BRIEFING
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THE ROAD TO COP29:

SHIFTING AND UNLOCKING TRILLIONS FOR A JUST ENERGY TRANSITION

Summary

- The success of COP29 depends on countries agreeing on a new climate finance target (NCQG) of *at least* $1 trillion per year in grants and grant-equivalent finance for mitigation, adaptation, and loss and damage.

- In many Global South countries, lack of funding and fiscal space is an urgent obstacle to fulfilling the landmark COP28 decision to transition away from fossil fuels and triple renewable energy and double energy efficiency by 2030. The current heavy reliance on private finance mobilization is not working and exacerbates unsustainable debts. The NCQG can address this by delivering fair, majority grant-based public funding for a just energy transition.

- Global North countries have the means to mobilize well over $5 trillion a year for climate action at home and for the NCQG, including by ending fossil fuel handouts, making big polluters pay and changing unfair global financial rules.

- Countries must not get distracted by energy finance proposals or oil money funds that do little more than greenwash. Instead they should focus on delivering a strong and accountable NCQG and making polluters pay through well-designed fossil fuel levies. This is key to re-establish trust in climate diplomacy and unlock accelerated global climate action.

Key steps governments must take in the lead up to COP29

Support the adoption of a strong new climate finance target (NCQG) that unlocks a just energy transition through:

- Providing at least **$1 trillion per year** in grants and grant-equivalent finance for adaptation, loss and damage, and mitigation from Global North (Annex II) to Global South countries.[1]

- Setting a **mitigation subgoal of at least $300 billion per year** in grants and grant equivalent finance that guarantees support for the implementation of the COP28 Global Stocktake commitments to "transition away from fossil fuels" and "triple renewable energy and double energy efficiency by 2030" through a just transition.

- Ensuring all climate finance is consistent with a just energy transition and pathways limiting global heating to 1.5°C by **excluding fossil fuels and false solutions** and upholding human rights and social and environmental safeguards.

Work towards mobilizing trillions in new public, grants-based climate finance sources through:

- **Ending fossil fuel subsidies and finance and making wealthy polluters pay.** Countries must include time-bound commitments and plans to meet these equitably as part of the Article 2.1(c) roadmap due at COP30 and the updated Nationally Determined Contributions (NDCs) due in 2025. The NCQG should highlight these sources for climate finance.

- Joining and supporting the **Clean Energy Transition Partnership** and launching a pledge for increased energy transition funding provided on fair terms ahead of COP29.

- **Championing fair and 1.5°C-aligned financial architecture transformation.** Near-term opportunities include supporting the **G20** proposals for a wealth tax on billionaires standard, the development of a **UN Tax Convention**, and ending **IMF** surcharges as a form of odious debt.

Adopt 1.5°C aligned NDCs that phase out fossil fuels and ensure countries do their fair share at home:

- These must put an immediate halt to new fossil fuel expansion, include fair, time-bound fossil fuel phaseout plans with wealthy producing countries phasing out production first and fastest, end fossil fuel subsidies and finance, and establish policies to ensure just transition and economic diversification for impacted workers and communities.

Countries in the **G77, HAC, AOSIS, AILAC, CETP, the fossil fuel subsidy phaseout coalition, and BOGA** are already leading on parts of these agendas. Deeper cooperation between these countries can secure much needed breakthroughs.

1. A strong NCQG is key for a just energy transition

The science is clear that limiting global heating to 1.5°C requires an immediate halt to fossil fuel expansion as well as a rapid phase out of existing fossil fuel production,[2] including for the petrochemical industry. According to the IPCC this phase out is technically feasible and low in cost.[3] At COP28 countries reached a landmark agreement to transition away from fossil fuels and to triple renewables and double energy efficiency by 2030. This is not just essential to meet agreed climate goals, but also supports parallel development, energy security, and affordability goals.

Lack of climate finance and the "worst-ever"[4] debt crisis are key remaining obstacles to a just energy transition in Global South countries. 93% of the countries most vulnerable to the climate crisis are in or at significant risk of debt distress and Global South debt service payments are 12 times greater than their climate adaptation spending. Rich countries were late to deliver on their 2009 commitment to mobilize $100 billion a year in climate finance from 2020 and the finance mobilized has not gone to the countries that need it most and has largely been provided as loans rather than grants, exacerbating already unsustainable debt-levels. This is also true for energy transition financing. **Just 3% of international public finance for clean energy provided between 2020 and 2022 went to low-income countries and 18% to lower-middle-income countries. 83% was provided in loans and just 6% in grants.**[5]

To enable a fair fossil fuel phaseout and scaling of renewables and energy efficiency, **a new climate finance target (New Collective Quantified Goal, NCQG) must be adopted at COP29 with a subgoal on mitigation finance that includes grant and highly concessional funding for a just energy transition** as well as other mitigation efforts, including halting deforestation. Needs determination literature shows that a minimum of $1 trillion per year in grant-equivalent finance is needed for the NCQG overall, with at least $300 billion for mitigation.[6] This is a highly conservative estimate of Global North countries' fair share of both climate spending needs and climate debts.[7] In light of this, the rights-based NGO constituencies of the UNFCCC have called for $5 trillion per year as annualized reparatory payments against the wider climate debt being incurred.[8]

While there are components of the energy transition that are profitable and lower risk and can be financed on market or near-market terms, **many of the most-needed projects for a just energy transition require grants and highly concessional public finance.** This is needed to avoid making Global South countries pay for a crisis they did not cause; further exacerbating debt-distress; and to enable a just energy transition at the pace and scale needed. The latter requires subsidies to expand affordable energy access; financial incentives for new green industries and jobs; the provision of social protection and transition support to fossil-fuel dependent workers and communities; financial remedy for any unavoidable social or environmental harms; and support for key enabling projects such as 100% renewable ready grids, housing retrofits, and electrified public transportation combined with social environmental safeguarding and community engagement.

Countries must adopt standards and safeguards to ensure all climate finance is consistent with pathways limiting global heating to 1.5°C and upholds human rights and social and environmental safeguards. **Under no circumstance can fossil fuel finance be climate finance.** This should also apply to dangerous distractions such as carbon capture and storage, fossil-based hydrogen, ammonia and biomass co-firing, hydrogen 'ready' fossil gas infrastructure, and carbon removal technologies, which are expensive, speculative, a proven failure or unproven at scale and typically serve to prolong the lifetime of fossil fuel assets.

It is key that countries avoid getting side-tracked by false finance solutions, such as recently announced oil money funds, that have underdelivered and often caused harm through worsening the debt crisis, greenwashing polluting industries, or undermining human rights.[9] Instead of developing new funds outside the UNFCCC system, countries should prioritize agreeing to the new global climate finance target (NCQG) before 2025 as mandated by the

Paris Agreement. Well-designed fossil fuel levies and other initiatives to make polluters pay are needed, but they cannot be voluntary, industry-led or governed, or allow profits to flow back to polluting companies. To be effective such levies must be pursued as part of wider planning to phase out fossil fuel production. The UAE's Alterra Fund, Azerbaijan's fossil fuel industry-led fund, and the voluntary carbon market are distractions and set dangerous precedents.[10]

A strong outcome on the NCQG is essential to re-establish much-needed trust in climate diplomacy and support the implementation of the Paris Agreement, the COP28 agreement to transition away from fossil fuels and allow Global South countries to put forward ambitious new climate plans (NDCs) due in 2025 (see section 3).

2. Rich countries can mobilize trillions for climate action through ending fossil fuel support and changing unfair global financial rules

There is no shortage of public money available for Global North (Annex II) countries to pay their fair share for climate action at home and abroad. A compilation of expert proposals suggests they can mobilize over **$5.3 trillion per year** for the NCQG and other public goods by shifting funds away from fossil fuels and other harmful economic activities and by changing unfair global financial rules. Beyond this, they have further sizable levers like monetary policy that do not exist or are severely constrained by the current global financial architecture in the rest of the world. We saw these in action with the $16 trillion mobilized for COVID stimulus in 2020.[11]

Despite the need to phase out fossil fuels, countries continue to prop up fossil fuel production with an estimated **$850 billion a year** in public money, while the oil and gas industry makes record profits.[12] Global North countries have a responsibility to redirect their share of these subsidies in support of climate action and the NCQG should highlight these fossil fuel handouts as sources for climate finance.

There is positive momentum to build on. The UK-led Clean Energy Transition Partnership (CETP) has gained significant international support, with dozens of countries and institutions pledging to redirect their direct international public funding away from fossil fuels and towards clean energy sources. A total of 41 participants have joined this initiative, marking a substantial shift in global energy finance priorities.[13] Signatories have cut their fossil fuel finance by up to a third since signing the agreement, with a potential $28 billion shift if all members fully meet their commitment.[14] To ensure this finance gets redirected to clean energy in a meaningful way, **CETP members should launch a clean energy finance pledge setting a positive example for providing transformative clean energy financing on fair terms at COP29.**

There are also ongoing negotiations at the **OECD for oil and gas export finance restrictions** that can end $41 billion a year in export finance for fossil fuels. Countries must vote in support of the oil and gas export finance restrictions at the OECD proposed by the EU and supported by the UK, Norway, and Canada.

More work is needed to fulfill long-standing promises to end domestic fossil fuel subsidies. This must be matched with parallel efforts to make polluters pay through fossil fuel levies. All parties should support the development of binding language, including timeframes, to equitably end fossil fuel subsidies and finance and make 'wealthy big' polluters pay under the ongoing Sharm el-Sheikh Dialogue to develop the Article 2.1(c) roadmap that is due at COP30.

They should include plans to meet their fossil fuel subsidy and finance commitments as part of the updated **national climate plans** (NDCs) due in 2025.

A fairer global financial architecture is needed to address debt crises and free up more and better quality public money for climate action at home and abroad. There is significant momentum behind a number of initiatives. Almost all countries now support developing a UN tax Convention. The eight remaining countries need to get behind the newly adopted terms of reference for this

Convention ahead of the UNGA in November so that it can address the corporate and super-rich capture of our tax system. All countries should also vote to end IMF surcharges as a form of odious debt, redistribute SDRs, and adopt more democratic governance at the MDBs and IMF. G20 members should continue to forward the new G20 commitment for a tax on billionaires at the November leaders' summit.

3. A strong NCQG is key to unlock 1.5°C aligned, fair, and fossil free NDCs

A strong NCQG and fair financial architecture reform are needed for Global South countries to be able to deliver ambitious Nationally Determined Contributions (NDCs). Strong 1.5°C aligned NDCs need to be published early to model climate leadership. **No climate plan can claim to be 1.5°C aligned if it does not contain commitments to put an immediate end to new fossil fuel expansion.**

Additionally, NDCs should include fair, time-bound fossil fuel production and consumption phaseout plans and plans to phase out fossil fuel subsidies and finance. Global North producing countries need to move first and fastest. The NDCs must also include policies to ensure a just transition and economic diversification for impacted workers and communities. This also means strong long term policies supporting national renewable energy and energy efficiency roll out.

To share best practices and establish these policies as norms, countries should also join or continue to support the Clean Energy Transition Partnership (CETP),[15] the Netherlands-led fossil fuel subsidy phaseout coalition,[16] and the Beyond Oil and Gas Alliance (BOGA).[17]

There is enough public money to ensure a full, fast, fair, and funded fossil fuel phaseout and build a 100% renewable economy in its place. We stand ready to support governments to advance this agenda during Climate Week NYC, the UNGA, and on the road to COP29 to accelerate climate action.

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re·generation

Endnotes:

1 In the context of the UNFCCC, these are Annex II Countries.
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13 https://cleanenergytransitionpartnership.org/
14 N. Jones, C. O'Manique, A. McGibbon, and Kate DeAngelis, "Out with the old, slow with the new: countries are underdelivering on fossil-to-clean energy finance pledge," International Institute for Sustainable Development, https://www.iisd.org/system/files/2024-08/countries-underdelivering-fossil-clean-energy-finance-pledge.pdf; https://priceofoil.org/content/uploads/2024/02/Leaders-and-Laggards-February-2024.pdf
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16 Government of the Netherlands, "COP28: Netherlands launches international coalition to phase out fossil fuel subsidies," 2023, www.government.nl/latest/news/2023/12/09/cop28-netherlands-launches-international-coalition-to-phase-out-fossil-fuel-subsidies; https://globalsolidaritylevies.org/
17 www.beyondoilandgasalliance.org

This policy briefing sets out key steps governments can take on the road to COP29 to shift and unlock money for a fair fossil fuel phaseout and the goals of tripling renewable energy and doubling energy efficiency by 2030. This briefing was written by Bronwen Tucker and Laurie van der Burg from Oil Change International and is endorsed by 34 organizations. Please reach out to laurie@priceofoil.org with any questions or comments.

Oil Change International *is a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the coming transition towards clean energy*

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