

Diplomacy as Diversion*

C.P. Chandrasekhar

In global climate negotiations, that continued at the twenty ninth edition of the Conference of Parties (COP29) in Baku, Azerbaijan, there is agreement on one issue. If the international community has to take forward a multilateral agenda to keep global warming below the 2°C, and even better 1.5°C, ceiling, finance to the tune of trillions of dollars would be needed in the years to 2030 and onwards to 2050. Those resources must be urgently mobilised, since the world is off-track in the effort to stay within the warming targets. And it is completely off the rails when it comes to mobilising the needed resources. Hence COP29 was slated as the finance COP, where clear commitments to the realisation of a New Collective Quantified Goal (NCQG) will be made.

A large part of climate spending would have to occur in developing countries, which cannot on their own mobilise resources of that magnitude without collapsing in crises. So common sense suggests that the developed countries, which are responsible for much of the cumulative carbon emissions that have contributed to ongoing warming must provide a large part of the needed finance. It helps they can do that with little pain given the capital and wealth accumulated over the years of excess emissions. This perception was reflected in the principle accepted in the Paris agreement of “common but differentiated responsibilities, and respective capabilities”. The less developed countries in the G77 and other like-minded states have indicated that the resources that must flow from the North to the South must be around \$1.3 trillion a year to 2030. That is what the figure negotiators at Baku must commit to deliver—largely as public flows, that are in the form of grants or concessional finance.

The fact that COP29 was identified as the finance-COP meant that leaders and officials congregating at Baku were aware of the ask for long. In fact, preparations had begun once a decision had been made to move on from the disappointing experience with the promise of \$100 billion a year by 2020 made at Copenhagen in 2009 to the NCQG, with a substantial step up in flows. Given that background, the failure to take this forward to a consensus by the end of the first week at Baku, resulting in an impasse on the matter, is a sign of the breakdown of multilateralism. And no one else is to blame other than the developed nations that want to abrogate their responsibility to deliver a satisfactory NCQG.

Rather the messages sent out in the lead to and at Baku seek to divert attention from the principal task. The developed countries are raking up one or other extraneous issue to stall agreement on an NCQG and an associated timeline and means of implementation. The first of these has been the effort to widen responsibility for financing from those who have swallowed up most of the available carbon budget, and to call for the “richer” less developed countries, like China, India and Brazil, to share the burden of financing mitigation, adaptation and compensation for loss and damage. These countries, especially China, have taken on additional responsibilities themselves. Asking them to do more is a separate agenda. Linking that to the responsibilities of the principal polluters, the so-called “advanced nations”, is nothing but diversionary.

But there is a larger diversionary agenda being pursued, with the assistance of the IMF, the World Bank and other multilateral development banks. This involves pushing the idea that the financing for climate challenge is so huge and the share of the private sector in the holding and disposal of the world's financial surpluses so large, that it is only private initiative that can successfully implement the programmes needed to realise the SDGs and address damaging climate change.

The corollary of that position is that the role of governments is no more to try and move surpluses from private to public hands (through new forms of international tax cooperation, for example) but to use the available public resources as means to unlock private investments and expenditures. The call is to go beyond the recognition that the tasks of ensuring the needed carbon transition, and building resilience the world over, are primarily governmental or 'public' responsibilities, and that cooperation among governments (or multilateralism) is the best means to implement those tasks. Pragmatism demands, it is argued, that these tasks and therefore multilateralism, or the conjoint responsibilities of global governments, must be "outsourced".

The limited prospects of success in that effort are obvious. Since climate mitigation and adaptation expenditures are in most areas unlikely to yield any or significant monetary returns, while delivering large social benefits, interest-bearing borrowing cannot be a viable form of financing. Hence the need for these to be public flows in the form of grants or concessional loans which are in large measure grant-equivalent. It is also true that the climate finance requirements are so large that less developed countries, many of which are debt-stressed or have defaulted on their external debt payments, cannot be expected to raise the needed resources domestically.

Thus, the burden of financing mitigation and adaptation efforts must largely be shouldered by governments in the developed countries. The social benefits from addressing these problems are not just immense, but also global—the developed would also derive those benefits, not just the less developed, global majority countries, as UN Secretary General Guterres has reiterated. The private returns are too low and in some cases the risks too high for the private sector to take on the responsibilities, unless they do so as mere implementers contracted by government to a job in return for a fee. But even that kind of apportioning of responsibilities between the State and the private sector is unlikely to work, because the incentives of the two sets of actors are incompatible. Governments want to realise social benefits for the public good; the private sector wants to realise profits to further the agenda of corporate accumulation.

Fortunately, the moment is conducive for aggressive public action. Enough surpluses have been garnered and accumulated by globalised big capital in the last 25 years. So multilateralism has a role to play in mobilising resources globally, and not just in implementing the agenda.

Unfortunately, it is at this time of challenges and opportunities that the developed countries citing their own "domestic problems" are withdrawing from a much-needed global financing push. Climate finance negotiations bear witness. Instead, they are making a case to outsource to the private sector what is clearly a responsibility only governments can bear.

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