CENTER FOR CLIMATE AND ENERGY SOLUTIONS

INTERNATIONAL

The Baku to Belém Roadmap to 1.3T

DRAFT Discussion Paper: Building an effective diplomatic strategy

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A. Summary

1. The context for reaching agreement on the new collective quantified goal (NCQG) at the 29th Conference of Parties (COP29) was challenging. The coming year will be no easier—the high cost of capital combined with significant upfront capital requirements for renewable energy technologies and regulatory barriers are among the main challenges to scaling up climate finance for developing countries.

2. There are precedents in drafting roadmaps for climate finance goals and lessons can be learned from the processes that emerged from the COP15 and COP22 decisions.

3. The Baku to Belém Roadmap to 1.3T provides an opportunity to discuss barriers to finance flows to developing countries in an increasingly difficult political context but must be cautious as to not reopen what was agreed in Baku.

4. The final product of the roadmap should be factual and inform decision making at all levels, including political. Ensuring transparency is of the utmost importance, and the process could be conducted in a range of manners: under the direct authority of the Presidencies; through the appointment of Parties or an independent group for drafting; through the support of a separate process to both draft a roadmap and address finance outside the remit of the UN Framework Convention on Climate Change (UNFCCC); or through a combination of these formats.

Questions for consideration

- What might the guiding principles of the Baku to Belém Roadmap be?
- How can the roadmap process be made as effective and useful as possible?
- What lessons can be learned from past experiences of developing finance roadmaps?

B. Building a Roadmap to U.S. $1.3T

5. The NCQG was the main anticipated deliverable from COP29, and reaching a decision was remarkable given the global geopolitical and economic context. The COP took place one week after the U.S. election, with the prospect of its withdrawal from the Paris Agreement, defunding climate action and overseas aid, and new tariffs on trade looming on the horizon. This put an additional upward pressure on interest rates and the cost of capital for green investments globally, particularly in developing countries. Public finance commitments by developed countries have been decreasing over the past few years due to difficult domestic political contexts and fiscal constraints.

6. Importantly, the NCQG decision in Baku states the gap between climate finance flows and finance needs,[1] putting the figure for developing country nationally determined contributions (NDCs) in developing country Parties between U.S. $455-584 billion per year by 2030.[2] The NCQG decision outlines several key financial commitments:

   - **At least U.S. $300 billion per year by 2035 for climate action in developing countries.** Developed countries will lead the way in providing and mobilizing this amount. Significantly, paragraph 8(c) of the NCQG decision recognizes "the voluntary intention of Parties to count all climate-related outflows from and climate-related finance mobilized by multilateral development banks towards achievement of the goal set forth in this paragraph." This in turn means that the scope of the U.S. $300 billion is wider than the scope of the U.S. $100 billion goal as it includes multilateral development bank outflows of capital invested by developing countries.
   - **At least U.S. $1.3 trillion per year by 2035 of total international finance flows for climate from both public and private sources.** This aligns with the figure estimated by the UN Independent High-Level Expert Group on Climate Finance report published in November 2024.[3] This report estimated needs for external sources of finance in developing countries to reach U.S $1 trillion by 2030, and grow further to U.S $1.3 trillion by 2035. Figure 1 (below) provides further detail of the sources of finance needed for climate action. Despite this goal, the U.S. $1.3 trillion is aspirational, in that the path to reaching trillions in finance has yet to be articulated.
   - **To make this goal more tangible, the COP29 outcome tasks the Azerbaijani and Brazilian COP presidencies to prepare a "Baku to Belém Roadmap to $1.3T"** (the Baku to Belém Roadmap), for consideration at COP30 in November 2025.[4] It is mandated to "aim at scaling up climate finance [...] including through grants, concessional and non-debt creating instruments, and measures to create fiscal space, taking into account relevant multilateral initiatives as appropriate."[5]

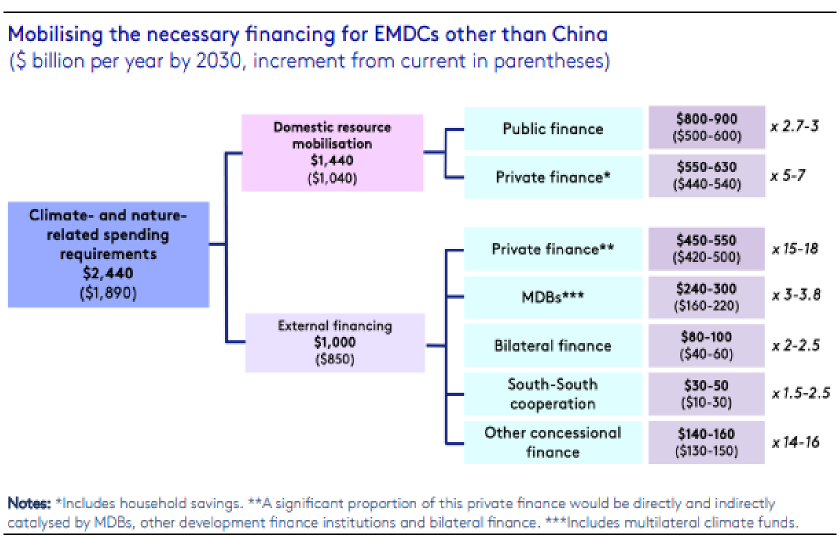

FIGURE 1. Estimated finance needed from different sources,

Third report of the UN Independent High-Level Expert Group on Climate Finance[6]

C. Lessons from history

7. It is not the first time multilateral processes have used a roadmap to lay out the path to achieving a climate finance goal:

   - **At COP15 in Copenhagen, the idea of a U.S. $100 billion goal was first introduced.** It led to the creation of the Advisory Group on Finance (AGF) by the UN Secretary General, with the group tasked to identify the different sources of finance that could contribute to the U.S. $100 billion goal. Under the co-chairmanship of the Prime Ministers of Norway and Ethiopia, the AGF report was published in November 2010, underpinned by a series of technical papers on each source of finance identified, including multilateral funds, carbon markets, revenues from international transport, and others. The AGF report helped crystallize the attention of developed countries on specific actions to scale up climate finance, although limited progress has occurred to unlock specific sources of funding due to push back from some countries. The involvement of private sector actors was hailed as an innovation, allowing for discussion on the barriers to private finance mobilization. This was, however, disconnected from the UNFCCC process, which made landing the report's findings more difficult.
   - **The Roadmap to U.S. $100 billion was co-led by the U.K. and Australia ahead of COP22.**[7] This was an effort led by developed countries, with analytical support from the Organisation for Economic Co-operation and Development (OECD) aimed at providing greater transparency about developed country plans to meet the U.S. $100 billion goal by 2020. The U.K. and Australia conducted informal consultations with Parties; however, the absence of any agreed methodological approach to account for different sources of climate finance became a key challenge to the reception of the report. This continues to hamper climate finance discussions, and the Baku to Belém Roadmap is unlikely to solve this challenge. The Roadmap to U.S. $100 billion report was presented to ministers at the pre-COP in the run up to COP22 in Marrakech and was acknowledged as a submission from developed countries in the COP decision.[8] An important difference is that the roadmap to U.S. $100 billion was led solely by developed country Parties—and that will not be the case for the new roadmap.

8. Although the current context differs from the past, there are several parallels and four important lessons to be learned:

   - **First, creating space for country consultation will be critical.** Transparency should be a guiding principle. In practice this means that the process should be communicated up-front, and that a clear consultation process be laid out, including: submissions from Parties and other stakeholders collected by the sessions of the UNFCCC 62nd Subsidiary Bodies (SB62) in June 2025; a discussion at SB62, along with formal meetings with representatives from each country grouping to make sure there is a dialogue with Parties over the course of the year. The consultation process could extend beyond Parties and include discussions with key actors, such as international finance institutions and the private sector. This does not mean that the full content of the roadmap be agreed by consensus, but that a key part of the Baku to Belém Roadmap must be to understand the financial challenges facing developing countries and start a conversation on concrete ways to increase international collaboration to address them.
   - **Second, the Baku to Belém Roadmap might be best served without a discussion on interim targets.** Negotiating interim targets could waste precious time in this one-year process. It is clear that the U.S. $300 billion is insufficient to meet the objectives of the Paris Agreement. The focus

could therefore be more usefully pointed at applying the limited resources available effectively to maximize prospects of unlocking finance at the scale of U.S. $1.3 trillion.

- **Third, experience would suggest that an efficient process would not be subject to a line-by-line negotiation.** Because the NCQG decision calls for "the Presidencies to produce a report summarizing the work,"[9] the Baku to Belém Roadmap should set out all the possible avenues to raise more finance and build upon input from consultations and discussions, without any prejudice to formal decisions taken in other fora. If an approach that excluded a line-by-line negotiation were to be adopted, however, special consideration will need to be given as to how the process would remain transparent, inclusive and representative for the outcome to be well received by Parties.
- **Finally, the Baku to Belém Roadmap should comprise actionable and concrete measures.** This is an opportunity to summarize the recommendations put forward by different streams of work including on multilateral development bank reform, debt sustainability, innovative sources of finance, and others. The Baku to Belém Roadmap is an opportunity to link these different streams of work and identify issues that have not been sufficiently analyzed. For example, the reform of the global finance architecture and the extent to which macro-economic assessments of countries take climate risks into account. As mentioned above, there has also been a lot of discussions on increasing international collaboration and there is a need for concrete proposals of how this can be done in practice. This is particularly important in a context where the U.S. has officially announced its intention to leave the Paris Agreement,[10] and arguably calls for more international collaboration to sustain and increase the level of ambition.

9. The Baku to Belém Roadmap is therefore an opportunity to discuss the issues that are standing in the way of greater finance flowing to developing countries in an increasingly difficult context. There is no escaping the fact that the cost of capital in developing countries is the main barrier to any climate investment and will hinder private finance mobilization, with certain regions or types of countries—like small island states and least developed countries—having particularly struggled to attract funding and capital for climate projects. Could the roadmap, therefore, be an opportunity to kickstart discussion on all possible avenues to address these issues?
10. If the goal of the conversation is to identify all possible sources of funding and ways to unlock them, could the Baku to Belém Roadmap look at domestic as well as external sources of funding? This is a controversial question, but important to ask as the NCQG decision calls on all actors to work together to scale up financing to developing countries to <u>at least</u> U.S. $1.3 trillion. This could be achieved more efficiently if the catalytic power of domestic sources of finance is harnessed effectively, as domestic public investments can attract additional financing, per Figure 1.
11. However, there are risks inherent in this process. It could result in reopening what was agreed in Baku, which would only slow down progress and postpone a much-needed discussion on the real barriers to financial flows. The timing is also difficult as the political context in many developed countries makes it unlikely that public international climate finance commitments in 2025 will increase. For these reasons, keeping the Baku to Belém Roadmap technical, mapping-focused, and limited to summarizing the possible ways to scale up finance as agreed in Baku will be crucial to its success.

D. Options for a diplomatic strategy

12. The Brazilian and the Azerbaijani COP Presidencies face an important decision: how can work be arranged that leads to the creation of the Baku to Belém Roadmap in a way that secures political buy-in from Parties?

13. Bearing in mind the considerations above, there are four possible options to manage the process to produce the Baku to Belém Roadmap, and these are not mutually exclusive.

- **Option 1: Brazil and Azerbaijan lead the process directly.** This option implies that the Presidencies co-author the report, which could be presented to ministers at the pre-COP and acknowledged in the COP decision in Belém. The advantage is that the Presidencies can keep control over the process and promote transparency, while also ensuring it does not become too political. The downside is that direct ownership by the COP Presidencies is potentially a high-risk endeavor.

- **Option 2: Brazil and Azerbaijan assign two or more Parties to co-lead the drafting of the Baku to Belém Roadmap.** Australia and Egypt would be obvious choices given their role co-chairing the NCQG negotiations in Baku.[11] Another way to take this option forward is to create an advisory group comprising a number of Parties representing the key negotiating groups. Although this option has the advantage of being more inclusive, it also makes it harder to coordinate the drafting process, especially if many Parties are involved.

- **Option 3: Brazil and Azerbaijan assign an independent expert group tasked with preparing the Roadmap. The independent expert group could be a taskforce that includes representatives from international finance institutions and the private sector.** The mandate given to this independent expert group could be to summarize the recommendations that have resulted from existing processes and flagging areas where more work is needed, including concrete solutions to unlock finance and enable greater international collaboration. For example, the UN Independent High-Level Expert Group on climate finance could be appointed to draft the report on behalf of the Presidencies. As an external input, it is easier to avoid a politicized process that could result in a line-by-line negotiation of the Roadmap. However, this option does not guarantee transparency or comprehensive consultation of Parties. One way around this constraint is for the Presidencies to coordinate the consultation process with Parties and ensure their comments feed into the roadmap work prepared by the independent expert group.

- **Option 4: The UN Secretary General launches a process to support the Presidencies in the production of the Baku to Belém Roadmap, in close collaboration with Brazil and Azerbaijan.** This work would be one step removed from the UNFCCC and could be acknowledged in a COP decision in Belém. The advantage to this process is that UN Secretary General Guterres has wider remit than the UNFCCC, allowing the Roadmap to look at a wider range of avenues to scale up finance, including those beyond the mandate of the climate regime. Drawing on the experience of the AGF, this process could bring finance and environment ministries together in discussion and create a platform to discuss material solutions to mobilize more private financing for climate action. While a Roadmap could be presented to the UNFCCC, there would also be an opportunity, led by the Secretary General, to begin new workstreams. These workstreams could link to a range of existing multilateral processes and also bring focus to issues that have not received sufficient attention, such as the international financial system calculation of climate risk, or credit rating agency assessments of country long-term transition risk.

References

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[3] Amar Bhattacharya, Vera Songwe, Eléonore Soubeyran and Nicholas Stern, *Raising Ambition and Accelerating Delivery of Climate Finance* (London, United Kingdom: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science, 2024), https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/11/Raising-ambition-and-accelerating-delivery-of-climate-finance_Third-IHLEG-report.pdf.

[4] UNFCCC, *New collective quantified goal on climate finance*, Decision -/CMA.6, ¶ 27.

[5] UNFCCC, *New collective quantified goal on climate finance*, Decision -/CMA.6, ¶ 27.

[6] Bhattacharya, et al. *Raising Ambition and Accelerating Delivery of Climate Finance*, (2024).

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[8] UNFCCC, *Long-term climate finance*, Decision 7/CP.22, ¶ 2 (January 31, 2017), https://unfccc.int/resource/docs/2016/cop22/eng/10a01.pdf%23page%3D16&sa=D&source=docs&ust=1737333041641517&usg=AOvVaw2_VzpHViaW5CDIPqD9TU0d.

[9] UNFCCC, *New collective quantified goal on climate finance*, Decision -/CMA.6, ¶ 27.

[10] U.S. White House, *Putting America First in International Environmental Agreements* (Washington, DC: January 20, 2025), https://www.whitehouse.gov/presidential-actions/2025/01/putting-america-first-in-international-environmental-agreements/.

[11] COP29 Presidency, *Letter to the NCQG Ministerial Pair* (Baku, Azerbaijan: September 20, 2024), https://unfccc.int/sites/default/files/resource/Letter_to_Ministerial_Pairs_NCQG.pdf.