URBAN AGENDA IN MITIGATION WORK PROGRAMME (MWP) AND COP29

SCIENCE AND POLITICS OF COMBATING GLOBAL URBAN EMISSIONS

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As we await the unfolding of the upcoming COP 29, there is uncertainty around the possible outcomes of the political negotiations on the Mitigation Work Programme (MWP) which is one of the key negotiation tracks this time to up the mitigation ambition to achieve the 1.5°C goal of the Paris Agreement. It is expected that this will also complement the global stock take.

Since the mooting of the MWP in the COP 26 Glasgow climate pact, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) had decided that at least two Global Dialogues on key thematic areas that MWP is addressing would be held each year as part of the Sharm el-Sheikh mitigation ambition and implementation work programme.

Four such Global Dialogues have been held since then These have established the technical track for MWP. This has provided the platform to the countries and experts to develop mitigation strategies for each sub-sector and enabled identification of recommendations by the subsidiary bodies that can be adopted at the COP.

The architecture of this technical track has enabled the technical discussion on the pathways. It has also created an investment-focused forum to allow discussion on scoping of specific implementation projects with investment potential and engage with the investors. This is an opportunity to build a platform for the countries to share their imperatives and discuss priority pathways and investment opportunities.

The MWP process designed to get the governments to agree on sectoral mitigation pathways is addressing a wide spectrum of

strategies related to energy and urban systems. These include just energy transition, renewable energy, carbon storage; transportation systems, buildings and urban form; spatial planning, electrification, net zero resources and enhancement of carbon storage through green and blue infrastructure.

Each of these thematic areas will require effective and fair deal especially balancing the locally appropriate ambition and the enablers particularly for the Global South.

URBAN EMISSION IN FOCUS

This policy brief focuses on the urban agenda that has become an explicit focus of the technical track on MWP. In the third and fourth consecutive Global Dialogue sessions in 2024 the focus has been on the urban systems including urban-transportation, buildings, spatial planning, electrification and net zero resources and enhancement of carbon storage through green and blue infrastructure. In the previous tracks, urban transportation was included in the agenda. This has enabled substantial mobilisation of global knowledge, information, and widely different experiences from the diverse urban landscapes of the Global South and Global North.

Urban emissions mitigation drawing global attention for negotiations is significant in view of the recognition that urban emissions contribute as much as 70 per cent of the global greenhouse gas (GHG) emissions. This coincides with the Intergovernmental Panel on Climate Change (IPCC) starting the process of preparing a special report on cities which is scheduled to complete by 2026. It has been stated during the fourth Global Dialogue that the urban infrastructures can make a difference of up to a factor of 10 in energy use and induced GHG emissions. Overall, urban planning could result in a 25 per cent reduction in emissions by 2050 compared with a 'business as usual' scenario.

Interventions in the urban systems are more complex and will require more nuanced approaches in urban planning and design strategies and in the financing framework. This requires a different

framing for packaging widely complex elements related to policy and financing solutions to inform the political negotiation for an effective outcome.

This focus on urban agenda has been in the dialogue process has been closely followed by the global civil society groups and think tanks and associated global networks who have made several submissions to help shape the content of the agenda. Interventions have been made by Climate Action Network – International (CAN-I), Climate Action Network South Asia (CANSA) among others.

The Centre for Science and Environment (CSE) which in associated with the CAN-I had an opportunity to participate in the process and intervene for a collective representation of the group in the fourth Global Dialogue that was held in Sharm el-Sheikh in October, 2024.

This policy brief therefore draws upon the CSE's observations during its participation as part of the network in the two days of deliberation in the fourth Global Dialogue in October, 2024 as well as the detailed Annual report put out by the United Nations Framework Convention on Climate Change (UNFCCC) on the third and fourth Global Dialogues and investment-focused events held during the dialogue. This Annual report has been put out by the UNFCCC secretariat in the context of the Sharm el-Sheikh mitigation ambition and implementation work programme capturing the third and fourth Global Dialogues focusing on cities including buildings and urban systems and identifying opportunities and barriers.

As a curtain raiser to the COP 29, this policy brief captures the key messages from the Global Dialogue processes with respect to the urban agenda and what it means for the political negotiation track. It is critical to understand how the political track will address the urban agenda for a just, equitable and effective outcomes on urban emission mitigation and its financing in the upcoming COP29.

Going by the experience so far, the political negotiation process on MWP has been slow with disproportionate focus on the procedural

matters related to the planning for the Global Dialogues. It has not yet built confidence about the prospective outcomes. However, the technical track has shown progress in building the knowledge base for the negotiations.

The purpose of the Global Dialogues has been to establish a work programme for the urgent scaling up of mitigation ambition and implementation. As the COP29 is expected to align country positions on scaling up of the mitigation ambition based on the learning from the technical discussions in the Global Dialogues, this will have implications for the other negotiation processes as well including the global stocktake, new Nationally Determined Contribution (NDCs) and New Collective Quantified Goal (NCQG) outcome on climate finance.

It may also be noted that Brazil, which will hold the Presidency of the COP 30 in 2025, has also made a strong pitch for shifting the focus of MWP from mitigation to implementation and seeking implementation of global stock take targets through the MWP process. This has implications for the global deliberations, outcomes and financing strategies for urban emissions. This requires a nuanced understanding of the science and politics of the urban agenda.

THE TAKEAWAYS

The focus on the urban agenda for mitigation is a significant step forward in the MWP platform as urban emissions dominate the global GHG emissions. The 1.5°C goal of the Paris Agreement cannot be met if the urban agenda is not on the table.

- The technical track on the urban agenda has generated a more nuanced understanding of the imperatives of the Global South and the Global North. It has underscored how more contextualised solutions are needed in different urban situations. While recognising the guiding principles for urban planning and urban design, sustainable buildings and transportation and green blue infrastructure, it has also taken on board the imperatives of the Global South cantering around equity, vulnerability, and

inclusivity in urban planning. It is highlighted that while the Global North that is fully urbanised needs deep decarbonisation, the Global South with the emerging infrastructure has to focus on emissions avoidance. These technical insights drawn from the technical tracks of the Global Dialogue have to adequately inform and shape the political negotiations on the MWP text that will be taken forward in the COP29.

- The urban agenda has also brought to sharper focus that diverse urban context across the developing and emerging economies and the national and sub-national framework within which mitigation action needs to unfold. This requires more bottom up approach to solution framing than top down prescription in shaping global deliberations and outcomes according to the regional circumstances and for global financial support. It is necessary to promote sustainable solutions tailored to local urban circumstances requiring contextual strategies. There will be concerns around the top down prescriptions and targets. This will require country-led approaches in relation to the goals that will also be important for development of nationally determined contribution (NDCs) and domestic implementation plans based drawing upon the cross learning from the best practice sharing, and to drive global investments.

- The Global Dialogue framework that has developed space for all parties to voice their concerns, financing needs, barriers, domestic imperatives, and requirements, needs to be strengthened further to drive the political negotiations. This needs to be made more high profile to build a political buy-in even as the technical assessment of the problems are underway. This is a way to democratise the process and make it stronger and ensure fair play for the developing economies.

- The Global Dialogue has also enabled discussion on global climate finance for mitigation. The discussions have highlighted the need for financial support for the developing countries – stating that funding of mitigation needs doubling of bilateral

finance, tripling of MDB finance, and quadrupling private sector investment. More estimates may follow on the magnitude of the quantum of support needed later. However, the forum has underscored the importance of equity and the principle of common but differentiated responsibilities and respective capabilities in the light of considering different national circumstances in the context of global climate action. This has to be reflected adequately in the political negotiations on MWP and financing.

- It is also evident from the deliberations of the third and fourth Global Dialogue that the global community will have to pay more attention to developing appropriate criteria for the funding of the urban projects to address the complex range of urban planning and urban design elements for emissions mitigation and to prevent lock-in of carbon in the urban infrastructure combined with the technology solutions to be packaged in programmes and projects for financing. Without it, the effectiveness of the mitigation interventions and financing will be compromised. At the same time the investment days and pitch hubs can bring in more coherence in the discussions on the development of the framework for financing of urban projects.

- The Global Dialogue has also provided a backgrounder and insight into the global financial systems, and deepening of financial and currency crisis across the developing and emerging markets. This impacts the international climate finance regime and increases the cost of investments – especially in long term infrastructure projects, - and debt burden in the developing countries. This discussion is also increasingly pointing towards the strategies for reducing financial and currency risks in the developing and emerging markets with improved access to affordable hedging tools to reduce risks in the short and medium term. This is also bringing onus on the developing countries to strengthen domestic financial markets and policies, and undertake macro-economic reforms to address these risks.

- The emergence of the global urban agenda in the context of MWP with a target to influence the Global Stock Take and NDCs, is an opportunity for combating urban emissions. This has brought to global focus the importance of spatial planning and low-carbon infrastructure for low carbon, resource efficient, inclusive and liveable cities. The urban agenda is seeking compact urban form, sustainable buildings and transportation, land use integration, clean urban energy systems, upscaling uptake of renewable energy for all end uses in cities, rapid electrification of vehicle fleet, net zero resources, sufficiency measures to combine with energy efficiency measures for decarbonisation of buildings, circularity of waste streams among others. It recognises that the benefits of mitigation action needs to be maximised for the urban poor. This addresses urban green and blue infrastructure for carbon storage and sequestration, reducing heat gain and cooling demand.

This urban agenda has to get stronger through a multilateral negotiation process, draw adequate and affordable funding support and ensure the urban transformation is fair and just.

Urban emissions within the MWP framework

The UNFCCC Secretariat has put out the Annual report of the Sharm el-Sheikh mitigation ambition and implementation work programme that provides the summary outcomes of the third and fourth Global Dialogues and investment focused event. This has highlighted the urban emissions challenges and mitigation strategies related to buildings, urban planning and design, and electrification. The transportation strategy has been discussed during the previous year. The summary highlights of the opportunities and barriers for each thematic area indicate the direction of the deliberations.

Third Global Dialogue May 2024

Buildings

- Reducing operational emissions (heating, cooling and appliances);

- Designing building envelopes for efficiency (retrofitting, new construction);
- Reducing embodied emissions (building materials).

Fourth Global Dialogue October 2024

Urban systems

- Spatial planning and low-carbon infrastructure (includes, transport, buildings, habitat, circularity etc)
- Electrification and switching to net zero emission resources
- Enhancing carbon storage through green and blue infrastructure

These technical tracks have highlighted the key guiding principles for urban planning and design and low-carbon infrastructure for carbon-neutral cities.

Spatial planning and low carbon infrastructure

The fourth Global Dialogue has recognised that the current urbanization patterns can lock-in GHG emissions for decades and centuries, that can be further aided by the energy-intensive technologies and lifestyles.

Widely diverse multi-sector solutions have been put on the table that need to be adopted through an urban planning process. Cities need to be well-planned with higher-density, mixed land use, diverse transportation options, shorter travel distances, walkable sub-centres, and well-connected urban forms to enable low-carbon lifestyles and urban planning. Also promote solarisation of cities and households, waste management for circularity, clean electrification efforts and electric vehicles, low-carbon infrastructure, cycling and mass transit options, and usage of recycled materials in construction.

There was however a caution from the panel on the possible trade-offs while optimizing low carbon options. It was mentioned that higher density development can lead to more efficient land-use, but at the same time high density and high rise development can increase material demand, energy intensity and emissions.

Responding to the deliberations the technical discussions addressed the key principles of equity, vulnerability, and inclusivity in urban planning to address the interest of the low income groups, children, women, people with disability. It has been emphasised that access to services and related planning needs to consider poverty. Interventions from observers in the breakout sessions have brought out that gentrification of urban and marginalization of disadvantaged urban communities in urban development and planning needs to be prevented. There was a focus on gender-responsive urban systems for urban planning and investments in care infrastructure.

Urban imperatives of developing and developed countries: There is clearly a distinct divergence between the imperatives of the developing and the developed countries. The imperatives vary across established cities, rapidly growing cities, expanding cities, new and emerging greenfield cities, informal settlements, and intermediary urban areas.

The specific contexts of their developmental stages need to be addressed and not elicit standard responses with "one size fits all" approach.

Urban landscapes vary widely even within the developing countries. Argentina pointed out that it has already attained 90 per cent urbanisation and their cities have grown very big. Therefore, their challenge is affording the transition to low carbon infrastructure which is more complex and expensive.

On the other hand, the Small Island Nations pointed out that they largely have small cities and towns with limited land availability with large community land ownership that complicates the infrastructure development. That will require more local solutions.

African countries like Chad, Dominican Republic stated that they are in early stages of urbanization where urban planning often involves individual choices around construction of houses and lay out planning. There is a lack of government-led social housing

initiatives. Their imperative is to find a grassroots approach to empower families for sustainable building practices.

Even though the developing countries have huge infrastructure deficits and under-provisioning of services, the opportunity is in early adoption of low-carbon and climate-resilient development through urban planning, efficient building design and transit oriented development. The key challenge in developing countries is the informality and informal settlements that have more vulnerable communities often leading to trade-offs in provisioning of services and material choices.

On the other hand, urban emissions are particularly high in developed countries even though the per capita emissions are slightly decreasing. Even though the urbanization level has nearly plateaued in the developed countries and largely requires retrofits, there are also implications for changing urban form due to growing preference of the population for high quality urban living and multi-family housing in core cities. Population is moving away from suburbs.

Developed countries require more effort and focus on retrofitting, electrifying transport systems, implementing transport modal shifts, and encouraging compact city design and public transport. This is clearly the agenda for the global North.

Germany and the United Kingdom present in the fourth Global Dialogue have laid out their electrification plan in buildings for heating and cooling and transport linked with renewable energy in cities tapping solar generation and geothermal energy. Policies looking at integrated energy-climate-spatial planning and data-driven decision making on cost-effective carbon reduction potential at the neighbourhood scale in Germany.

With respect to the discussion on the Heat Network Transformation Program in the United Kingdom (UK), there was also a caveat from the panel that caution is needed to avoid inefficiencies and lock-in

effects of selection of the emerging technologies. It is also necessary to prioritize net-zero energy buildings that minimize heating needs, and reduce reliance on costly heating networks. Multi-sectoral policy coherence is needed to integrate the sectors of construction, transportation, and social services for better resource allocation and solutions.

The imperatives of the developed North are different. It has been emphasised that the high-income regions are said to have higher potential for reduction in existing emissions and low-income regions have a lower level of urbanization and greater potential for emissions avoidance.

Given these differing situations, opportunities, responsibilities and capacities vary across developing and developed countries. But urban planning and development has to prevent and reverse 'infrastructure lock-in' and reduce emissions through long-term planning.

Electrification and switching to net zero emission resources

The urban agenda has highlighted the multiple options for electrifying a wide spectrum of energy end use including transport, cooking energy, energy-efficient heating and cooling linked to clean energy. That investment is needed to improve technology transfer to make electricity more affordable, clean, and stable in developing countries. This needs to be supported by the clean power sources, digital grids, optimized load management, expanded energy storage, electric vehicles and efficient energy usage and "address the whole electrification chain of source, grid, load, storage and use".

It is also important to note that discussion on energy efficiency made a strategic shift from energy efficiency to energy sufficiency. It has been emphasised that given the fact that the buildings contributed 21 per cent of global GHG emissions in 2019, sufficiency policies in achieving climate-neutral buildings by 2050 will be critical to reduce demand for energy, materials, land, water and natural resources while ensuring human well-being. In the building sector,

energy efficiency measures include reducing operational emissions (heating, cooling and appliances); building envelopes for efficiency (retrofitting, new construction); and embodied emissions (building materials). The deliberations also questioned the traditional view of considering buildings as a single system but to see them in relation to the urban system.

It is necessary for the global energy trackers like the International Energy Agency to consider sufficiency measures while building decarbonization scenarios as sufficiency measures are needed to achieve negative emissions. It has been emphasised that in addition to the efficiency measures and renewable energy to decarbonize the global building stock, sufficiency measures are needed to avoid carbon lock-in and make buildings carbon neutral affordably in both developed and developing countries. Both equity within countries and equity between countries came up in the discussion. That the Global North contributed most to climate change and should be climate neutral by 2035.

However, developing countries have the challenge of lack of access to basic energy services by millions of people, high upfront costs of clean technologies, inadequate skilled workforce, access to materials, and slow uptake of circularity and recycling.

Policy opportunities in developing countries are also coming up quite rapidly as the sustainability policies related to urban built-environment is taking shape.

In the Global North, countries like Germany and the UK are looking at urban and energy regulations to drive urban change. These include setting renewable energy targets, minimum energy performance standards for buildings; binding target to decrease the average energy performance of buildings, renovation codes, rollout of recharging points for electric vehicles and buildings, energy performance and buildings directive, phasing out of boilers powered by fossil fuels, law on fossil fuel boilers, sustainable transportation Initiatives cities including cycling infrastructure and public

transport systems, shifts from car-centric planning came up for discussion.

The Russian Federation highlighted electric heating on renewables, passenger traffic on electric vehicles, Government support measures and financial incentives for electric vehicles, development of hydrogen transport including city hydro buses, data driven urban climate services for disaster preparedness etc.

However, Russian Federation emphasised on 'finding balance between the uninterrupted supply of electricity and its cost and that to be "economically feasible" to replace firewood and coal based heating, and to consider economical fuels and reduce electricity and heat losses and increase fuel efficiency. Russia mentioned technology neutrality to address costs and energy security for reliable and economical access to energy.

China in the context of electrification stated that most of the time, switching to net zero resources is equated with electrification. But they wanted the idea to be broader stating that electricity is not something they can switch to immediately. It can be biomass-based materials.

These subterranean positioning will influence the negotiation outcomes.

Enhancing carbon storage through green and blue infrastructure

Deliberations have articulated that urban green and blue infrastructure can reduce warming and urban heat island effect, thermal load and enable urban sequestration of carbon. This requires restoration of urban ecology, and expansion and regeneration of green areas and water bodies to provide a range of ecosystem services. There have been submissions to state that urban planning guidelines, codes etc need to augment and integrate green blue infrastructure. Adequate regulatory and planning safeguards are needed to ensure such interventions do not lead to maladaptation and gentrification of urban spaces that marginalises the urban poor.

Urban gardening and agroforestry were highlighted as solutions for sustainable food production in cities. The role of biogas as an alternative fuel source, particularly in developing countries, was also mentioned. The potential of circular economy, urban carbon sinks, biogas digesters and carbon capture technologies were highlighted.

Blue-green infrastructure (green roofs, urban greening, urban forest and agriculture etc) is considered a low-cost option compared to traditional climate investments. This is expected to provide a range of co-benefits including climate mitigation, health, and food security carbon storage.

It also came out that the local imperatives are different across the Global South. Samoa from the Small island nations mentioned that blue infrastructure like their ocean resources can be carbon sinks. If these are brought within the carbon sequestration regime of protection, efforts will be needed to secure livelihood.

Sudan pointed towards the challenges related to accounting for carbon savings from urban sinks. These include complex measurement, reporting and verification of emissions, sequestration and reduction, lack of financial information, lack of financial knowledge, lack of standardized methodology, small project size and uncertain revenue profile, lack of technology, impact on urban poor etc.

Turkey highlighted that they have initiated carbon sink projects but face financial constraints. Argentina mentioned that leveraging financing tools under other conventions like biodiversity convention/Ramsar sites etc can be explored to address urban green blue infrastructure.

There are more complex urban land issues in the Global South that need to be considered for green blue development. CHAD and Gambia for instance pointed out the challenges with Urban Green Area Management and traditional Land ownership. This complicates urban development.

Gambia also stated that these strategies will have to address funding of restoration efforts, sustainable livelihoods, alternative livelihoods such as eco-tourism, address land use conflicts, even bushfire management etc.

Egypt is looking at leveraging their key projects including Green Pyramid Project, Coastal Zone Management Project, Green Roofs and Walls, Sustainable Agriculture Practices to address this agenda.

Developed countries on green blue infrastructure: The developed countries are looking at green Infrastructure Framework that provides tools for developers to design quality, nature-rich, and climate-resilient green spaces, focusing on areas in urban settings that require green space the most.

The UK stated that it has made 15-minute access commitment to everyone that requires access to green or blue spaces (parks, rivers, woodlands) within a 15-minute walk from home.

Germany is creating new natural green spaces in heavily developed neighborhoods while promoting bio-based building materials, permeable surfaces, green roofs and walls, protecting and enhancing blue spaces (rivers, ponds, lakes).

In fact the initiatives and regulations of the European Union are bringing in nature restoration law; biodiversity strategy; and 3-30-300 Rule so that at least three trees are visible from homes and people live within 300 meters of green spaces. Neighborhoods are expected to have at least 30 per cent tree canopy or vegetation cover. Canada emphasized green construction through a wood program with innovative wood-based building technologies. Russia is looking at interconnected networks of natural landscape components.

China presented a detailed strategy that has been adopted for the comprehensive transformation of Guangzhou city that addresses all the elements of the urban agenda including spatial planning, electrification and net zero resources and green blue infrastructure.

However, challenges were highlighted. For example, finding appropriate spaces for green infrastructure due to competing demands from urban construction. This will require multi-stakeholders participation and inclusion of vulnerable communities.

The concern was raised that while green and blue infrastructure are important, its implementation needs to happen alongside the transition away from fossil fuels.

Urban agenda challenges the top down approach to the mitigation agenda

While the importance of bottom up approach is relevant across all sub themes of the MWP, the urban agenda particularly has brought to sharper focus the need for a bottom-up approach to shaping global deliberations to suit the regional circumstances and global support. It is necessary to promote sustainable solutions tailored to local contexts requiring contextual strategies.

Clearly, as urban agenda is increasingly pointing towards the local solutions across diverse urban landscapes, the focus has to be on the appropriate global framework that can enable transformation in the local context while upscaling financing strategy.

The imperatives of urban emissions mitigation is that most of the solutions are at the sub national level. While a lot of city level solutions face the barriers of lack of mandates, resources, capacity and data, and will have to be driven by the national and sub national regulations and legal framework, the global architecture will have to find enablers for this.

There will be concerns especially in the developing countries around the top down prescriptions and targets. Considerable focus has been on the country-led approaches in relation to the goals and strategies on clean investment, policies, institutional frameworks, institutional structures, development of NDCs, investment that requires predictable, adequate and affordable finance.

In the technical track the importance of equity and the principle of common but differentiated responsibilities and respective capabilities in the light of considering different national circumstances acknowledged in the context of global climate action.

Differing voices: Even though a range of appropriate guiding principles for urban transformation have been laid out on the table almost eliciting global consensus, their level of adoption will be largely influenced by the larger positioning of the countries on the energy transition.

A hint of this was evident in the discussion on electrification of the urban and transportation systems. Saudi Arabia was insistent on focusing only on the "overall emissions" and not specific emissions and pathways. It was careful about making committed statements on vehicle electrification which did not find explicit mention in their submission in the forum. The focus was more on improving their overall transport ecosystem aligned with "avoid shift and improve." They only talked about hybridization of their fleet. This indicates a pathway that is more locked in the fossil fuel systems.

This elicited reaction from the panel stating that hybridisation may work in inaccessible topographies. But other areas, especially heavily polluted regions, need an aggressive electrification agenda. Hybridization should not be considered a solution.

Financing of urban projects: learning from the Pitch hub linking urban project ideas with investors

A pitch hub was held during the fourth global dialogue to provide an opportunity for interested Parties to share project ideas with investors, financiers, financial institutions and other policymakers. The objective has been to facilitate preparation of projects to support implementation of NDCs.

Evidently, urban planning, transportation strategies and habitat development for sustainability will require a more evolved

framework for defining the scope of the projects. These are not as straightforward as financing technologies.

Urban projects are a mix of planning design and technology interventions and the projects need to identify and include the full range of all these interventions to define scope and ensure effective emissions reduction. Including planning and design elements in financial proposals have challenges but are necessary to make a difference.

In fact, discussions around the bus rapid transit projects that were proposed elicited response from the investors that the projects require better detailing for co-financing strategies.

CSE has pointed out the inherent problems with the funding of transport projects. Normally, the core infrastructure of the mass transit systems receive attention in these proposals. But transport funding has to package the related enablers and supportive infrastructure like accessibility improvements around the transit, multimodal integration to easy transfer to the system, station area development among others to make the overall project successful and impactful. But these aspects remain undefined and underfunded compromising the success of the project.

Therefore, it is necessary to redefine the criteria for defining the scope of the urban projects that are dependent on planning and design criteria for meeting the requirements of ambition, feasibility, replicability, ability to leverage private funding for the transformational changes expected from the projects funded from international climate finance.

Differentiating funding needs for grants versus investments, exploring blended financing options, and quantifying project impacts to enhance long-term sustainability were also identified as the key in this forum. There is also interest in addressing resilience, job creation and skills development in long-term investments in mitigation projects on energy and infrastructure.

Spotlight on financing of urban emissions mitigation

In view of the fact that COP29 is branded as the finance COP, it is necessary to drive key messages and elements from the special discussion that happened on the financing strategies on the investment day during the fourth global dialogue.

Substantial time was devoted to discussing the financing challenges with respect to the developing countries on the investment day cantering around the need for substantial capital investment to support low-carbon infrastructure, especially in rapidly urbanizing areas, facing uncertainties and growing capital costs.

It was stated that raising ambition and quality of NDC will require support for long term low-emission development strategies, and this will require mainstreaming of climate indicators across national and sectoral planning to develop the investment plans especially for NDCs.

It was pointed out that currently, the overall share of clean investment in developing countries is small. It was cited that the total share of African countries in global clean investment is around one per cent despite the continent's high solar power potential. The mitigation agenda will require increasing financial support for developing countries. The annual report of the UNFCCC has mentioned "by doubling bilateral finance, tripling MDB finance, and quadrupling private sector investment".

It was emphasised that stronger international cooperation is needed to reduce debt burdens for clean technology and investment. This requires affordable, predictable finance through MDBs, green bonds and innovative funding sources.

Concerns were expressed with respect to the financing of urban infrastructure. Samoa expressed concerns related to several energy projects including biogas systems for energy generation that rely on external funding and are not sustainable beyond the funding period.

Small island nations face challenges with budget constraints and limited capacity.

However, the deliberations have also brought out several case studies indicating how innovative financing is emerging globally to address financing of urban infrastructure.

For instance, in China, as the Guangzhou Institute for Urban Innovation informed, land value capture has been adopted to finance metro systems without incurring debt by anticipating increases in land values along proposed transit lines.

In Quito, Eco-Efficiency Strategy allows developers to purchase air rights to build above existing structures. This generates substantial revenue for the city and also mandates compliance with eco-efficiency standards. Source of significant funds –80 per cent allocated to improving infrastructure in low-income neighborhoods.

Decarbonising public buildings can be used to provide revenue from renewable energy generated, as was pointed out by C 40, increasing investment in social housing. Investments and savings from energy efficiency can also be leveraged for local funds for continued energy efficiency measures.

Financing challenges in developing countries:
As a backdrop to the entire discussion on the urban agenda on the investment day in the fourth Global Dialogue in October, 2024, considerable attention was given to the financing challenges in the developing countries. (see box on the Annual Report of the UNFCCC on financing challenges in developing countries).

While these concerns are relevant across all thematic areas and across sectors, these will also have a strong bearing on the mitigation programmes for urban emissions.

It emerged from the discussions on the investment day that the interventions need to be understood at different levels.

While a large number of issues have been discussed on financial risks and currency crisis some of the summary highlights are as follows.

In the short and medium term, solutions are needed to lower the existing costs of hedging to reduce the crisis. Lowering the cost of hedging mechanisms by leveraging public finance creatively is recommended.

In the medium term, expanding local currency lending and institutional investor engagement are needed. It is suggested among others to create local liquidity pools to reduce reliance on hard currency loans, and distribute the risks more equitably. Targeted deployment of public finance, capacity-building and raising awareness within national banks and local financial institutions were highlighted.

In the longer term, strengthening of domestic financial markets and promoting economic reforms are needed. Domestic financial markets and government policies will require strengthening in the emerging and developing markets.

It has also been highlighted that limited access to affordable and accessible currency hedging tools in developing countries leads to higher currency risk. Therefore, the developing countries and emerging markets need affordable access to hedging tools. Several ideas were placed on the table by the experts. These include donor-funded guarantee facility, Currency Exchange Fund, short-term local currency borrowing with back to-back long-term, transfer of multilateral Development Bank (MDB), private sector loans to domestic institutional investors through Financial Sector, strengthening local currency liquidity through increased engagement with DFIs (s in Africa) etc.

Standard commercial hedging tools can be expensive or not easily accessible. Hedging instruments can use donor capital to make them more affordable. There were talks about improving

interconnectedness of financial systems in the Global North and Global South to enhance investment flows and reduce currency risk.

MDBs and the IMF play a key role in scaling local currency financing for climate projects in emerging markets. The MDBs can develop financial instruments to aggregate investment risk, sources of finance and portfolios to mitigate macro-level risks, including currency risk that varies across regions.

Blended finance strategies, combining public, private and concessional finance, can be effective in lowering the cost of hedging and attracting investment, and can be an effective solution to microeconomic challenges to investment;

The upshot is that as the deliberations on international climate finance and cost of finance to the developing countries for mitigation deepen in the COP29 and beyond, this will also shift focus towards macro- and micro-level policies in developing countries that have bearing on financial risks and currency risk in the domestic economies hindering clean investments. Investments in clean energy and sustainable infrastructure like the off-taker risk for renewable energy projects requiring sovereign guarantees etc will come increasingly into focus.

THE TAKEAWAYS

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of the Global South cantering around equity, vulnerability, and inclusivity in urban planning. It is highlighted that while the Global North that is fully urbanised needs deep decarbonisation, the Global South with the emerging infrastructure has to focus on emissions avoidance. These technical insights drawn from the technical tracks of the Global Dialogue have to adequately inform and shape the political negotiations on the MWP text that will be taken forward in the COP29.

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- The Global Dialogue framework that has developed space for all parties to voice their concerns, financing needs, barriers, domestic imperatives, and requirements, needs to be strengthened further to drive the political negotiations. This needs to be made more high profile to build a political buy-in even as the technical assessment of the problems are underway. This is a way to democratise the process and make it stronger and ensure fair play for the developing economies.

- The Global Dialogue has also enabled discussion on global climate finance for mitigation. The discussions have highlighted the need for financial support for the developing countries –

stating that funding of mitigation needs doubling of bilateral finance, tripling of MDB finance, and quadrupling private sector investment. More estimates may follow on the magnitude of the quantum of support needed later. However, the forum has underscored the importance of equity and the principle of common but differentiated responsibilities and respective capabilities in the light of considering different national circumstances in the context of global climate action. This has to be reflected adequately in the political negotiations on MWP and financing.

- It is also evident from the deliberations of the third and fourth Global Dialogue that the global community will have to pay more attention to developing appropriate criteria for the funding of the urban projects to address the complex range of urban planning and urban design elements for emissions mitigation and to prevent lock-in of carbon in the urban infrastructure combined with the technology solutions to be packaged in programmes and projects for financing. Without it, the effectiveness of the mitigation interventions and financing will be compromised. At the same time the investment days and pitch hubs can bring in more coherence in the discussions on the development of the framework for financing of urban projects.

- The Global Dialogue has also provided a backgrounder and insight into the global financial systems, and deepening of financial and currency crisis across the developing and emerging markets. This impacts the international climate finance regime and increases the cost of investments – especially in long term infrastructure projects, - and debt burden in the developing countries. This discussion is also increasingly pointing towards the strategies for reducing financial and currency risks in the developing and emerging markets with improved access to affordable hedging tools to reduce risks in the short and medium term. This is also bringing onus on the developing countries to strengthen domestic financial markets and policies, and undertake macro-economic reforms to address these risks.

- The emergence of the global urban agenda in the context of MWP with a target to influence the Global Stock Take and NDCs, is an opportunity for combating urban emissions. This has brought to global focus the importance of spatial planning and low-carbon infrastructure for low carbon, resource efficient, inclusive and liveable cities. The urban agenda is seeking compact urban form, sustainable buildings and transportation, land use integration, clean urban energy systems, upscaling uptake of renewable energy for all end uses in cities, rapid electrification of vehicle fleet, net zero resources, sufficiency measures to combine with energy efficiency measures for decarbonisation of buildings, circularity of waste streams among others. It recognises that the benefits of mitigation action needs to be maximised for the urban poor. This addresses urban green and blue infrastructure for carbon storage and sequestration, reducing heat gain and cooling demand.

This urban agenda has to get stronger through a multilateral negotiation process, draw adequate and affordable funding support and ensure the urban transformation is fair and just.

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