

Cop29 at a crossroads in Azerbaijan with focus on climate finance

Fossil-fuel dependent country hopes to provide bridge between wealthy global north and poor south at November gathering

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A nodding donkey pumps oil in an oilfield near Baku, Azerbaijan, one of the most fossil-fuel dependent economies in the world. Photograph: Grigory Dukor/Reuters

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il is inescapable in Baku, the capital of Azerbaijan. The smell of it greets the visitor on arrival and from the shores of the Caspian Sea on which the city is

built the tankers are eternally visible. Flares from refineries near the centre light up the night sky, and you do not have to travel far to see fields of “nodding donkeys”, small piston pump oil wells about 6 metres (20ft) tall, that look almost festive in their bright red and green livery.

It will be an interesting setting for the gathering of the 29th UN climate conference of the parties, which will take place at the Olympic Stadium in November.

Mukhtar Babayev, the minister of ecology for Azerbaijan, who will chair the fortnight-long Cop climate summit, likes to position the country as at the crossroads of the world. He says it can provide a bridge between the wealthy global north and the poor global south; as a former Soviet bloc country, between east and west; and between its fellow oil and gas producers and the consuming countries that provide its export market.



Mukhtar Babayev, Azerbaijan's ecology and natural resources minister: 'We understand our responsibility.' Photograph: Kamran Jebreili/AP

Azerbaijan is where the world's first oil wells were dug in the 1840s, more than a decade before the US dug their first well in Pennsylvania. It is one of the most fossil-fuel dependent economies: oil and gas make up 90% of its exports and provide 60% of the government's budget.

This brought riches. “Oil and, more recently, gas have been largely responsible for the remarkable rise in living standards in Azerbaijan since the late 1990s,” according to the International Energy Agency.



Baku Olympic Stadium, the venue for Cop29 in November. Photograph: Anadolu Agency/Getty Images

But the country is moving to renewable energy, with plans for a big expansion of wind and solar energy. An interconnector is planned to carry this low-carbon power to eastern Europe, under the Black Sea to Bulgaria, Hungary and Romania.

“Azerbaijan would like to share our experience,” Babayev said in an interview in Baku. “We would like to invite all the countries, especially the fossil fuel producing countries, to be together in this process. Because we understand our responsibility. We think that we can do more, and together.”

In December, at the Cop28 summit in Dubai, countries agreed to “transition away” from fossil fuels. For many, that fell too far short of the full phase-out that more than 80 countries were calling for. Yet it was the first time in 30 years of global climate conferences that the causes of the climate crisis – fossil fuels – were identified and targeted. That is a testament to the enormous power fossil fuel producers wield over the rest of the world. In the words of António Guterres, the UN secretary general, they “have humanity by the throat”.



A carpet festival in Baku this month. Photograph: Anadolu/Getty Images

At the Baku conference, the focus will shift from what there is too much of – fossil fuels – to what the proponents of action severely lack: finance. To cut greenhouse gas emissions, to make the world’s existing infrastructure more resilient to extreme weather, to bring about the “green transition” needed to hold global temperatures within 1.5C of pre-industrial levels requires vast investment.

According to a report led by the economists Lord Stern and Vera Songwe, about \$2.4tn (£1.9tn) will be needed each year by 2030, just for developing countries excluding China to bring about the changes needed.

“We need to provide the availability, accessibility, affordability of finance,” said Babayev. “Developed world donors, they need to hear very carefully the position of the developing countries also.”



Mohamed Adow, centre, speaking at Cop27: ‘Tackling the climate crisis needs two things: political will and financial investment.’ Photograph: Sedat Suna/EPA

The main aim for Cop29 is to set a “new collective quantified goal” for such finance. Mohamed Adow, the director of the Power Shift Africa thinktank, believes the money could bring about a transformation in the fight for a livable climate.

“Tackling the climate crisis needs two things: political will and financial investment. In many parts of the global south, there is political will – what is missing is investment,” he said. “Getting a long-term finance goal is vital to unlock the energy transition around the world that we need to bring down emissions.”

The money cannot come soon enough for countries such as Zambia, which is facing severe hunger owing to the driest agricultural season in more than 40 years. The environment minister, Collins Nzovu, said: “Africa has contributed very little to climate change. Our CO₂ emissions are almost negligible. And yet the consequences Africa is suffering are so severe.”

But getting hold of finance is almost impossible for such countries because lenders refuse or attach high interest rates and onerous conditions to it because they believe poor countries to be too risky. Nzovu said: “The risk perception they give to Africa, it’s so high. One, the big problem is that the financing is expensive. Two, is that it’s not accessible. Three, it’s not adequate at all. The conditions put forward for Africa to access that finance are almost impossible.”



Concrete blocks are placed along the shoreline to try to prevent further coastal erosion, in Mahibadhoo, Maldives. Photograph: Carl Court/Getty Images

In the Maldives, too, where the impacts of rising sea levels and storm surges are threatening the survival of the islanders, investment is sorely needed. But Mohamed Saeed, the minister for the economy, said the archipelagic state, like other vulnerable countries, meets mainly with excuses rather than assistance. “When you come and knock on their door, asking for investments on climate, the banks, private capital firms and lenders, they say this is too big, too small, too risky to invest in, we need to do more research, more findings, more soul-searching,” he said.

The very vulnerability of such countries is used against them. “The question they ask is, will your country survive?”

The problem for Azerbaijan, and the UN, is that although Cop29 has the responsibility for delivering a finance settlement, the levers of power lie elsewhere. The World Bank is the biggest development finance institution globally, but in the eyes of many poorer countries it has failed on climate finance in recent years.



Mia Mottley, the Barbados PM, is spearheading an initiative to seek new sources of finance, such as a levy on frequent flyers. Photograph: Martin Divišek/EPA

Mia Mottley, the prime minister of Barbados, has led the developing world in calling for reform of the World Bank, with greater flexibility as a donor, and a willingness to use its cash to give developing countries access to private sector lending at lower interest rates.

Along with the president of Kenya, William Ruto, and Emmanuel Macron of France, Mottley is also spearheading an initiative to explore possible new sources of finance, such as a levy on frequent flyers, a carbon charge on international shipping, windfall taxes on fossil fuel producers, even a global wealth tax.

But who should be the main sources of climate finance? The definition of which countries are developing has remained unchanged since 1992, but since then, many emerging economies have grown rapidly, in terms of income and emissions. If a climate treaty were being written today, it would seem absurd to class Saudi Arabia, Qatar, the United Arab Emirates, Singapore, South Korea and other states with high per capita income, many as a result of oil wealth, alongside the likes of Chad, Burkina Faso and Bangladesh.



Wopke Hoekstra: 'We need to move to a paradigm of responsibility.' Photograph: Frederick Florin/AFP/Getty Images

Wopke Hoekstra, the EU's climate commissioner, is insistent that the pool of donor countries must be widened. "We can no longer hide behind the logic of developed and developing," he said. "We need to move to a paradigm of responsibility."

He named the Gulf states, Singapore and China as examples. "With affluence, with wealth, also comes responsibility. We need to move to a situation where those with the ability to pay actually do pay."

Hoekstra's insistence points to wider geopolitical tensions. China has been accused of deliberately overexpanding its capacity to manufacture key products and components, including solar panels and electric vehicles, in order to undercut US and European competitors and drive them from the market. This row threatens to sour relations among some of the pivotal countries at the climate talks.



Solar panels under construction in Zhongwei, China. Photograph: AFP/Getty Images

John Kerry, the US special presidential envoy for climate, and his counterpart, China's top climate official Xie Zhenhua, shared a warm and close personal rapport. Their successors have shown signs of trying to emulate that close cooperation but the broader political currents may be against them.

Last week, when China's new climate envoy, Liu Zhenmin, visited Washington DC for the first time, he was invited by John Podesta, Kerry's replacement, to his house for a private dinner, which by all accounts was a cheerful affair. Days later, Joe Biden slapped punitive tariffs on \$18bn of Chinese imports, including electric vehicles and solar panels.

More than half of the world's population have gone or will go to the polls this year. Hoekstra's tough talking on China must be seen in the context of EU fears of a backlash against green policies from the right, driven by economic concerns, in parliamentary elections in June. In the US, meanwhile, the resurgence of Donald Trump poses potentially a much greater threat to climate action: in his last term of office, he started the process of withdrawal from the Paris agreement.



Armenians in Yerevan protesting against a land transfer to neighbouring Azerbaijan, on Wednesday, amid continuing tensions in the region. Photograph: Karen Minasyan/AFP/Getty

The war in Ukraine and the conflict in Gaza will also cast long shadows. Azerbaijan was awarded presidency of Cop29 only in the closing stages of Cop28, after eastern European candidates including Romania and Bulgaria were blocked by Vladimir Putin. Azerbaijan was allowed to take the role only when Putin and Armenia agreed.

There are still tensions in the region after the conflagration with its neighbour Armenia last year, after 30 years of simmering ethnic tension centred on disputed borderlands. While hostilities ceased and a peace was concluded in December, it was only after 100,000 Armenians were forced to flee the disputed Karabakh region, and the area remains densely mined.



The former Irish president Mary Robinson speaking at the Cop28 climate summit in December Photograph: Rafiq Maqbool/AP

For Azerbaijan to bring about a successful Cop that solves the key questions of climate finance and brings trillions of dollars to the developing world to make the necessary green transition would be an extraordinary achievement. It remains unlikely, as there is so little agreement over where the investment should come from, and how it should be raised, and the sums being spoken of are nowhere near enough yet.

But it is certainly possible for Cop29 to produce vital progress, perhaps a pathway to a global financial settlement, one that reassures developing countries that their needs are being recognised.

“Let’s face it,” said Mary Robinson, a former president of Ireland and UN high commissioner for human rights, “we make the best we can with each Cop. They are never good enough. They are certainly never perfect. But we make the best we can.”