KEY TAKEAWAY FROM COP 29: NEW COLLECTIVE QUANTIFIED GOAL (NCQG) ON CLIMATE FINANCE

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COP 29 delivered a groundbreaking commitment to mobilize USD 1.3 trillion annually by 2035 for countries; Least Developed Countries (LDCs), Small Island States (SIDS), and Climate -Vulnerable Countries to address climate challenges. Developed nations pledged USD 300 billion annually from public, private, bilateral, multilateral, and innovative sources to support both mitigation and adaptation efforts. This powerful financial pledge is expected to accelerate the global transition to a low-emission, climate-resilient future, driving forward the goals of the Paris Agreement and ensuring no country is left behind. This is also anticipated to be proven as "an inclusive climate finance" which promote equity benefitting vulnerable groups that include women and girls, children and youth, indigenous people, local communities and migrants and refugees.

COP 29 highlighted following CRITICAL CHALLENGES that hinder climate action in LDCs, SIDs and Climate-Vulnerable Countries.

- The **cost of financing climate projects** in these countries incurs high capital, making them expensive.
- **Limited government funds and high debt** make it much harder for these countries to invest in the climate solutions they desperately need.
- Accessing climate finance is also complicated by **high transaction costs and complex conditions** that delay or block funding.

The committed money will be distributed in mainly three SECTORAL CATEGORIZATIONS

- **Adaptation Finance:** The adaptation to climate change is expected to use USD 215-387 billion annually for meeting the needs of scaling adaptation actions.
- **Loss and Damage:** Increased support for loss and damage, addressing both economic and non-economic impacts.
- **Mitigation Finance:** Significant increase needed, considering national climate plans and nationally determined contributions (NDCs).

For overcoming the challenges and meeting the demands to solve climate change impacts, the COP identifies three main STRATEGIC ACTIONS which include

- **Multilateral Cooperation** for scaling up financial support via multilateral climate funds, such as Adaptation Fund, Least Developed Countries Fund, and Special Climate Change Fund
- **Reforming Multilateral Financial Architecture** for simplifying processes and increasing the efficiency of financing.
- **Bilateral channels** for enhancing finance delivery and access through locally-led initiatives and country driven strategies.

After all these instrumentations, the COP has anticipated the following **TARGETS** for the NCQG

- Special assessment of access to climate finance in 2030
- Report from the "Baku to Belém Roadmap to 1.3T" in November 2025
- Biennial Reports: Progress reports from the Standing Committee on Finance.

TO OVERCOME these barriers, COP 29 stressed the urgent need for innovative financial tools which can be implemented in these countries. They include:

- **First-loss instruments** that reduce the risk for investors by covering the initial losses in a project.
- **Guarantees** which help unlocking climate funding by minimizing risks in investments paving the path for investors to invest in risky climate projects in vulnerable countries.
- **Local currency financing** reduces the exchange rate risk for those vulnerable countries, making it easier and more affordable to access climate funding without the burden of fluctuating foreign currency debt, which can drive up costs and complicate repayments.
- **Risk instruments** which attract investment in climate projects by providing financial protection against uncertainties, such as natural disasters or policy changes, making it safer for investors to commit capital to high-risk climate initiatives in such countries.

The pledged annual $300 billion for climate finance has faced criticism for being insufficient and lacking clear mechanisms for equitable distribution. Critics argue that while the commitment is a step forward, it may not meet the escalating needs of vulnerable countries like Nepal, where the costs of adaptation, mitigation, and loss and damage are rapidly increasing and require more substantial, reliable, and accessible funding.