigenous peoples, local communities, persons with different abilities as well as labor rights in the planning and implementation of energy transitions policies and projects.

7 | Invest in affordable and reliable solutions for just and inclusive energy transitions

Explore efficient, inclusive and just mechanisms for cost allocation in energy solutions and their impact on the cost of energy, with a focus on timely mobilization of resources and working towards facilitating low-cost financing in developing countries for innovative technologies and business models, to widely share the benefits and to help mitigate the burden of energy transitions, especially on the poorest segments of the population.

8 | Implement secure and sustainable solutions

Implement effective and inclusive measures to ensure localized value creation and maximize the socio-economic, environmental and other benefits and their fair distribution, while making efforts towards mitigating negative socio-economic and environmental impacts of energy-related policies and infrastructure and the extraction, refining and processing of certain materials and minerals that are critical for energy transitions while respecting permanent sovereignty over natural resources and energy infrastructure.

9 | Sustainable and inclusive economic growth for all

Promote social and economic development through reliable, diversified, sustainable and responsible supply and value chains, inclusive international cooperation and local value creation and beneficiation at source for all, including in developing countries and economies in transition.

10 | Quality jobs and workforce development

Create decent work and quality jobs in accordance with nationally defined development priorities and enable sectoral labor mobility and workforce transformation through reskilling and up-skilling to create avenues of employment, while creating greater opportunities for all, noting the ILO guidelines on a Just Transition for all.

ANNEX 2:

Just Transition Work Programme (COP28)

The Just Transition Work Programme was established at COP28 with the goal to discuss pathways to achieve the objectives outlined in Article 2, paragraph 1 of the Paris Agreement. However, its development made no progress at COP29.

The elements of the programme include:

- Mitigating climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.
- Increasing the ability to adapt to climate change impacts.
- Making finance flows consistent with low greenhouse gas emissions and climate-resilient development.

The Work Programme acknowledges that these objectives need to be achieved in the context of Article 2, paragraph 2, which emphasizes **equity, common but differentiated responsibilities, and respective capabilities** of different nations.

The main aspects of the programme (which still need consensus, definition and development) are:

- **Just transition pathways** to achieve the objectives of the Paris Agreement, considering equity and different national circumstances.
- **Just and equitable transition**, covering energy, socioeconomic, labor and other dimensions based on national development priorities.
- **Opportunities, challenges and barriers** for sustainable development and poverty eradication in the global transition towards low emissions and climate resilience.
- Approaches to **improve climate adaptation and resilience** at national and international levels.
- Debate on **just transition of the workforce**, creation of decent work and quality jobs, social protection and recognition of labor rights, all in line with national development priorities.
- Promoting **inclusive and participatory approaches** to ensure a just transition that leaves no one behind.
- **International cooperation** as a facilitator of just transitions pathways.

Additionally, the program has goals that link it with other internal and external processes to the Convention:

- Report the second global balance, scheduled for 2028.
- Contribute to the annual high-level ministerial roundtable on just transition.
- Consider the results of the relevant work of the UNFCCC constituted bodies, the ministerial round table and the work on just transition pathways outside the Convention.



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ARPEL is a non-profit association gathering oil, gas and renewable energy sector companies and institutions in Latin America and the Caribbean. Founded in 1965 as a vehicle of cooperation and reciprocal assistance among sector companies, its main purpose is to actively contribute to industry integration and competitive growth, and to sustainable energy development in the region.

Its members currently operate in more than 30 countries in Latin America and the Caribbean, including national and international operating companies; technology, goods and services providers for the value chain, and national and international institutions in the sector.

Regional Headquarters:

Luis A. de Herrera Av. 1248 . WTC. Tower 2. Floor 7. Of. 717.
CP 11300. Montevideo, Uruguay
Ph: (+598) 2623-6993 • info@arpel.org.uy

www.arpel.org

