BRIEFING
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SHIFTING AND UNLOCKING TRILLIONS FOR A JUST ENERGY TRANSITION AT COP29

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.

- 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 in much of the Global South.

- However, the last decade of international climate finance initiatives shows that relying primarily on private-finance focused 'mobilization' or 'investment' targets for mitigation in the NCQG, as promoted by Global North (Annex II) countries, is unlikely to deliver the needed amounts and unsuited to support a just energy transition. It would also exacerbate today's "worst in history" debt crisis in the Global South. Instead the NCQG should deliver fair, majority grant-based public funding as requested by developing countries. Not just for adaptation and loss and damage, but also for a just energy transition among other mitigation goals.

- 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 implement these policies equitably as part of the **Article 2.1(c) roadmap** due at COP30 and the updated **Nationally Determined Contributions** (NDCs) due in 2025. Global North countries should move first and fastest by meeting the G7 deadline of 2025 for ending fossil fuel subsidies. The NCQG should highlight these revenues as 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 at COP29.

- **Championing fair and 1.5°C-aligned financial architecture transformation.** Near-term opportunities include supporting the **G20** proposal for a wealth tax on billionaires standard, the development of the **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" debt crisis are key obstacles to a just energy transition in the Global South. Global South countries are currently allocating an average of 41.6% of their public spending to debt service payments.[4] 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 prioritized 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, rather than focusing on investment or mobilization targets, **at COP29 the priority should be to land a sufficiently ambitious NCQG target for grant-based public funding. This is essential for adaptation and loss & damage finance, but grant-based funding is essential for mitigation too**, including for a just energy transition. The needs determination literature shows that a minimum of $1 trillion per year in grants and 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] For example, within mitigation, a fair international contribution towards Global South fossil fuel phase out costs alone is estimated at $243 billion per year in grants and grant equivalent — before considering needs for scaling renewables, building public transit, or halting deforestation among other priorities.[8] In light of this, the rights-based NGO constituencies of the UNFCCC are calling for reparations of $5 trillion per year.[9]

NCQG proposals for mitigation to be financed primarily on market or near-market terms and that prioritize grants and highly concessional finance solely for adaptation and loss and damage will not deliver the just energy transition that is essential for limiting global heating to 1.5°C. This would represent a continuation of the current approach to financing the energy transition, which evidence shows is not reaching many of the regions, key sectors and technologies that need this financing most, while at the same time worsening debt-distress. **Increases in global clean energy investment in the last decade have been limited to OECD countries and China alone, with low and lower-middle income countries receiving just 7% of investment in 2022**.[10] Many of the sub-sectors most needed to enable a fast and fair transition are also the most drastically underfunded. This includes energy efficiency, public transportation, distributed renewables for universal energy access, the provision of social protection and transition support to fossil-fuel dependent workers and communities.[11]

The primary solution posed to fill these finance gaps by Global North countries in NCQC negotiations has been blended finance, instruments that aim to use a small amount of concessional (subsidized) public finance to attract a much larger amount of private finance. Initiatives prioritizing this approach include the COP15 $100 billion goal (2009), MDBs 'Billions to Trillions' and Cascade Models (2015 and 2017), and the G20 Hamburg and Delhi declarations (2017 and 2023). However, there is growing evidence its effectiveness has been drastically overstated.[12] The energy sector is no exception. For example, in its 1.5°C aligned scenario, the IEA assumes that every $1 of concessional public finance will attract an average of $7 in private investment, and casts a major role for blended finance to cover energy transition costs in the Global South.[13] However, looking across available data on blended finance projects for energy transition in the last five years, Oil Change International (OCI) analysis finds that each public concessional dollar brought in just 85 cents in private finance. In low income countries this fell to just 69 cents.[14]

This means private finance centered proposals for the NCQG like those from the Independent High-Level Expert Group on Climate Finance (IHLEG), the International Energy Agency, and the IMF are unrealistic. They would, based on OCI analysis, set a provision goal for mitigation that is 5-24 times smaller in grant equivalent terms than the $300 billion per year that is needed. Many of these also rely on Global South domestic public contributions that are not based in historic equity and which are unrealistic in the context of our current global financial architecture. For example, the IHLEG proposal requires nearly triple the IMF's estimate of what total additional Global South tax revenues are expected in the next 2-3 years.[15]

In addition to not delivering the funds needed, an overreliance on private finance to fund the energy transition risks exacerbating environmental, social, and economic inequalities,[16] while the economic benefits of this approach are primarily for companies or governments in lender countries.[17] A public, grant-based NCQG 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.

Countries must adopt standards and safeguards to ensure all climate finance is consistent with pathways limiting global heating to 1.5ºC 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, like the recently announced oil money funds, that are set up in ways that greenwash polluting industries, undermine human rights and worsen the debt crisis.[18] 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 proposed fossil fuel industry-led fund, and the voluntary carbon market are distractions and set dangerous precedents.[19]

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. OCI research looking across expert proposals shows 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 most other jurisdictions. We saw these in action with the $16 trillion mobilized for COVID stimulus in 2020.[20]

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.[21] 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.[22] 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.[23] 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 levies on fossil fuel extraction. All parties should support the development of binding language, including timeframes based in common but differentiated responsibility, to equitably end fossil fuel subsidies and finance and make fossil fuel companies pay levies on extraction 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. Global North countries should move first and fastest by meeting the G7 deadline of 2025 for ending fossil fuel subsidies. The NCQG should highlight these revenues as a source for climate finance.

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),[24] the Netherlands-led fossil fuel subsidy phaseout coalition,[25] and the Beyond Oil and Gas Alliance (BOGA).[26]

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 at COP29 to accelerate climate action.

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Endnotes:

1 In the context of the UNFCCC, these are Annex II Countries.
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13 OCI analysis based on International Energy Agency, “Scaling Up Private Finance for Clean Energy in Emerging and Developing Economies,” 2023, p 125-129, https://www.iea.org/reports/scaling-up-private-finance-for-clean-energy-in-emerging-and-developing-economies and Financing Clean Energy Transitions in Emerging and Developing Economies, 2021, p. 51-52, https://www.iea.org/reports/financing-clean-energy-transitions-in-emerging-and-developing-economies Note that the IEA presents this as "concessional finance to crowd in private finance" throughout both reports but in the sources cited and their definition (p. 125 of 'Scaling Up') it is noted the finance attracted includes public finance on commercial terms from development finance institutions. The OCI analysis found for every dollar of public concessional finance, $1.66 of public commercial finance was brought in, nearly double the private amount.
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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.

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