POSITION PAPER

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BusinessEurope expectations for COP29

The stakes are high as the world is counting down towards COP29. In times of geopolitical tensions and military conflicts, as well as record breaking temperatures and natural disasters with 2023 being the warmest year on record, the importance of international climate negotiations is ever so clear.

Thus, the expectations on Parties to reach a consensus on several important topics will be high in Baku. Negotiators should agree on a New Collective Quantified Goal for Climate Finance (NCQG) for the period of 2025-2035, to further scale up international climate finance. Parties will also work towards the full operationalisation of the carbon crediting mechanisms under Article 6 of the Paris Agreement, by agreeing on topics such as removals and methodological requirements for Article 6.4. Other critical issues include advancing on climate adaptation in terms of increased financing and implementation of adaptation actions, as well as enabling ambitious Nationally Determined Contributions (NDCs) due in 2025.

European businesses stand firmly behind the goals of the Paris Agreement as well as the EU's climate neutrality target for 2050. COP29 provides a pivotal opportunity to accelerate our collective actions to put the world on a 1.5 degrees trajectory and will be a key milestone on the journey towards COP30 in Brazil. Businesses play an imperative role in making the transition successful and are indispensable partners in the journey to climate neutrality. To play their part, companies require visibility on the global framework and global rules.

BusinessEurope, as an official observer of the UNFCCC process, urges Parties to seize the opportunity to advance on several key topics outlined below.

Our priorities and expectations for COP29

→ Mobilise Capital Towards Climate Action

One of the key objectives of this COP is to agree on a New Collective Quantified Goal (NCQG) for climate finance to developing countries. It is crucial to define an ambitious and achievable goal with a new and higher commitment replacing the current 100 billion USD target, supported by an enabling environment to encourage investments in climate action and the implementation of transparent processes to track the mobilisation of climate finance. The amount of climate finance needed to align with the goals of the Paris Agreement is substantial and will require the utilisation of various sources of finance, including public, private, and blended finance. This calls for stronger cooperation between the private and public sector.

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The private sector has an important role to play in the global mobilisation of climate finance. To fulfil this role, it is crucial that the NCQG fosters an enabling environment in support of the mobilisation of private capital for climate finance. Furthermore, the goal should provide stability and commitment to climate goals, as well as contribute to the achievement of Article 2(1)(c) of the Paris Agreement while making sure not to exacerbate energy security and energy poverty challenges. We welcome efforts to derisk private sector investments, i.a. by setting clear government targets, ensuring the right regulatory framework, improving methods and data to track the effects of private climate finance on the international level, and engaging in multistakeholder partnerships to facilitate cooperation between private and non-private actors.

→ Full Operationalisation of the Carbon Market Mechanisms under Article 6

Global carbon markets are crucial to accelerate investments in climate mitigation in a least-costly manner and support financial flows to climate action in developing countries. Article 6 of the Paris Agreement is a key tool to enable higher ambitions in Parties' NDCs. Global carbon markets are also increasing in importance in terms of mitigation, to compensate in particular for hard-to-abate greenhouse gas emissions. Carbon markets can also add private funding to global efforts in closing the investment gap.

We welcome efforts that have been made to operationalise Article 6 in the past years, including the rulebook agreed upon at COP26. However, more and speedier progress is urgently needed to fully operationalise the mechanisms under Article 6.2 and 6.4**.** We urge Parties, including the EU, to show flexibility to reach an agreement in Baku on key items such as the Article 6.4 guidance documents. When drafting the guidance, all carbon removal technologies should be covered by the mechanism, both natural and technical. Even with a fully decarbonised energy sector, some sectors, such as manufacturing industries, will still have process-based unavoidable emissions. A full operationalisation of Article 6.4 should enable much-needed support to the deployment of carbon capture and storage (CCS), which will be key for hard-to-abate emissions and to reach negative emissions. Respecting environmental integrity and the goals of the Paris Agreement is crucial in all decisions on Article 6.4, while at the same time reducing barriers for use and making the new mechanism attractive for private sector participation.

→ Increasing Climate Action and Global Ambition

The outcomes from the first UN Global Stocktake (GST) at COP28 represents an important milestone, recognising the need to triple renewable energy capacity, double the rate of energy efficiency improvements, and transition away from fossil fuels. The GST decision acknowledges the significant progress made towards the Paris Agreement. However, both the GST decision and the IPCCC AR6 and Synthesis report make it clear that significantly stronger efforts are needed to keep 1.5 degrees within reach, as global greenhouse gas emissions need to almost halve by 2030 compared to 2019 levels and reach net-zero CO_2 by 2050.

Parties are due to submit their next round of NDCs in 2025. The aim should be for all G20 countries to commit to 2030 greenhouse gas emission reduction targets in line with the 1.5 degrees goal and take concrete actions towards achieving the targets, such as carbon pricing systems. The scientific reports are clear – without more actions on the ground globally, we will not be anywhere near achieving the goals of the Paris Agreement. If the latest NDCs are implemented, we are heading towards a temperature increase in the range of 2.1-2.8 degrees. The next round of NDCs must therefore be ambitious as a tangible reaction to the worrying conclusions of the GST, align with the Paris Agreement and incorporate the GST outcomes.

We support continued EU global leadership with high ambitions in the EU's NDC and active international climate diplomacy. In the next political cycle, the EU will need to combine its own objectives in terms of climate, energy security and competitiveness. The European business community will support with actions and investments, but sound framework conditions are of key importance. In the absence of clear and measurable commitments and legislative actions globally, the EU will have to continue to rely on measures to counteract carbon leakage, such as the Carbon Border Adjustment Mechanism. However, carbon leakage protections will always be imperfect and can be cumbersome to implement. Therefore, a higher level of climate ambition around the world is essential – not only in words but most importantly in deeds. The G7 Climate Club could pave the way for a global carbon price in the medium to long term, as this is the preferable solution to prevent carbon leakage.

→ Growing Efforts For Climate Resilience and Adaptation

The impacts of climate change are already evident and will continue to increase, ranging from droughts to heavy rainfall and extreme weather events. While the type of impacts differs between regions, the need to strengthen climate resilience and adapt to climate change consequences applies across the world. There is therefore an urgent need to address climate resilience and adaptation at the global level. COP28 represented a milestone for adaptation, as Parties agreed on the UAE Framework for Global Climate Resilience to support the implementation of the Global Goal on Adaptation. It is crucial to keep the momentum going and further accelerate adaptation efforts in Baku.

While the costs of climate change are increasing, the global adaptation finance gap is estimated to be between US$ 194 billion and US$ 366 billion per year, according to the 2023 UN Adaptation Gap Report. The New Collective Quantified Goal (NCQG) on climate finance, encompassing financing for both mitigation and adaptation, must therefore be ambitious yet achievable and supported by an enabling environment. Most climate finance, and particularly private climate finance, is today mobilised for mitigation efforts. It will therefore be important to further discuss how to increase finance for climate adaptation efforts. Among other actions, this will require a stronger focus on derisking private investments for adaptation projects to ensure there is a business case and scalability.

Regulatory measures on adaptation must be well-designed and avoid additional red tape. Businesses have a self-interest in protecting their assets and making business models more resilient. To stimulate more investments, an investment-friendly environment rather than additional bureaucracy and administrative burdens is needed. This way we avoid redirecting business resources from climate resilience investments to compliance or reporting purposes. Smart use of data and streamlining is key, as well as clear government targets for adaptation. Policymakers should consider how the abundance of information that is already being produced by companies under regulations, initiatives and standards across the world can further inform adaptation measures.

Finally, cooperation between all actors, such as businesses, municipalities, and authorities, is important to build resilience and adapt effectively and efficiently to individual circumstances.

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