

COP29 Baku: Scaling up climate action and support in the Med

Briefing

Facilitated by the Mediterranean Alliance of Think Tanks on Climate Change (MATTCCh)

As disasters continue to escalate and emissions reach record highs, the focus of the UN climate summit this year (COP29), scheduled for November 11-22 in Baku, Azerbaijan, is primarily on enhancing climate finance for developing nations and their communities in need. Additionally, COP29 represents a crucial milestone for world leaders to reaffirm and strengthen their climate commitments, ensuring they fulfil previous engagements: the outcome of COP29 will influence the new national emission reduction plans (as contained in Nationally Determined Contributions, or NDCs) for 2035, due in February 2025 and at the heart of the COP30 outcome in Belém, Brazil, next year. The 2023 Global Stocktake established great ambitions such as transitioning away from fossil fuels and tripling renewable energy, as well as the targets for the Global Goal on Adaptation, while not addressing the climate finance gap and the significant lack of support. Nevertheless, next-generation NDCs are expected to feature economy-wide greenhouse gas emissions reduction targets for 2035, as well as more robust plans to address risks and vulnerabilities, and detailed costs of climate action.

Several North African and Southern European countries have recently faced severe extreme climate events, including endemic droughts in Morocco and Tunisia, and devastating floods and associated landslides in Spain, France, and Italy. These events have highlighted the Mediterranean region's significant vulnerability and the lack of resilience of its communities to a changing climate. While climate impacts are shared in the region, the level of vulnerability of individual countries and communities is determined by the interaction of climatic and non-climatic factors, such as the ability to respond to crises, the resilience of economic systems, and access to finance. All these elements influence the level of resilience of communities and individual countries. The risks are unlikely to diminish since, according to the IPCC (2023), the Mediterranean Basin stands out as a 'climate change hotspot'.

Already dubbed the "Finance COP", negotiators in Baku have been working on a new target for finance to help developing nations reduce emissions and pursue low-carbon development, adapt to climate change and deal with loss and damage. The outcomes of negotiations on the New Collective Quantified Goal on Climate Finance (NCQG) will be critical for both emerging and fragile economies in the Mediterranean region, where high levels of risk exposure and vulnerability, coupled with uneven flows of adaptation finance, hinder the efforts for enacting long-term adaptation strategies. Collectively, these countries receive only 6.6% of global climate finance.

New approaches to climate finance are also needed to boost decarbonization pathways in the region, responding to the ever-increasing urgency of climate mitigation. Realizing the solar and wind potential for the region requires approximately \$700 billion to bridge the renewable

energy investment gap, a challenge that presents an opportunity to create around 3 million jobs across the Mediterranean. A well-structured and cohesive financial strategy that leverages public-private collaboration, supportive governance, and the alignment of financial flows with the Paris Agreement is essential to endure a 1.5°C aligned, integrated energy system in the Mediterranean.

This brief collects experts' views on key issues at stake, spanning mitigation, adaptation and means of implementation and outlines what must be accomplished in Baku to facilitate significant progress in critical areas for the Mediterranean region.

1. Context since COP28: What's happening in the Med region?

- ***Launch of the TeraMed Initiative:*** At COP28 in Dubai, countries agreed to the UAE Consensus to triple renewable energy capacity globally. Implementing this target in the Mediterranean region would lead to 1TW of renewable capacity installed by 2030. Such a target, the object of the TeraMed Initiative, is supported by the Union for the Mediterranean, IRENA and Global Renewable Alliance. Proponents envision the target as a first milestone toward future regional stability and sustainable development, and present the region as a global frontrunner in tackling climate change, positioning the Mediterranean countries across the two shores as frontrunners in the global energy transition.
- ***Important advancements have recently happened in the region concerning Nature-Based Solutions (NbS).*** The Mediterranean has recently approved NbS projects (*i.e., actions to protect, restore, and manage ecosystems to address social, economic, and environmental challenges*) under international funds like the Green Climate Fund and the Adaptation Fund. Also, 18 Mediterranean cities did a first screening under the 'Planning and delivering Nature-based Solutions in Mediterranean cities' project.
- ***Renewed interest in the region post-EU elections:*** Interest in the Mediterranean region has increased since COP28, as demonstrated by the appointment for the first time of a new European Commissioner for the Mediterranean that will define a new approach towards the region. As expected from Dubravka Šuica's mission letter, a two-pillar New Pact for the Mediterranean will be the first deliverable of her mandate, including both bilateral partnership agreements and regional cooperation. A strong emphasis on clean energy cooperation is expected through the recently announced Trans-Mediterranean Clean Energy and Clean Tech Strategy.
- ***A packed 2024 diplomatic calendar:*** Important regional meetings have been taking place since COP28 to move forward collective and coordinated initiatives and actions involving different Mediterranean stakeholders. Some relevant ones were:
 - First Union for the Mediterranean (UfM) Green Week was held in Istanbul from May 14-16, 2024;
 - Green Week from June 4-5, 2024 in Lisbon;
 - Meeting of the Regional Platform on Water under the UfM, 5-6 June 2024 Lisbon.

- The Blue Mediterranean Partnership was made operational early 2024 to coordinate the financing of blue economy projects in the Mediterranean and Red Sea regions, focusing initially on Jordan, Egypt and Morocco. Parties involved in the multi-donor fund managed by EBRD include the EC, EIB, KfW, AFD, SIDA and UfM.
 - 2nd MENA-Europe Energy Dialogue (MEFED) took place September 8th, 2024 in Thessaloniki, Greece. The dialogue aims to deepen energy cooperation between the MENA region and Europe, focusing on developing cross-regional energy infrastructure, with the EU planning to import 40 gigawatts of green hydrogen from southern mediterranean countries by 2030.
 - Tunisia Decarbonization forum, in its first edition, took place on September 24th and 25th, organized by the National Agency for Energy Control (ANME) and UTICA Tunisia, in partnership with UNDP Tunisia, the European Union in Tunisia, and GIZ Tunisia.
 - Cairo Sustainable Energy Week, organized by the Regional Center for Renewable Energy and Energy Efficiency (RCREEE) took place between October 1st and October 3rd
- ***Imminent CBAM impacts:*** As the EU sets to deploy its Carbon Border Adjustment Mechanism, Southern Mediterranean economies are expected to be heavily impacted due to their economic dependencies and trade relations with the EU. Concerns are being raised over the macroeconomic implications regarding sector specific vulnerabilities and social hardships (impacting workers in emission-intensive industries). The economies of these countries face varying impacts from the CBAM. Libya, Tunisia, and Morocco are highly export-dependent, with exports making up over 40% of their GDP. For Tunisia, Algeria, and Libya, the EU is their main trading partner, receiving more than half of their exports. Additionally, in Morocco, Türkiye, and Egypt, sectors covered by the CBAM contribute significantly to total exports, comprising nearly 15% of Morocco's exports. If the EU expands the CBAM to additional economic sectors or other countries introduce similar trade measures, the costs for Mediterranean countries could increase substantially.
 - ***Economic, fiscal and debt crises across the region:*** High debt levels across the Mediterranean region severely limit national capacities to pursue effective climate adaptation and mitigation strategies. Countries like Egypt and Tunisia have debt-to-GDP ratios exceeding 80%, making their economies highly vulnerable to interest rate hikes and potential debt crises. Egypt's public debt averaged 86.7% of GDP over the last decade, significantly higher than the MENA regional average of 40.7%, reaching 88.5% in 2022. Tunisia's debt rose sharply to 80% of GDP, up from 43% in 2010. Lebanon's situation is even more critical, having defaulted in 2020.

2. What is at stake at COP29?

Countries are due to announce new national climate commitments – known as nationally determined contributions (NDCs) – in February 2025 and ahead of COP30 in Brazil.

These pledges will advance the world's collective efforts to tackle climate change under the Paris Agreement. UNEP's Emissions Gap Report 2024 finds that a failure to increase ambition in these new NDCs and start delivering immediately would put the world on course for a temperature increase of 2.6-3.1°C over the course of this century.

Renewables offer an opportunity to tackle the diverse but common challenges faced by countries across the region. By harnessing its vast renewable potential—especially in solar and wind, [estimated to exceed 3,000 GW](#)—the Mediterranean region can significantly reduce fossil fuel dependence, bolstering regional cooperation, economic resilience, and social stability.

- Research on the impacts of renewables emphasizes their multiple socio-economic benefits, including direct macroeconomic effects; indirect effects, such as investments in upstream industry production; and induced effects, such as GDP growth and minimisation of technical, financial and geopolitical risks.
- According to the International Energy Agency, the energy transition also provides an opportunity for Mediterranean emerging economies to establish or expand manufacturing of clean technologies and near-zero emissions materials.
- The structural and progressive decline in European gas demand forecasts jeopardizes the stability of traditional North African producer countries, affecting their revenues. On the other side, delaying the needed investments and policy reforms to implement more far-sighted industrialisation policies in the framework of global decarbonisation might lead to the loss of the comparative advantage that North African countries might have by leveraging regional decarbonisation.
- A unified regional approach to decarbonisation should be aimed at strengthening international cooperation and scaling up diplomacy efforts in the Med region to:
 - enhancing institutional cooperation and regulatory coherence to stimulate cross-border exchanges and bring shared advantages;
 - scaling up public and private finance, promoting new international partnerships and investment packages that prioritise solar and wind energy, energy efficiency, storage and grid infrastructure;
 - coordinating efforts to address local financing hurdles, creating conditions for private investment flows and ramp up the speed and scale of deployment; addressing regulatory bottlenecks to faster renewables deployment and to empower private consumers' action;
 - defining a common vision of low carbon fuels as complementary to electrification and efficiency

At COP29, Parties will set a New Collective Quantified Goal (NCQG) on climate finance. However, there are delays in negotiations, leaving several elements unanswered:

- *Quantum*: the core debate around the NCQG centers on the size of the new climate finance goal, the quantum. Developing countries call for a minimum of \$1.3 trillion in annual mobilization, of which \$600bn must be public finance mobilization.
- *Contributor base*: developed countries assert that achieving a robust NCQG responsive to the needs requires expanding the contributor base beyond the countries listed in Annex II of the UNFCCC. However, rooted in the principle of the CBDR-RC, developing countries reject this approach, citing article 9.1 of the Paris Agreement, which obliges developed countries to provide financial support.
- *Structure*: Experts have argued that the NCQG should be structured around thematic sub-goals (for mitigation, adaptation and loss and damage), each with distinct objectives, timelines and financial instruments.
- *Article 2.1c of the Paris agreement on finance flows*: Developed countries often highlight this article's inclusion of all finance flows (public and private) while developing countries advocate mostly for public finance grants. Progress on implementing the Article 2.1c has been stalled by lack of shared understanding on the scope of climate finance, how it should be measured and how responsibilities will be divided between countries and private actors. Given its importance, it is crucial that COP29 resolves the ambiguities surrounding article 2.1c as well as the definitions and scope of climate finance.

At COP29, Parties will consider the 1st report of the Board of the Loss and Damage Fund and reflect on the Board's recent developments, including the appointment of the executive director, Ibrahima Cheikh Diong.

- Parties are expected to review progress from the 1st operational year of the fund and prioritize the signing of contributor agreements to mobilize pledged funds. For reference, only Japan has deposited its pledged funds for now.
- Sequencing is important; World Bank trusteeship and host country agreements must be formalized before signing contracts.

3. Priorities and desired outcomes from the Mediterranean perspective

- *An ambitious new climate finance goal*: CMA6 needs to decide on an ambitious and two-layered approach to the NCQG, with thematic subgoals (adaptation, mitigation and loss & damage) and layers for provision and mobilization of finance by developed countries. This type of structure ensures that the shortcomings of the \$100 billion are avoided, particularly in regards to the lack of thematic balance and clarity on the quality of financial instruments mobilized.
 - The NCQG process should align with other thematic work streams, including the Global Goal on Adaptation (GGA), to enable the full implementation of the GGA framework and its targets. In that sense, it is imperative that the NCQG's adaptation commitment echoes the GGA and allows developing countries to achieve its targets. Strong outcomes on loss and damage across the NCQG package are also needed to properly address the increasing needs of

mediterranean countries.

- ***Addressing the Tight Fiscal Space of Southern Mediterranean Countries through Debt Relief for Climate and Nature, Particularly on a Structural Level:*** There is a need to explore debt relief as a means to reduce fiscal pressure on Southern Mediterranean countries, while supporting nature and climate action. This could create new fiscal space Southern Mediterranean countries, ensuring they have the resources needed to implement large-scale Nature-based solutions (NbS) projects without exacerbating their existing debt burden. Debt-for-nature swaps be used in certain cases, although questions about their efficacy remain.
- ***Increased coordination in the region for Paris-aligned NDCs:*** for the Mediterranean region, diplomatic efforts to advance a common regional target of 1 TW (TeraMed Initiative) are needed to increase economic resilience and boost competitiveness in a low carbon world. Specifically, next-generation NDCs should include economy wide-greenhouse gas emissions reductions targets for 2035 and more ambitious targets for 2030 in line with limiting temperature rise to 1.5°C and prioritize actions coherent with Global Stocktake. A failed, incomplete or uncoordinated energy transition in the Mediterranean region bears, firstly and foremost, social and economic costs for Mediterranean countries and the resilience of their societies.
- ***Scale up finance for Adaptation and Resilience, particularly NbS projects:*** Develop strategies to mobilize private capital by creating de-risking mechanisms such as PPP schemes. This should also include nature bonds, blended finance models, and incentives for private investors to support NbS, especially in the Mediterranean which ecosystems are prime candidates for these investments.
 - Clear commitments from developed countries to scale up adaptation finance, with a specific focus on NbS projects for climate-vulnerable Mediterranean ecosystems, both national and transboundary.
 - Pay special attention to NbS infrastructures in Mediterranean urban areas, specially exposed to climate change impacts due to the regional idiosyncrasy.
 - Ensure that ecosystem-based finance is also aligned with the objectives and the agreements reached at UNCBD COP16 at Cali and UNCCD COP16 at Riyadh.
- ***Promote the importance of NbS in agriculture through agroforestry and/or agroecology:*** There is a need to ensure that smallholder farmers, majority in the Mediterranean region, are included in the financing goals and means of implementation.
- ***Additional Loss and damage funding:*** New and additional finance for loss and damage must be provided. Current pledges to the Fund are greatly inadequate and insufficient to meet the needs of developing countries and will only cover the operational costs of the Fund. In that sense, more substantial pledges are needed to allow the Fund to start disbursing funding by early 2025. Similarly, the Santiago

Network for Loss and Damage should receive more contributions to ensure that developing countries are accessing technical assistance.