

Riding the Wave of Climate Change

How Azerbaijan is COPing

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Status Update

The 2023 United Nations Climate Change Conference, which was the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC), took place in Dubai from 30 November to 13 December 2023.

Initially, some analysts believed that hosting the climate summit in oil-rich UAE under the leadership of Abu Dhabi National Oil Company (ADNOC) chief Sultan al-Jaber would turn the event into a giant exercise in greenwashing. Instead, COP28 proved to be quite a success with the countries agreeing on a transition away from fossil fuels, launching the Loss and Damage fund, and making pledges to triple renewable energy capacity and doubling energy efficiency by 2030.

This IDD Analytical Policy Brief analyzes the key takeaways from COP28, their impact on Azerbaijan, and the country's recent contributions to climate action in the context of the country's forthcoming presidency of COP29.

Key Takeaways

The COP meets every year unless the parties decide otherwise. Each COP meeting provides a platform for countries to evaluate progress, negotiate new commitments,

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and address emerging challenges in tackling climate change. The first COP took place in 1995 in Berlin. During COP21 in 2015, the world adopted the Paris Agreement—an international treaty on climate change whose language describes it as “legally binding” but which is [not universally](#) understood as such—setting the goal of limiting global temperature increase to well below 2 degrees Celsius above pre-industrial levels. Since then, COP meetings have focused on implementing the Paris Agreement and enhancing global climate action.

The COP28 [agreement](#) was hailed in some circles as groundbreaking, marking the initial global appeal for a shift away from fossil fuels. For the first time in nearly three decades of UN climate talks, fossil fuels were explicitly mentioned in the [decision text](#): the parties called upon themselves to “contribute [...], in a nationally determined manner, taking into account the Paris Agreement and their different national circumstances, pathways and approaches [to transition] away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science” (II.A.28(d)). The agreed formulation—“transitioning away” from fossil fuels, i.e., coal, oil, and natural gas—needs to be understood in contradistinction to the term “phasing out,” which was rejected by the parties. The latter formulation, despite being [formally supported](#) by more than 100 parties, represented a desire to bring about fossil fuel burning down to zero. The adopted language, however, might not be a robust enough signal to halt new investments in coal, oil, and natural gas, but it does, at the very least, provide a clear indication of the direction in which global efforts should be moving. Despite criticism regarding the terminology, the COP28 text indeed marks a historic moment for COP, since two fundamentally opposing parties were able to find common ground.

Important pledges were also made in the areas of renewables and energy efficiency. [Around 130 countries committed to triple global renewable power capacity to 11 TW by 2030](#). In addition, the countries agreed to double the annual rate of energy improvements every year to 2030. [According to the International Energy Agency \(IEA\)](#), the countries committed to the above-mentioned pledges make up 40 percent of global carbon dioxide (CO₂) emissions from fossil fuel combustion, 37 percent of total global energy demand, and 56 percent of global GDP.

Another COP28 breakthrough was the [operationalization of the Loss and Damage Fund](#). The idea of having a fund dealing with the climate-related destruction of developing countries was developed during COP27 talks in Egypt in 2022. It took just a year for the parties to establish the Fund and formally launch it on 30 November 2023—the first day of COP28. [Wealthy countries immediately pledged more than \\$700 million to the Fund](#). While this is a welcoming development, [the figure](#) is just a drop in the ocean accounting for less than 0.2 percent of the \$400 billion required for developing countries annually. The UAE, the COP28 host country, became one of the most significant contributors to the Fund with its pledge of \$100 million. Germany

made a similar pledge. France and Italy promised \$108 million each. Remarkably, the United States, the world's second-largest polluter, pledged just \$17.5 million.

There were also disagreements about who should manage the Loss and Damage Fund. The U.S. and other developed countries wanted the Fund to be managed by the World Bank. Developing countries rejected the proposition on the grounds that a small number of developed countries, led by the U.S., Japan, and several EU member states, together hold majority voting power in its Board of Governors. In addition, there were complaints about high hosting fees and the bank's weak climate record. Nevertheless, developing countries conceded to allow the World Bank to administer the new Fund on a temporary basis, although this was not explicitly indicated in the final COP28 text.

Finally, COP28 witnessed [the launch of the Oil and Gas Decarbonization Charter \(OGDC\)](#). The initiative seeks to reach net zero emissions in energy companies' direct operations by 2050, eliminate routine flaring by 2030, and attain near-zero methane emissions by 2030. Around 50 oil and gas companies, which account for more than 40 percent of global production, signed up to this initiative.

Azerbaijan's Stance

The Paris Agreement requires each country to develop and communicate their post-2020 climate actions, known as their Nationally Determined Contributions (NDCs)—engaging in this process is the uncontested “legally binding” part of the Paris Agreement, mentioned above. The NDC reports are essentially climate action plans developed by countries to cut emissions and adapt to climate impacts. [Azerbaijan introduced its first NDCs in October 2015](#). The country committed to reducing greenhouse gas emissions by 35 percent by 2030 compared to 1990 as the base year. In 2016, Azerbaijan achieved a significant 31.6 percent reduction in emissions, with net emissions totaling 54.033 Mt of CO₂ equivalent. Despite being an important oil and gas producer, Azerbaijan's historical share of anthropogenic GHG emissions is minimal. [As per its Fourth National Communication Report in 2021](#), Azerbaijan's greenhouse gas (GHG) emissions were estimated to be only 0.15 percent of global emissions in 2016.

In 2021, Azerbaijan adopted a national strategy roadmap (titled [Azerbaijan 2030: National Priorities for Socio-Economic Development](#)), which set out a new stage in the country's long-term development agenda. The document recognizes green development with environmental protection and the use of renewables as a key national priority. The national strategy prescribes specific actions for the wide use of environmentally friendly technologies, improving waste management, rehabilitating contaminated areas, and boosting green energy in the economy.

In 2023, Azerbaijan again [revised](#) its NDC to include a more long-term objective, aiming for a 40 percent reduction in GHG emissions by 2050. Besides the new emissions reduction commitment, which was first announced in November 2021 at COP26 in Glasgow, Azerbaijan is now working on building a “Net Zero Emission” zone in the liberated territories (see below). Currently, the country is developing a National Adaptation Plan (NAP)—this will be an operationalization of its NDC—to address climate change. Energy, industrial processes, agriculture, land use, forestry, and waste are priority sectors for mitigation measures. According to its latest NDC, Azerbaijan will continue working on appropriate adaptation measures for particularly vulnerable sectors, with a specific focus on water resources management, coastal areas, and agriculture.

Regarding the continued use of fossil fuels, Azerbaijan agrees with the COP28 agreement language, stipulating a gradual approach to substituting oil, coal, and natural gas with renewables. Like other significant producers and consumers of hydrocarbons, Azerbaijan believes in an evolutionary approach providing for a fair, just, and equitable transition to green energy. Today, all of the country’s energy consumption is sourced from domestic production, primarily based on oil and gas use. Azerbaijan is a net exporter of oil, natural gas, and electricity. The country [accounts for around 4 percent](#) of [the EU’s total natural gas imports](#) (that is, 6.5 percent of all piped gas imports). Besides contributing to the EU’s diversification of energy supplies (and hence to its energy security), Azerbaijan’s natural gas exports to the European continent help to reduce the continent’s carbon footprint by providing a more climate-friendly alternative to coal. Given the significant potential for renewables, the country is also working on establishing green energy corridors to Europe, which is likely to include the export of green electricity and green hydrogen as per the December 2022 Agreement on Strategic Partnership in the Field of Green Energy Development and Transmission signed by Azerbaijan, Georgia, Hungary, and Romania. In this regard, Azerbaijan has recently made considerable enhancements to its regulatory framework to attract foreign direct investments in renewables.

Another important aspect related to fossil fuel use in Azerbaijan is the issue of subsidies. The country’s energy sector remains heavily subsidized, as the government seeks to provide affordable energy access. In 2019, Azerbaijan’s oil, natural gas, and electricity [subsidies amounted](#) to \$1.9 billion, or 4 percent of the country’s GDP. The energy subsidies per capita [totaled](#) \$190, with the average subsidization rate at 43 percent. While the COP28 agreement calls for the “phasing out inefficient fuel subsidies,” it also recognizes the countries’ right to use them to “address energy poverty or just transitions” (II.A.28(h)). In this regard, Azerbaijan is expected to see a gradual phase-out of subsidies with an introduction of various support mechanisms for protecting vulnerable groups. A proper carbon tax policy could also be one of the ways of enabling Azerbaijan to go through the phasing down process smoothly. Parvana Babayeva, in her [“Addressing Azerbaijan’s Carbon](#)

[Footprint: A Preliminary Case for a Carbon Tax Policy](#)” IDD Analytical Policy Brief, examines the details of carbon tax policy.

Azerbaijan became one of the signatories to the [Global Renewables and Energy Efficiency Pledge](#), which aims to triple the world’s installed renewable energy production capacity and double the global average annual rate of energy efficiency improvements by 2030. The country has a significant [technical potential for green energy](#) evaluated at 135 GW for onshore and 157 GW for offshore sources. The economic potential of renewable energy sources is [estimated](#) at 27 GW, including 3 GW of wind energy and 23 GW of solar energy. The country is committed to substantially raising the share of renewable energy sources in overall installed electricity capacity, to reach 30 percent by 2030. In recent years, Azerbaijan has undertaken several essential steps in that direction, including the establishment of the Azerbaijan Renewable Energy Agency in September 2020 and [the adoption of a law in May 2021 on the use of renewable energy sources in the production of electricity](#). Moreover, Azerbaijan has signed numerous MoUs and other relevant agreements to boost renewables and reach its green energy targets. In October 2023, the country [inaugurated](#) the 230 MW Garadagh Solar Power Plant—the country’s first industrial-scale solar power plant developed by the UAE-based company Masdar. Azerbaijan also actively promotes energy efficiency measures. Thus, the country adopted [the Law on Efficient Use of Energy Resources and Energy Efficiency](#) in 2021.

Concerning the [Oil and Gas Decarbonization Charter](#), the State Oil Company of the Republic of Azerbaijan (SOCAR) was one of the 50 oil and gas companies that joined the initiative. As noted above, participation in the initiative implies inter alia a commitment to reach net zero emissions in the company’s direct operations by 2050. Over the past years, SOCAR has undertaken numerous steps to reduce emissions and expand its use of green technologies. For example, the company was one of the first to join the World Bank’s “Zero Routine Flaring by 2030” program. [The establishment of SOCAR Green LLC](#) in December 2023 is another recent example of the company’s commitment to decarbonization and the promotion of renewables and green hydrogen.

It is also worth mentioning that Azerbaijan is going through sustainable rehabilitation and reconstruction of the recently liberated Karabakh Economic Region and the East Zangezur Economic Region, which also entails transforming these areas into a “carbon neutral” zone by 2050. This would require incorporating innovative strategies like establishing “green energy” zones, sustainable farming practices, environmentally conscious transportation, developing smart cities and villages, and large-scale reforestation programs. Yet, achieving this requires significant time and funding, given that the liberated areas are severely damaged, replete with minefields, and lack basic infrastructure in many areas. In this regard, Azerbaijan might take advantage of the Technology Mechanism that was launched at COP27 and the Loss and Damage Fund that was inaugurated at COP28. The former assists in facilitating

the implementation and expansion of prioritized technology measures, while the latter provides financial support to the losses and damages caused by the adverse effects of climate change. Azerbaijan might also consider taking advantage of the terms of the Declaration on Climate Relief, Recovery, and Peace adopted at COP28, whose rhetoric and political logic traces its origins to an initiative launched during the UK's COP26 presidency.

Baku's COP29 Presidency

COP29 will take place in Baku on 11-24 November 2024; COP30 will be held in Belém, Brazil, on 10-21 November 2025. While the world undertook several significant steps to tackle climate change and transition away from fossil fuels at COP28, there was very limited progress on the issue of climate finance, despite the UAE Presidency's best efforts. Thus, the climate finance topic will likely dominate the agenda of COP29 in Baku and COP30 in Belém. The UN's high-level expert group on climate [demonstrated](#) that developing nations (excluding China) need (at least) four times more funding—a whopping \$2.4 trillion a year—to promote green energy and climate resilience goals by 2030.

To ensure the collaboration and continuity required to keep global warming within 1.5 degrees Celsius whilst working to overcome the impasse revolving around various aspects of the fundamental issue of climate finance (including the scale, scope, and timeframe that “transitional fuels” like natural gas can play in “facilitating the energy transition while ensuring energy security” (II.A.29)), the UAE, Azerbaijan, and Brazil agreed to form a [COP Presidencies Troika](#) on 13 February 2024. The troika mechanism, according to the [official statement](#) released by the COP28 presidency, “will provide a platform for the three Presidencies to collaborate between now and COP30 to raise ambition across all pillars of the Paris Agreement to course correct in line with the UAE Consensus agreed in Dubai.”

For its part, IDD will work with leading think-tanks in both the UAE and Brazil within this context to advance research and analysis on various COP-related issues, including the foregoing.