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# Azerbaijan's climate leadership challenge

## What's at stake at COP29 and beyond

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# Summary

**As host of COP29, Azerbaijan must guide the UN negotiations towards agreement on crucial climate finance. But the country's weak environmental credentials, repressive politics and attachment to fossil fuel revenues invite doubts about its ability to provide effective climate leadership.**

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- Azerbaijan, a heavily oil- and gas-dependent state sandwiched between Russia and Iran, has propelled itself suddenly and incongruously into an international climate leadership role. As president of the UN's 29th flagship climate 'Conference of the Parties' (COP29), to be hosted in Baku in November 2024, the country will need to shepherd nearly 200 other governments towards common positions in highly contentious negotiations. Above all, it will need to achieve consensus on the critical issue of climate finance.
  - Azerbaijan's moment in the climate diplomacy spotlight does not end with COP29. The country has vigorously pursued other international responsibilities, including by forming a COP presidential 'Troika' with the United Arab Emirates (UAE), which hosted COP28 in 2023, and Brazil, which will host COP30 in 2025. Moreover, Azerbaijan will host UN World Environment Day in June 2026, and is bidding to preside over the global summit of the UN Convention on Biological Diversity in November 2026.
  - This research paper examines the implications, both at international and national levels, of Azerbaijan's new responsibilities and diplomatic prominence at this crucial moment for climate and environmental action. Climate impacts are escalating, while governments are locked in competition over who pays for, and who reaps the benefits of, the transition to a low-carbon future. The world urgently needs Azerbaijan to be an effective climate leader at COP29 and beyond. Azerbaijan, meanwhile, needs to tackle its own climate risks and rapidly increase momentum in its transition away from oil and gas dependence, given the combined threats of climate vulnerability, reserve depletion and market constraints.
  - As COP29 president, Azerbaijan must provide direction and vision to the talks, brokering the consensus agreements which form the summit's formal outcome. Yet given Azerbaijan's domestic record on climate action, the limitations of its political economy, and the government's performance to date in its role as COP president-designate, the country may struggle to provide credible and effective leadership.

- Azerbaijan's energy diplomacy is a case in point. The country has made no secret of its hopes to be one of the 'last standing' among fossil fuel producers. It has even used its COP29 platform to petition the EU for financial support to double Azerbaijani gas exports to the bloc, and for guarantees of European demand into the future. By inserting itself at the centre of the multilateral climate process, Azerbaijan's government may hope to control conversations around the global energy transition so that the country's own oil and gas reserves can remain financially viable for as long as possible. While the government is promoting domestic generation and consumption of renewable energy, its openly declared prime objective is to free up more gas reserves for export.
- Another concern is the potential contradiction between Azerbaijan's repressive political environment and the principle of diversely informed debate integral to the COP process. While active civil society participation is a fundamental tenet of UN Framework Convention on Climate Change (UNFCCC) negotiations, crackdowns on Azerbaijani civil society have been escalating. Under such conditions, it is hard to see how the organizing committee can live up to its stated aim of an inclusive COP29.
- By contrast, Azerbaijan's experience of balancing its foreign policy in a complex geopolitical environment may strengthen its hand. Since independence in 1991, the former Soviet republic has carefully avoided tying itself too closely to major geopolitical blocs. It joined the Non-Aligned Movement in 2011 and chaired this forum between 2019 and early 2024. Though now forging closer ties with Russia, Azerbaijan may still be 'neutral enough', in effect, to rally disparate subsets of COP delegates. These include countries in the Global South, small island states, hydrocarbon producers and major powers (as well as states resistant to the latter's agendas or perceived diktats).
- An ability to broker agreement between diverse stakeholders will be crucial to COP29's main task: delivering a New Collective Quantified Goal (NCQG) on climate finance. The NCQG will replace an inadequate previous arrangement, under which developed countries were supposed to mobilize \$100 billion a year to support climate action in developing countries. Without climate finance in the trillions of dollars, developing countries will lack the means to fund ambitious mitigation, adapt to climate impacts, and cope with loss and damage that isn't (or can't be) avoided.
- Azerbaijan's dependency on oil and gas is problematic for its COP29 presidency in many ways. It does, however, offer one potential advantage: it may enable the country to engage other hydrocarbon-rich nations in constructive and explicit debate on the dilemmas of transition away from fossil fuels – in a way never before achieved at the COP. Conversely, there is a risk that Azerbaijan could rally fellow fossil fuel producers around limited and unambitious outcomes at the summit. This is, perhaps, more likely given the deep interconnections between Azerbaijan's fossil fuel wealth and the patronage system entrenched in its political culture.

- Finally, Azerbaijan's framing of COP29 as a 'peace COP' risks distracting attention from the core issues, while adding to an agenda already overpacked with secondary initiatives. The prospect of a political settlement with Armenia provides a PR opportunity around regional stability. But overemphasis on optics risks a shallow and performative peace agreement, wasting genuine opportunities for progress at a critical juncture for Armenia and Azerbaijan.
- The world cannot afford for Azerbaijan's turn at climate leadership to fail. This paper offers recommendations, summarized below, for getting the most out of COP29, supporting Azerbaijan's longer-term climate leadership and action, and preserving the credibility of the UNFCCC at a time of heightened urgency and risk:
  - **Azerbaijan's government should openly acknowledge its dilemmas and challenges around fossil fuel reliance and climate vulnerability,** and solicit support from the global climate community in addressing them.
  - **As Troika members, Azerbaijan, Brazil and the UAE should be open about the geopolitical challenges of the energy transition.** At recent COPs it has gradually become more possible to ask politically difficult questions about the future of fossil fuels. These questions need to be brought to the centre of the debate at COP29 and COP30. The Troika should make it part of its mission to plot a viable path to a decarbonized future for fossil fuel producers. Doing so would create conditions for greater ambition, currently limited by those with most to lose from transition.
  - **Azerbaijan's government needs to engage with domestic civil society on climate and environmental action,** to benefit from the innovation, inclusiveness and on-the-ground connections local actors can bring. The international community – both within government and outside it – should keep up pressure on Azerbaijan over its human rights record and suppression of domestic civil society, while remaining realistic about the low probability of meaningful reform given the country's resistance to political pluralism.
  - To bolster the credibility of the 'peace COP' agenda, **Azerbaijan's government should emphasize the links between cross-border, cascading climate risks, conflict and security.** Joint action with Armenia on shared environmental challenges such as transboundary water management would help build confidence between the two states and demonstrate the value of cross-border action, for both resilience and peacebuilding, to the global community.
  - **Political leaders in Azerbaijan, Armenia and Georgia should also acknowledge their joint interest in effective climate action** in a way that is independent of, but complementary to, Azerbaijan and Armenia's bilateral peacebuilding efforts.
  - **Parties to the UNFCCC should mandate the secretariat to develop best practice and guardrails for the COP presidency.** Faith and trust in the UNFCCC, the Paris Agreement and the COP process are the bedrock of multilateral climate ambition. Agreement between parties on how to realize the benefits, and limit the potential damage, from the system of rotating COP presidencies could help shore up future global climate cooperation.

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# 01 Introduction

**By hosting the UN climate negotiations in 2024, and vigorously pursuing further environmental leadership roles, Azerbaijan has turned a spotlight on its own climate vulnerability, governance challenges and economic reliance on fossil fuels.**

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and Ruth Townsend

As 2023 drew to a close, amid record-breaking temperatures and global wrangling over climate action, Azerbaijan propelled itself unexpectedly into a role of climate leadership. A heavily oil- and gas-dependent country of 10 million people, sandwiched between Russia and Iran, Azerbaijan was chosen as host of the UN's flagship 2024 climate change summit, COP29. To succeed in its bid for presidency of this 'Conference of the Parties' (COP),<sup>1</sup> Azerbaijan's government was willing to bear criticism over its human rights record from international civil society,<sup>2</sup> to take on considerable expense and inconvenience, and to come to a public agreement with its arch-rival, Armenia.

Azerbaijan has secured an influential position in international environmental policymaking – at a time of rising pressure around crucial issues such as climate finance – until at least mid-2026. In addition to being awarded the presidency of COP29, which will take place in the country's capital, Baku, from 11 to 22 November 2024, Azerbaijan has formed a 'Troika'<sup>3</sup> arrangement with the United Arab Emirates (UAE), which hosted COP28 in 2023, and Brazil, which will preside over COP30 next year. The three countries will coordinate agendas and pool resources to promote continuity across consecutive COP negotiations under the heading of the 'Roadmap to Mission 1.5°C'.

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<sup>1</sup> The UN also has separate COPs, numbered differently, for the two other 'Rio conventions', devoted to biodiversity and tackling desertification respectively.

<sup>2</sup> Human Rights Watch (2024), 'Azerbaijan: Vicious Assault on Government Critics', 8 October 2024, <https://www.hrw.org/news/2024/10/08/azerbaijan-vicious-assault-government-critics>.

<sup>3</sup> COP28 (2024), 'COP28 launches 'The COP Presidencies Troika' in partnership with the COP29 and COP30 Presidencies-a groundbreaking initiative to support 'Mission 1.5°C' by maintaining momentum, locking in continuity, and anchoring implementation', press release, 13 February 2024, <https://www.cop28.com/en/news/2024/02/COP28-launches-The-COP-Presidencies-Troika>.

Further to this, Azerbaijan has been appointed host of the UN's World Environment Day in June 2026.<sup>4</sup> The government has also established 'Baku Climate Action Week', in collaboration with London Climate Action Week, as a feature of the international climate calendar and as an intended contribution to 'the foundations for a successful COP29'.<sup>5</sup> And finally, the country has recently submitted a bid to host the COP17 summit of the UN Convention on Biological Diversity (CBD) in November 2026. If Azerbaijan's claims to climate and environmental leadership amount purely to 'greenwashing',<sup>6</sup> as some have suggested, the government seems confident it can keep up the façade for some time.

## **Azerbaijan has secured an influential position in international environmental policymaking – at a time of rising pressure around crucial issues such as climate finance – until at least mid-2026.**

For a small country, these roles offer an opportunity to benefit from a rapid learning curve in diplomacy, from increased international cooperation in its economic development, and from exposure to a global pool of skills and knowledge. Together, these could help Azerbaijan manage its own climate risks and related energy transition.

Azerbaijan is neither the first authoritarian state nor the first petrostate to host a UN climate summit, but concerns nonetheless remain over how effective the country's stewardship of COP29 will be – and whether Azerbaijan's responsibility for an agenda of global consequence could delay or undermine climate action. At one level, there is a basic question of readiness, given the unusually short preparation time and the country's acknowledged lack of experience of climate leadership.<sup>7</sup> Officials presiding over these summits need to be extraordinarily well briefed on multilateral procedure and technical climate issues. In addition, Azerbaijan's own ambivalence towards the transition from fossil fuels has understandably invited suspicion that its hosting of the conference is not motivated by real commitment to progress in the climate negotiations. There is concern that the country will struggle to lead parties towards ambitious policy commitments where more committed and credible hosts have failed. Azerbaijan and nearly 200 other governments agreed to transition away from fossil fuels in energy systems at COP28 in 2023,<sup>8</sup> yet the country's leadership remains vocal about the fact that it sees no reason to wind down hydrocarbon gas production while demand remains.

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<sup>4</sup> United Nations Environment Programme (UNEP) (2024), 'Republic of Azerbaijan to host World Environment Day 2026', press release, 27 June 2024, <https://www.unep.org/news-and-stories/press-release/republic-azerbaijan-host-world-environment-day-2026>.

<sup>5</sup> Baku Climate Action Week (2024), 'Introduction', <https://bakuclimateactionweek.org/en/Introduction>.

<sup>6</sup> Sikulu, J. Z. (2024), 'As Pacific Islanders, we need climate action – not greenwashing – from Azerbaijan', Climate Home News, 2 September 2024, <https://www.climatechangenews.com/2024/09/02/as-pacific-islanders-we-need-climate-action-not-greenwashing-from-azerbaijan>.

<sup>7</sup> Bearak, M. (2024), 'Inside the Petrostate Hosting This Year's Global Climate Negotiations', *New York Times*, 2 August 2024, <https://www.nytimes.com/2024/08/02/climate/azerbaijan-cop29-babayev.html>.

<sup>8</sup> United Nations Framework Convention on Climate Change (UNFCCC) (2023), 'Outcome of the First Global Stocktake', COP28, United Arab Emirates, 13 December 2023, p. 5, [https://unfccc.int/sites/default/files/resource/cma2023\\_L17\\_adv.pdf](https://unfccc.int/sites/default/files/resource/cma2023_L17_adv.pdf).



There is some political logic to this. Azerbaijan knows that the days of its oil and gas bonanza are numbered, given the country's declining oil reserves, a limited period in which exporting gas to Europe is likely to be economically feasible, and the wider global shift to low-carbon energy systems. At the same time, Azerbaijan's hydrocarbon resources are part of the nation's historical identity and have long been the mainstay of its economy. They have also served as a kind of 'Swiss army knife' for the government in tackling domestic and foreign policy challenges – allowing Baku to foster business links with Western energy majors, secure energy export routes that bypass Russia (thus lessening Azerbaijan's dependence on its neighbour), boost military spending, and exercise patronage-based control over members of the elite. Azerbaijan has no other asset that could replace hydrocarbons in all these roles.

According to Ilham Shaban, head of the Caspian Barrel Oil Research Center, 'Azerbaijan's goal is to get the maximum money from its hydrocarbon resources before Europe reaches its decarbonisation objective'.<sup>9</sup> However, without a viable pathway for sustainable national economic diversification, this approach risks locking in investment in high-emissions infrastructure. It also creates 'opportunity costs' for society, as policy support for high-carbon sectors delays or prevents the introduction of incentives for greener ones. In only a few years, a long-term decline in demand is expected to begin in global oil and European gas markets. The urgency of this timeframe is not reflected in Azerbaijani policymaking.

Like many other states, Azerbaijan will need international financing to adapt to and mitigate climate change. In principle the country should, therefore, be motivated to deliver a solid New Collective Quantified Goal (NCQG) on climate finance at COP29: one of the government's headline responsibilities as conference president (see Chapter 2, Box 2). However, Baku is likely to be less keen on a climate finance deal that includes transparency requirements, conditionality around strong climate policies and good governance in recipient countries (which such countries may find hard to meet), or down-scaling of any financial flows that run counter to the goals of the Paris Agreement (as this might restrict investment in fossil fuel expansion).

Azerbaijan's political economy remains a key obstacle to reforms that might aid climate action in the country. During his 21 years as president of Azerbaijan, Ilham Aliyev has consolidated authoritarian governance through crackdowns on political rivals, critics, civil society and independent media. His government's responses to external criticism of its human rights record have been increasingly bold. Scholars have characterized Azerbaijan's political system as one of 'hegemonic authoritarianism',<sup>10</sup> in which political opposition to the Aliyev government is technically legal but in practice almost impossible. Azerbaijan is a rentier state, dependent economically and politically on oil and gas income, and the country scores poorly on governance indicators such as Transparency International's Corruption Perceptions Index.<sup>11</sup> Political power is also concentrated around the

<sup>9</sup> *The Hindu* (2024), 'Azerbaijan says 'God-given' oil and gas will help it go green', 18 September 2024, <https://www.thehindu.com/news/international/azerbaijan-says-god-given-oil-and-gas-will-help-it-go-green/article68651549.ece>.

<sup>10</sup> LaPorte, J. (2014), 'Hidden in plain sight: political opposition and hegemonic authoritarianism in Azerbaijan', *Post Soviet Affairs*, 31(1), <https://www.tandfonline.com/doi/full/10.1080/1060586X.2014.951184>.

<sup>11</sup> Transparency International (2024), 'Corruption Perceptions Index 2023', <https://www.transparency.org/en/countries/azerbaijan>; Our World in Data (undated), 'Political corruption index', <https://ourworldindata.org/grapher/political-corruption-index?tab=table> (accessed 21 Oct. 2024).

ruling family and its allies. A 2016 referendum removed a two-term presidential limit and gave 'unprecedented' powers to the president.<sup>12</sup>

This poor governance environment is not conducive to boosting foreign direct investment and entrepreneurship, nor, given the administration's claims of climate leadership, is it conducive to preparing climate policies that are appropriate and effective across society. Arguably, an authoritarian political system is not an insurmountable obstacle *per se* to effective climate action, as autocratic states (China, for instance – see Chapter 4, Box 10) may have more freedom to enact socially disruptive policies with little resistance. But nor can the presence of an authoritarian system easily be dismissed as unimportant. For one thing, it is contrary to the principle of whole-of-society participation that underpins protocol in the United Nations Framework Convention on Climate Change (UNFCCC).<sup>13</sup> For another, social inclusiveness is considered critical in development of robust and politically sustainable national climate plans.<sup>14</sup>

As a result, Azerbaijan is more vulnerable to the impacts of climate change. While preparations for COP29 have started focusing the government's attention and rhetoric on climate risks, adaptation measures in the country remain in their infancy. Climate change is already affecting Azerbaijan. Land degradation, environmental damage and extreme weather threaten the long-term livelihoods of the 36 per cent of Azerbaijanis who work in agriculture.<sup>15</sup> Water scarcity, a shrinking Caspian Sea and changes to prevailing winds will complicate plans for a transition towards hydroelectric and wind power. Water security is also threatened by the fact that Azerbaijan is a 'downstream' state in a volatile neighbourhood (see also Chapter 3), relying for 50–70 per cent of its fresh water on upstream sources outside its borders.<sup>16</sup> Climate-related water stress will exacerbate existing political tensions with neighbouring countries, potentially increasing hard security risks for Azerbaijan.

Baku has publicly acknowledged the need to resolve or prevent such increases in conflict risk by declaring the COP29 summit to be a 'peace COP',<sup>17</sup> and by suggesting that the summit could be the venue for a breakthrough agreement with long-term adversary Armenia (something Armenia has also suggested but with different conditions). Azerbaijani officials have also called for a 'COP truce', incongruous in the context of Azerbaijan's own initiation of war in Mountainous Karabakh in September 2020, six months after UN Secretary-General António

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<sup>12</sup> Venice Commission of the Council of Europe (2016), 'Azerbaijan – Constitutional draft modifications are negative and "at odds with European constitutional heritage"', 20 September 2016, <https://www.venice.coe.int/webforms/events/?id=2302>.

<sup>13</sup> UNFCCC (2015), *Paris Agreement*, Article 16.8, [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf).

<sup>14</sup> NDC Partnership (2024), *Whole-of-society approaches to inclusive stakeholder engagement*, March 2024, p. 5, <https://ndcpartnership.org/sites/default/files/2024-03/whole-society-approaches-inclusive-stakeholder-engagement-best-practice-brief.pdf>.

<sup>15</sup> World Bank Group (2022), *Azerbaijan: Towards Green Growth*, p. 6, <https://openknowledge.worldbank.org/server/api/core/bitstreams/03aa0b10-3146-5831-be15-a67d94f9a3b9/content>.

<sup>16</sup> Alizade, S. (2024), 'In search of water: How Azerbaijan is overcoming its water crisis', *News.az*, 8 May 2024, <https://news.az/news/-in-search-of-water-how-azerbaijan-is-overcoming-its-water-crisis->

<sup>17</sup> Harvey, F. (2024), 'COP29 summit to call for peace between warring states, says host Azerbaijan', *Guardian*, 5 May 2024, <https://www.theguardian.com/environment/article/2024/may/05/cop29-summit-to-call-for-peace-between-warring-states-says-host-azerbaijan>.

Guterres had called for a global ceasefire in all conflicts.<sup>18</sup> Since 2020, Azerbaijan has made extensive use of coercive tactics, including repeated military escalations and incursions, to enforce its preferred outcomes in negotiations with Armenia. This culminated in Azerbaijan's military takeover of Mountainous Karabakh in September 2023, following a nine-month blockade of the Karabakh Armenians' access to Armenia. While both sides say a peace agreement is in the offing, critical issues have been dropped, and prospects for resolution of these issues are uncertain.

The long-standing political utility, from the Azerbaijani government's perspective, of conflict with the Armenians also raises questions about the durability of any peace agreement or detente. For decades, the Aliyev government has used rivalry with Armenia to rally popular support. Ongoing antagonistic rhetoric towards Armenia suggests the Azerbaijani government is not ready to relinquish this tool or let society move on now that a peace of sorts (see Chapter 5) has arrived.<sup>19</sup>

## **Azerbaijan is seeking a global leadership role at an especially challenging time not just for the country, but for multilateral climate action as a whole.**

Azerbaijan is seeking a global leadership role at an especially challenging time not just for the country, but for multilateral climate action as a whole. Temperature records are repeatedly being broken and climate impacts are escalating, while the capacity and willingness of governments worldwide to fund climate action remain stubbornly flat. The geopolitical context, too, is difficult, not least with neighbouring Russia continuing its war on Ukraine and conflict raging in the Middle East. The implications of the latter for Israel and Iran – the former a key partner for Baku and the latter a key player in Azerbaijan's neighbourhood – are highly uncertain.

### **About this paper**

With these factors in mind, this research paper analyses Azerbaijan's domestic and foreign challenges and policies in the context of the country's claims – and, distinctly, its opportunity – to be a climate leader. The opportunity is defined by Azerbaijan's hosting of COP29, by its membership of the UAE–Azerbaijan–Brazil Troika, by its hosting of UN World Environment Day in 2026, and by its bid to host the 2026 UN biodiversity summit. The paper looks at Azerbaijan's interests, capabilities and constraints in respect of both international climate diplomacy and domestic climate change mitigation and adaptation, and examines the government's potential to fulfil the climate leadership role it has so actively sought.

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<sup>18</sup> United Nations (2020), 'UN Secretary-General Calls for Global Ceasefire to Focus on Ending the COVID-19 Pandemic', 25 March 2020, <https://www.un.org/en/academic-impact/un-secretary-general-calls-global-ceasefire-focus-ending-covid-19-pandemic>.

<sup>19</sup> Poghosyan, B. (2024), 'Opinion: President Aliyev does not intend to sign a peace agreement with Armenia', Commonsense.eu, 8 July 2024, <https://www.commonspace.eu/opinion/opinion-president-aliyev-does-not-intend-sign-peace-agreement-armenia>.

We offer ideas for how Azerbaijan might strengthen its resilience in the face of climate change and start a lasting transition to cleaner energy, but our analysis does not shy away from identifying the very real barriers to achieving this. Our analysis includes consideration of climate change and the energy transition, governance and human rights, the political economy, and the Armenian-Azerbaijani peace process.

We make recommendations for how Azerbaijan might act with genuine climate leadership at COP29 and beyond. Azerbaijani diplomats are aware of the weight they carry in being expected to facilitate more ambitious action on the climate crisis – principally in terms of securing equitable financing for such action. Despite the short lead time Azerbaijan has had for the COP29 conference, failure would be a diplomatic embarrassment. A lack of genuine climate leadership on Azerbaijan's part would also squander valuable opportunities for much-needed domestic sustainable development and resilience-building. Azerbaijan has a stake in this. The climate and energy transition risks the country faces are very real, and insufficient progress on addressing these risks will exacerbate existing vulnerabilities and store up extensive trouble for the near future.

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# 02

## COP29 and the ‘Troika’ – an opportunity and a risk for global climate governance

**Amid accusations of COP ‘capture’ and ‘greenwashing’, Azerbaijan must lead by example and with conviction to prove its doubters wrong.**

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Ruth Townend

Azerbaijan’s leadership has so far relished the spotlight brought on the country by its hosting of COP29. This is despite criticism over Azerbaijan’s hydrocarbon-reliant economy<sup>20</sup> and poor human rights record,<sup>21</sup> and despite doubts over Baku’s practical capacity to host an enormous multilateral conference (COP28 was attended by around 85,000 delegates in 2023).<sup>22</sup>

Claims to climate leadership, however, entail heavy responsibilities. As COP29 president, Azerbaijan will be expected to shepherd nearly 200 parties (197 other countries, and the European Union) through complex and contentious negotiations to deliver progress towards obligations enshrined in the groundbreaking (and legally binding) 2015 Paris Agreement, in the UNFCCC and in the Kyoto Protocol. Over two weeks in November 2024, Mukhtar Babayev – Azerbaijan’s minister of ecology and natural resources and a former executive of the State Oil Company of the Azerbaijan Republic (SOCAR) – will preside over the debate and, with luck, oversee passage of multilateral plans to address climate change and its impacts.

Under UN rules, the COP presidency rotates between five UN regional groups. For COP29, it was the turn of the UN’s Central and Eastern Europe group to assume this role. In the dying days of COP28 in 2023, the question of which country would host the following year’s summit had yet to be decided. Russia promised to veto

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<sup>20</sup> Harvey, F., Greenfield, P. and Carrington, D. (2023), ‘Azerbaijan chosen to host COP29 after fraught negotiations’, *Guardian*, 9 December 2023, <https://www.theguardian.com/environment/2023/dec/09/azerbaijan-host-cop29-fraught-negotiations>.

<sup>21</sup> Amnesty International (2024), ‘Global: COP29 climate summit in Azerbaijan must put human rights at its core’, 20 March 2024, <https://www.amnesty.org/en/latest/news/2024/03/global-cop29-climate-summit-in-azerbaijan-must-put-human-rights-at-its-core>.

<sup>22</sup> Lo, J. (2024), ‘Azerbaijan orders Baku hotels to freeze COP29 room booking’, *Climate Home News*, 9 February 2024, <https://www.climatechangenews.com/2024/02/09/azerbaijan-orders-baku-hotels-to-freeze-cop29-room-booking>.

any EU country's candidacy, apparently in response to the EU's blocking of Russia – and of Moscow's preferred non-EU host candidates – on account of Russia's invasion of Ukraine.<sup>23</sup> The remaining countries in the group either lacked the capacity to host or, in the case of Azerbaijan and Armenia, promised to veto each other.

## **Who presides over COP29 matters. The COP president leads the talks and plays an important role in their success, providing direction and vision, and ultimately brokering the consensus agreements which form the COP outcome.**

The question was only settled when Armenia abruptly dropped its rival bid to host COP29 and lifted its veto on its neighbour and adversary becoming host (see Box 1). The two sides released a joint statement with details of a prisoner swap, a profession of ambition to 'normalize relations' following three decades of conflict, and claims of hopes for a peace agreement.<sup>24</sup>

Who presides over COP29 matters. The COP president leads the talks and plays an important role in their success, providing direction and vision, and ultimately brokering the consensus agreements which form the COP outcome. Balancing the interests of different parties to achieve this requires mastery of complex multilateral processes, commitment to ambitious outcomes, skilled diplomacy, and force of will.

In some ways, Azerbaijan is well placed to grapple with the challenges at the heart of multilateral climate action. It sits at the crux of many of the dilemmas of climate change and the energy transition, having a hydrocarbon-dependent economy but some ambition for a renewables-focused future. It draws rents from fossil fuels but requires finance for decarbonization and sustainable development. It is situated between Europe and Asia, in a region fraught with geopolitical tensions which stand to increase as climate impacts intensify. Yet in other respects, Azerbaijan looks an unlikely choice for the COP presidency, having failed to make a meaningful start on climate change adaptation or mitigation. The government continues to make public statements that fly very wide of the mark of climate leadership.<sup>25</sup>

While the parties to the UNFCCC collectively 'own' the climate negotiations, the presidency has often shouldered the blame when progress has lagged.<sup>26</sup> At a time

<sup>23</sup> Abnet, K. and Alkousaa, R. (2023), 'Russia aims to block EU from hosting COP29 climate summit, emails show', Reuters, 7 June 2023, <https://www.reuters.com/business/environment/russia-aims-block-eu-hosting-cop29-climate-summit-emails-show-2023-06-07>; and Weise, Z. (2023), 'Russia is holding COP29 climate summit 'hostage'', POLITICO, 22 November 2023, <https://www.politico.eu/article/russia-hold-next-years-global-climate-summit-cop29-hostage>.

<sup>24</sup> Prime Minister's Office of the Republic of Armenia (2023), 'Joint statement of the Office of the Prime Minister of the Republic of Armenia and the Presidential Administration of the Republic of Azerbaijan', press release, 7 December 2023, <https://www.primeminister.am/en/press-release/item/2023/12/07/Announcement>.

<sup>25</sup> Gavin, G. and Mathiesen, K. (2024), 'Azerbaijan president: COP29 won't stop us investing in 'god-given' gas', POLITICO, 26 April 2024, <https://www.politico.eu/article/azerbaijan-president-ilham-aliyev-cop29-climate-change-gas>; and President of the Republic of Azerbaijan (2024), 'Ilham Aliyev participated in the High Level Segment of the 15th Petersburg Climate Dialogue', 26 April 2024, <https://president.az/en/articles/view/65638>.

<sup>26</sup> Maslin, M., Parikh, P., Taylor, R. and Chin-Yee, S. (2022), 'Opinion: COP27 will be remembered as a failure – here's what went wrong', UCL News, 21 November 2022, <https://www.ucl.ac.uk/news/2022/nov/opinion-cop27-will-be-remembered-failure-heres-what-went-wrong>.

when climate impacts are escalating and key temperature thresholds are being passed, Azerbaijan has no record of climate leadership, no thriving civil society, and little academic expertise in climate transition to turn to. When the very short lead time in which to build preparedness or expertise is factored in, taking on the presidency seems a risky move.

### **Box 1. A 'peace COP' in the wake of war**

*Laurence Broers*

Armenia and Azerbaijan have been locked in a conflict over control of Mountainous Karabakh, a historically Armenian-majority area within the internationally recognized borders of Azerbaijan, since before their independence from the Soviet Union in 1991. In 2020, Azerbaijan reversed a calamitous 1990s defeat by winning a six-week war in which it took back most of the territories it had lost decades previously. In September 2023, Azerbaijan then launched a military strike against the last part of Mountainous Karabakh remaining beyond its control, capturing it within 24 hours. Within a week, the entire Karabakh Armenian population – more than 101,000 people – had fled the territory to Armenia.<sup>27</sup>

Less than three months later, on 7 December, as COP28 was drawing to a close in Dubai, Armenia and Azerbaijan issued a joint statement announcing a package of confidence-building measures. Yerevan withdrew its own candidacy to host COP29 and its veto on Azerbaijan's bid, in exchange for the release of 32 prisoners (two Azerbaijani prisoners were also released).<sup>28</sup> This agreement generated both international relief that the crisis over COP29's location had been resolved, and consternation among environmental activists that the conference was to be hosted by another petrostate. For observers of the Armenian-Azerbaijani conflict, the agreement represented a milestone in the capacity of bilateral negotiations to deliver compromise. However, this was still a one-off event rather than a decision embedded in a structured pattern of confidence-building.

Azerbaijan's COP presidency consequently emerged neither out of a track record of climate change activism on the government's part, nor out of a stably established and predictable process to reduce tensions with Armenia. Hosting the conference offers an international stage for Azerbaijan to position itself within narratives of green energy and peace transitions. After its recent use of force, however, Azerbaijan's appeals for COP29 to be the occasion for a global truce have invited accusations of cynicism and hypocrisy.<sup>29</sup> Commitments to a new package of confidence-building measures with Armenia could add some substance to the 'peace COP' brand.

<sup>27</sup> Official Journal of the European Union (2024), 'Resolution by the Euronest Parliamentary Assembly on the social support and integration of minors fleeing war in the EU and the Eastern Partnership region as adopted on 20 March 2024', C/2024/3823, 19 June 2024, [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:C\\_202403823](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=OJ:C_202403823).

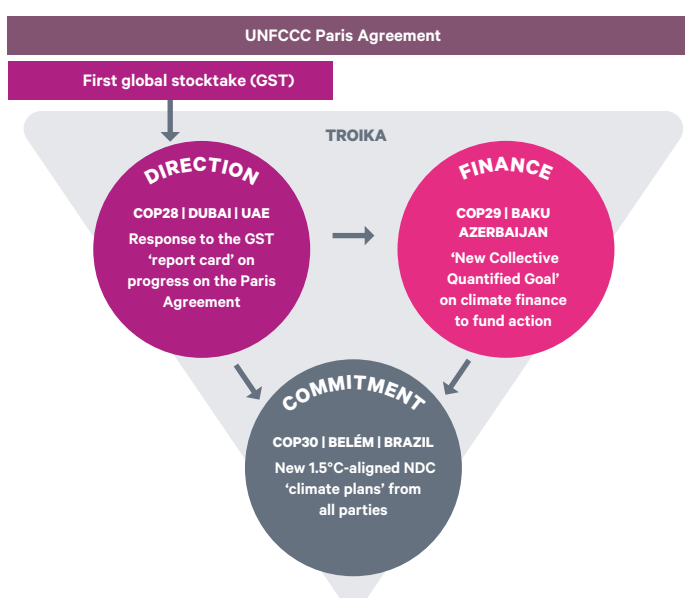
<sup>28</sup> Presidential Administration of the Republic of Azerbaijan and the Office of the Prime Minister of the Republic of Armenia (2023), 'Joint statement of the Presidential Administration of the Republic of Azerbaijan and the Office of the Prime Minister of the Republic of Armenia', Azertac, 7 December 2023, [https://azertag.az/en/xeber/joint\\_statement\\_of\\_the\\_presidential\\_administration\\_of\\_the\\_republic\\_of\\_azerbaijan\\_and\\_the\\_office\\_of\\_the\\_prime\\_minister\\_of\\_the\\_republic\\_of\\_armenia-2844029](https://azertag.az/en/xeber/joint_statement_of_the_presidential_administration_of_the_republic_of_azerbaijan_and_the_office_of_the_prime_minister_of_the_republic_of_armenia-2844029).

<sup>29</sup> Harvey, F. (2024), 'Azerbaijan accused of hypocrisy after calling for COP29 global truce', *Guardian*, 17 September 2024, <https://www.theguardian.com/environment/2024/sep/17/azerbaijan-accused-of-hypocrisy-after-calling-for-cop29-global-truce>.

## The Troika – sharing the burden, prolonging the role

In recognition of the challenges the country will face in hosting the world's biggest and most complex exercise in multilateralism, with very little notice, Azerbaijan has formed a collaborative 'Troika' with COP28's host, the UAE, and with Brazil, which will host COP30 in 2025. This unusual arrangement reflects a need to focus the negotiations in light of escalating climate impacts and inadequate progress to date towards the Paris Agreement goals.<sup>30</sup> The UNFCCC's executive secretary, Simon Steill, has framed COP28, COP29 and COP30 as a three-step process involving direction-setting, finance and renewed commitment (see Figure 1).

**Figure 1.** The Troika arrangement for COP28, COP29 and COP30



As Troika members, the UAE and Azerbaijan will share in the responsibility for COP30 in Brazil. That summit, which will mark a decade since the Paris Agreement was struck in 2015, will be an acid test for whether the Paris process can guide humanity back from the brink of climate catastrophe. All this at a time when Earth systems are in crisis and the global financial architecture is creaking under the strain of 21st-century challenges. Collectively, the Troika members also produce more oil than any single country other than the US, Russia and Saudi Arabia,<sup>31</sup> meaning the incentives for the Troika to phase out fossil fuels are uncertain

<sup>30</sup> United Nations (2023), 'Global Stocktake reports highlight urgent need for accelerated action to reach climate goals', 30 November 2023, <https://www.un.org/en/climatechange/global-stocktake-reports-highlight-urgent-need-for-accelerated-action-to-reach-climate-goals>.

<sup>31</sup> U.S. Energy Information Administration (2024), 'What countries are the top producers of oil?', updated 11 April 2024, <https://www.eia.gov/tools/faqs/faq.php?id=709&t=6> (accessed 10 Oct. 2024); Our World in Data (2024), 'Oil production', <https://ourworldindata.org/grapher/oil-production-by-country?time=latest&country=USA~ARE~SAU~RUS~BRA~AZE~CAN~CHN~IRQ~IRN~KWT> (accessed 10 Oct. 2024).



to say the least.<sup>32</sup> At the 'halfway to COP' Bonn intersessional meetings in June 2024, which served both to help implementation of ongoing UNFCCC work and to prepare for the next COP, the Troika could charitably have been described as underactive.<sup>33</sup>

## Azerbaijan – a safe pair of hands?

President Ilham Aliyev is conscious that COP29 will put the global spotlight on Azerbaijan. The inadequate state of global climate action – as evidenced by the 'report card' from the first 'Global Stocktake', delivered ahead of COP28 in 2023<sup>34</sup> – presents Aliyev with an opportunity to demonstrate that Azerbaijan is a safe pair of hands for challenges of a global scale. Aliyev consciously broadcasts competency and strategic forward planning at every turn. At the ADA University conference on 'COP29 and Green Vision for Azerbaijan' held in Baku in April 2024, he said: 'We are just building success after success. ... All is based on thoughtful policy, on strategy, on proper tactics.'<sup>35</sup> He is likely to want to be seen to bring these qualities to Azerbaijan's claims of climate leadership.

Yet the COP presidency, despite its hugely influential role, is not the only cog in the UNFCCC machine. Azerbaijan is working closely with the UNFCCC secretariat, and relying on the surrounding expert community to guide and support the conference to a successful conclusion. A huge mobilization of human, financial and diplomatic capital is under way in the country. Yet if Azerbaijan fails to provide adequate leadership, the UNFCCC must and will quietly muster parties to take up the slack. This would be an embarrassment for the Azerbaijani government, however.

Given Azerbaijan's active pursuit of multiple climate and environmental leadership roles, a poor COP29 outcome could invite allegations of, at best, greenwashing. At worst, it could bring accusations of a dereliction of duty. The climate crisis persists regardless of qualifiers about the COP host's lack of time, the complexities of transition, or the difficulties of reaching consensus. If COP29's outcome is weak, climate-vulnerable countries and international civil society will be vocal in their criticisms, as will higher-ambition developed-country parties. Recriminations towards Azerbaijan would likely damage its international reputation and undermine goodwill towards its government, as opposed to strengthening or resetting the country's international relations as the leadership might hope in the event that COP29 is perceived as successful.

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<sup>32</sup> Author's GSCC Global Climate Diplomacy Briefing email with Ed King, August 2024.

<sup>33</sup> Greenpeace International (2024), 'Climate talks stalemate: Troika must now propel both climate finance and action', press release, 13 June 2024, <https://www.greenpeace.org/international/press-release/67802/bonn-climate-politics-stalemate-troika-finance-action>.

<sup>34</sup> UNFCCC (2023), *Technical dialogue of the first global stocktake*, <https://unfccc.int/documents/631600>.

<sup>35</sup> ADA University (2024), 'Ilham Aliyev attended the International Forum "COP29 and Green Vision for Azerbaijan"', 22 April 2024, <https://www.ada.edu.az/en/news/644-ilham-aliyev-attended-the-international-forum-cop29-and-green-vision-for-azerbaijan>.

## Climate finance – the critical task for COP29

COP29's specific objectives are drawn from the Paris Agreement and informed by progress (or the lack thereof) in the negotiations to date. The biggest ticket on the agenda in 2024 is climate finance.<sup>36</sup> At COP15 in Copenhagen in 2009, developed countries committed to a collective goal of mobilizing \$100 billion a year by 2020 to fund climate action in developing countries. At COP21 in Paris in 2015, the period of annual payments was set at 2020–25. Before the current goal expires in 2025, parties must agree a New Collective Quantified Goal (NCQG) on climate finance.<sup>37</sup> Agreement of the NCQG is the most important task for COP29. To make a success of the summit, Azerbaijan must lead countries to a decisive outcome on the NCQG that is fit to enable achievement of the Paris Agreement goals.

The previous \$100 billion goal was widely criticized both because the sum was far too small in relation to the scale of the need, and because the inadequate finance that was pledged was repeatedly delayed. The NCQG is critical to progress on the climate crisis, as its scale and function will underpin the level of ambition in climate plans – the so-called 'nationally determined contributions' (NDCs) – from countries that lack the finance to make ambitious commitments alone, and that often suffer the heaviest climate impacts.

The NCQG also offers a political opportunity to repair the trust undermined by developed countries' repeated failures to meet the previous \$100 billion target. The international financial system also needs reform if it is to support rather than impede countries' transitions to low-carbon energy systems. Technical and ministerial dialogues on the NCQG have been running since 2022, covering who should contribute and mobilize the new finance, who should access it and how, and for what ends. Final decisions and an agreement on the goal – including an overall target amount of financing – will need to be made at COP29, guided and presided over by Azerbaijan. Finance has long been one of the thorniest issues in the climate negotiations, beset by hollow promises and unmonitorable initiatives. Strong, concerted, constructive leadership on finance will be needed if COP29 is to result in an ambitious yet feasible NCQG (see Box 2).

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<sup>36</sup> UNFCCC (2023), *New Collective Quantified Goal on Climate Finance*, [https://unfccc.int/sites/default/files/resource/UNFCCC\\_NCQG2023\\_flyer\\_web.pdf](https://unfccc.int/sites/default/files/resource/UNFCCC_NCQG2023_flyer_web.pdf).

<sup>37</sup> UNFCCC (2023), 'Decisions from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)', 5th Session, United Arab Emirates, 30 November 2023, <https://unfccc.int/decisions?f%5B0%5D=body%3A4099>.

## Box 2. What progress has been made towards a New Collective Quantified Goal?

Ruth Townsend

As COP29 approaches, the official line from the summit's president, Mukhtar Babayev, has been that finance talks are going well.<sup>38</sup> Evidence, however, suggests otherwise. On 15 October 2024, the ad hoc work programme on the New Collective Quantified Goal (NCQG) published a substantive framework for a draft negotiating text, incorporating progress made so far.<sup>39</sup> This framework presents three structural options for the goal, including: an annual, time-bound goal for *provision and mobilization* of finance from developed to developing countries; an annual *investment* goal, with core international support; or a combination of the two.

The text contains many unresolved issues for negotiation, with areas of particular contention likely to include 'the scaling down of financial flows running counter to the goals of the Paris Agreement'; which countries are expected to contribute to the goal; transparency and reporting arrangements; the form of funding; and who can access the fund and how.

The previous \$100 billion goal was primarily symbolic – a recognition of developed countries' responsibility to support developing countries with climate change mitigation, climate change adaptation and the energy transition. The NCQG will be different: parties have agreed that it should explicitly take into account developing countries' needs and priorities. However, what this settlement looks like remains to be determined by negotiators.

Estimates of needs vary, as do methods of estimation, but experts agree the scale is in the trillions, not billions, of dollars. The financial requirements spelled out in countries' individual nationally determined contributions (NDCs) – which detail how each country plans to reduce greenhouse gas emissions to help the world meet Paris Agreement targets – add up to between \$5.8 trillion and \$13.6 trillion cumulatively by 2030.<sup>40</sup> The Independent High-Level Expert Group on Climate Finance – tasked by the COP26 and COP27 presidencies and the UN with developing policy options and recommendations – suggests that climate finance for emerging markets and developing countries, excluding China, must quadruple to enable such countries to meet climate and nature goals. This investment must reach \$2.4 trillion a year by 2030.<sup>41</sup> The 15 October substantive framework text cites 'costed needs in NDCs' at \$5.012–6.852 trillion up until 2030, with the Standing Committee on Finance cited as a source.

<sup>38</sup> COP29 Baku Azerbaijan (2024), 'Climate Finance Negotiations "Enter Final Stage"', 27 September 2024, <https://cop29.az/en/news/climate-finance-negotiations-enter-final-stage>.

<sup>39</sup> UNFCCC (2024), 'Ad hoc work programme on the new collective quantified goal on climate finance. Report by the co-chairs. Addendum,' 15 October 2024, <https://unfccc.int/documents/641326>.

<sup>40</sup> Alayza, N., Larsen, G. and Waskow, D. (2024), 'What Could the New Climate Finance Goal Look Like? 7 Elements Under Negotiation', World Resources Institute, 29 May 2024, <https://www.wri.org/insights/ncqg-key-elements>.

<sup>41</sup> Independent High-Level Expert Group on Climate Finance (2023), *A climate finance framework: decisive action to deliver on the Paris Agreement*, Summary, Second report of the Independent High-Level Expert Group on Climate Finance, November 2023, <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2023/11/A-Climate-Finance-Framework-IHLEG-Report-2-SUMMARY.pdf>.

Alongside the responsibility for contributing money, the timeframe for the NCQG is up for debate. So, too, is the scope of coverage – across mitigation, adaptation and 'loss and damage' (climate impacts that are not, or cannot be, avoided) – and whether broader 'alignment of financial flows' with climate-resilient and low-carbon development should be part of, or remain separate from, the goal. Differences between the positions of developed and developing countries in these areas will need to be resolved, and individual countries' positions will also need to be accommodated.

As well as the *quantity* of climate finance to be made available, the quality and accessibility of finance also matter. This is to ensure funds can be used effectively and efficiently where they are most needed. Given problems accessing funding and the high risk of debt distress in climate-vulnerable nations, this is highly relevant to the NCQG debate. Current processes for accessing climate finance are complex and time-consuming, especially when access is through multilateral climate funds or development banks.

The effectiveness of funding is also tricky to define and measure. Mechanisms must be created to ensure that finance is used for appropriate climate-related purposes, and that funding produces measurable impact. The imperative for transparency and rigorous disclosure will need to be balanced against the need to avoid burdensome bureaucracy that unduly delays the disbursement of funds.

Reform of the international financial system is an agenda championed by Barbados, one of the Small Island Developing States (SIDS). The SIDS have been one of the most vocal and persuasive groupings in the negotiations. Such states embody the existential nature of the climate crisis, with many SIDS facing annihilation by rising sea levels if the 1.5°C temperature goal in the Paris Agreement is missed. In May 2024, President Aliyev announced plans to hold a SIDS summit during COP29, and in July 2024 Azerbaijan launched a joint fund with the Commonwealth to support SIDS.<sup>42</sup>

The pairing of Azerbaijan, an oil- and gas-producing Eurasian state in a huge landmass, with highly climate-vulnerable tiny island states might seem odd. It has roots in Azerbaijan's four-year chairmanship of the Non-Aligned Movement (NAM) between 2019 and early 2024; this role ended shortly after the country assumed a new global position as the president-designate for COP29. The NAM is a Cold War-era alliance of 120 countries that avoid formal alignment with any major power bloc. Azerbaijan has used the NAM as part of its foreign policy balancing act, for example to garner support for a non-permanent seat on the UN Security Council (the country held a seat in 2012–13). Baku has also used the platform of the NAM to criticize French support for Armenia as 'neocolonialism', thus showing a willingness to weaponize global narratives about progressive change to advance Azerbaijan's own political agenda.<sup>43</sup>

<sup>42</sup> President of the Republic of Azerbaijan (2024), 'To the participants of the 4th International Conference on Small Island Developing States "Charting the Course Toward Resilient Prosperity"', 27 May 2024, <https://president.az/en/articles/view/66071>.

<sup>43</sup> Eurasianet (2023), 'Azerbaijani president targets French "neocolonialism"', 10 July 2023, <https://eurasianet.org/azerbaijani-president-targets-french-neocolonialism>.

The strong relationship Azerbaijan has built with the climate-vulnerable SIDS through its tenure in the NAM, combined with its own exposure as a producer country whose oil and gas reserves are state-owned, means that the government in Baku is well placed to understand both sides of the climate finance conundrum. Yet reforming the economics of the energy sector so money is diverted from fossil fuels into renewables, climate change adaptation and similar measures to target climate vulnerability will not be a frictionless task. For example, the COP29 presidency's Climate Finance Action Fund (CFAF)<sup>44</sup> has a target magnitude of just \$1 billion, a derisory sum relative to the revenues of oil and gas producers (around \$3.5 trillion annually since 2018)<sup>45</sup> and to the trillions of dollars needed to finance climate action (see Box 2).

Despite the clear and focused action required of the COP29 presidency, the COP29 Action Agenda unveiled by Azerbaijan in July 2024 announced no fewer than 14 new initiatives and pledges, including the CFAF. With so many initiatives launched by COP hosts each year, adding to the number is an increasingly tenuous way to secure a COP presidential legacy. Azerbaijan would do better to proactively support parties to find common ground in the NCQG negotiations, draw the CFAF under this heading but with a far greater scale of ambition, and focus on how to turn billions of dollars of climate finance into trillions. This approach would help Azerbaijan ensure that fossil fuel revenues are represented in the final agreement in a way that is both fair to fossil fuel-dependent, developing economies like its own, and supportive of ambitious global climate action.

## Exploiting the 'dash for gas' – a threat to the host's credibility

Alignment of financial flows to climate goals is core to the COP29 remit, yet the run-up to COP29 has highlighted the potential conflict of interests around hydrocarbon gas for both Azerbaijan and the EU. After 28 years of negotiations, the UAE Consensus text finally crystallized international agreement that the world needs to transition away from fossil fuels in energy systems, in line with the climate science (see Box 5). Gas is framed in the agreement as a 'transitional fuel', yet gas use too must fall rapidly in any energy scenario compatible with Paris-aligned goals.<sup>46</sup>

The EU's quest to diversify external gas supplies, following the incremental decline in supply from Russia from 2022 onwards, has led the EU to ask for more gas from Baku. In response, Baku has increased export volumes, but it wants Brussels to finance the necessary infrastructure for further expansion (see Box 3) and

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<sup>44</sup> COP29 Baku Azerbaijan (2024), 'Azerbaijan Launches Climate Finance Action Fund in Package of Initiatives for COP29', 19 July 2024, <https://cop29.az/en/news/azerbaijan-launches-climate-finance-action-fund-in-package-of-initiatives-for-cop29>.

<sup>45</sup> International Energy Agency (IEA) (2023), *The Oil and Gas Industry in Net Zero Transitions*, 'Executive summary', November 2023, <https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions/executive-summary>.

<sup>46</sup> UNEP (2023), 'Is natural gas really the bridge fuel the world needs?', 12 January 2023, <https://www.unep.org/news-and-stories/story/natural-gas-really-bridge-fuel-world-needs>; and Kemfert, C. et al. (2022), 'The expansion of natural gas infrastructure puts energy transitions at risk', *Nature Energy* 7, pp. 582–87, <https://doi.org/10.1038/s41560-022-01060-3>.

guarantee long-term demand.<sup>47</sup> While the EU has damaged its climate leadership credentials in asking Azerbaijan to invest in new gas production, Azerbaijan also weakens its credibility as COP29 host by using the forum to make the case for growth of its own gas sector.<sup>48</sup>

Herein lies a classic transition conundrum. EU leaders say that while Europe can provide a market for Azerbaijani gas, the financing of production is up to gas companies themselves.<sup>49</sup> In Azerbaijan's case, this would fall to state-owned SOCAR and the Southern Gas Corridor Company (the latter owned by the Azerbaijani government and SOCAR). Changes in EU rules since 2021 mean that Brussels would have difficulty funding the required infrastructure, as the major European development banks, which have funded previous stages of Azerbaijani upstream gas development and gas pipelines (see Box 3), are now bound by their alignment to the Paris Agreement. The European Investment Bank (EIB) ended financing to all new fossil fuel projects in 2021, and the European Bank for Reconstruction and Development (EBRD) now has to apply criteria for 'Paris alignment' which limit fossil fuel-related projects to 'exceptional cases'.<sup>50</sup> Even if funding were available, the potential five to 10 remaining years of sales implied by Europe's timeline for reducing fossil fuels in its energy mix and cutting back gas imports would not provide sufficient income for SOCAR to repay any loan. This would render the investment commercially and strategically unviable.

### **Box 3. Azerbaijan's gas exports to the EU**

*Glada Lahn*

Following the reduction of Russian gas exports to the EU in 2022, the EU signed a strategic energy partnership with Azerbaijan, with a target of increasing the supply of gas from Azerbaijan to Europe from 8 billion cubic metres (bcm) a year in 2021 to 20 bcm by 2027.<sup>51</sup> By 2024, this supply was estimated to have risen to 12 bcm.<sup>52</sup> The practicalities of ramping up gas exports are complicated, however, and require Azerbaijan both to invest in infrastructure and reduce domestic gas use. While the EU wants gas in the next few years, it expects its overall demand to continue shrinking to achieve carbon neutrality by 2050.

Preparation to increase gas exports from the Caspian Sea to Europe began several years ago with the construction of the Southern Gas Corridor (SGC), at an estimated cost of \$40 billion; several billion of this was financed by the EIB, the EBRD, the World

<sup>47</sup> President of the Republic of Azerbaijan (2024), 'Ilham Aliyev attended the International Forum "COP29 and Green Vision for Azerbaijan"', <https://president.az/en/articles/view/65580>.

<sup>48</sup> Bearak (2024), 'Inside the Petrostate Hosting This Year's Global Climate Negotiations'.

<sup>49</sup> Hancock, A. and Tani, S. (2024), 'Azerbaijan hits out at EU for failing to agree long-term gas deals', 21 July 2024, *Financial Times*, <https://www.ft.com/content/99772c5e-6506-4331-82f3-90d9b6911ed5>.

<sup>50</sup> European Bank for Reconstruction and Development (EBRD) (undated), 'EBRD activities and Paris alignment', methodology last updated March 2024, <https://www.ebrd.com/ebrd-activities-paris-alignment>; and Mirbabaeva, N. (2023), 'EBRD approves new Energy Sector Strategy 2024-28', EBRD, 15 December 2023, <https://www.ebrd.com/news/2023/ebrd-approves-new-energy-sector-strategy-202428.html>.

<sup>51</sup> Economist Intelligence Unit (2023), 'Azerbaijan's gas exports to the EU face challenges', 10 July 2023, <https://www.eiu.com/n/azerbijans-gas-exports-to-the-eu-face-challenges>.

<sup>52</sup> Alizade, S. (2024), 'Azerbaijani gas enters new markets', News.az, 3 August 2024, <https://news.az/news/-azerbijani-gas-enters-new-markets>.

Bank and the Asian Development Bank.<sup>53</sup> Despite Europe's call on Azerbaijan to provide more gas to supplement the loss of supplies from Russia, the questions of long-term guarantees and financing remain unresolved. In April 2024, President Aliyev drew attention to what he saw as 'a kind of contradiction':

On one hand, the European Union wants more gas from Azerbaijan. ... So, we have to invest more. We have to produce more. But there are restrictions on financial institutions financing fossil fuel projects. For instance, the European Investment Bank has completely taken [sic] it out of their portfolio.<sup>54</sup>

Another kind of contradiction is also in play. To date, gas from Russia and Iran has helped meet Azerbaijani domestic demand, in effect enabling Azerbaijan to send higher volumes to Europe through the SGC. While there is no EU sanction to date on the delivery of pipeline gas from Russia, this arbitrage approach (along with increased Russian LNG shipments to France, Spain and Belgium<sup>55</sup> and gas via the TurkStream pipeline to southeastern Europe) would appear to counteract the EU's foreign policy objective of curtailing revenues that would support Russia's military effort.<sup>56</sup>

The EU's so called 'dash for gas' in the wake of the Russia–Ukraine conflict has aggravated discord in the relations between Western and NAM countries. Several NAM producers point to hypocrisy in Western countries' requests for alternative sources of gas, given that many of the latter are ending concessional public finance for fossil fuels on climate grounds. Speaking to the *New York Times* in August 2024, COP29's president-designate, Mukhtar Babayev, said: 'If the European countries are against gas, then why do they request more from Azerbaijan?'<sup>57</sup> However, assuming the EU follows its own net zero roadmap, Azerbaijani investments in production of gas destined for export to the EU are likely to become 'stranded assets' in the 2030s – meaning that further investment is in the interests of neither Baku nor Brussels.

## A time of opportunity for Azerbaijan

The global climate policy community has some remarkable resources available to it: seasoned diplomats and negotiators; a wealth of scientific understanding and insight from the Intergovernmental Panel on Climate Change (IPCC); burgeoning industry knowledge; the experience and insight of Indigenous communities; and the passion and energy of global civil society and youth. For a short time,

<sup>53</sup> Oxford Institute for Energy Studies (2023), *Expansion of the Southern Gas Corridor pipelines and future supplies to Europe*, April 2023, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2024/01/Expansion-of-the-Southern-Gas-Corridor-NG180.pdf>.

<sup>54</sup> President of the Republic of Azerbaijan (2024), 'Ilham Aliyev attended the International Forum "COP29 and Green Vision for Azerbaijan"'.  
<sup>55</sup> Institute for Energy Economics and Financial Analysis (2024), 'European LNG Tracker', updated 16 September 2024, <https://ieefa.org/european-lng-tracker-september-2024-update#figure11>.

<sup>56</sup> van Rij, A. (2024), 'The EU's continued dependency on Russian gas could jeopardize its foreign policy goals', Chatham House Expert Comment, 17 June 2024, <https://www.chathamhouse.org/2024/06/eus-continued-dependency-russian-gas-could-jeopardize-its-foreign-policy-goals>.

<sup>57</sup> Berek (2024), 'Inside the Petrostate Hosting This Year's Global Climate Negotiations'.

Azerbaijan has stepped on to the world stage making claims to be a climate leader. Given what failure at COP29 would mean, people across the world are willing the country to shine in that role.

If Azerbaijan's claims to climate leadership are to be more than performative, the country must engage fully with the challenges laid out in this paper. While Azerbaijan faces a unique set of needs and circumstances, its principal dilemmas are replicated in many countries. If the Paris Agreement is to succeed, countries must tackle the energy transition; adapt their political economies; create space for knowledge, using the impetus from academia and civil society; and cooperate with neighbours and partners to seize opportunities and avert risks. It is precisely because change seems so hard for Azerbaijan to achieve that, for a short time, the global community must and will be willing to help. Azerbaijan should take advantage of this willingness. Put another way, if change can happen in Azerbaijan, with its confluence of challenges and competing interests, it can happen almost anywhere.

Genuine climate leadership from Azerbaijan would be a clear signal of possibility to the world. The COP process has been criticized as a talking shop and a circus. While it may be a bit of both, the Paris Agreement and the UNFCCC are also the world's last and best chance of averting climate catastrophe.



# 03

## Azerbaijan's transition and climate risks

**Azerbaijan has no time to lose in implementing a green economic transition, but a political economy based around oil and gas revenues means resistance to reform is inevitable.**

Glada Lahn and  
Ruth Townend

Azerbaijan's hydrocarbon reserves are modest compared to those of Russia and Iran, two of its neighbours. The country is similar to some Arab Gulf states in its economic dependence on oil and gas, but with less than half the per capita hydrocarbon production.<sup>58</sup> While gas production has been growing at an average of over 7 per cent per year over the last decade, oil production peaked in 2010<sup>59</sup> and now appears to be in terminal decline (see Box 4). Meanwhile, the price rises and increase in demand for Azerbaijan's gas since Russia's full-scale invasion of Ukraine in 2022 will be time-limited. Global markets for both oil and gas are expected to shrink post-2030 as new technologies and climate policies put downward pressure on average prices (albeit with volatility in price movements). This situation puts Azerbaijan – whether ready or not – in transition mode: requiring it to gear up production of renewable energy and diversify the economy away from fossil fuels.

### Box 4. Timelines for Azerbaijan's energy transition

Glada Lahn

The last three decades of international climate cooperation have been accompanied by a phenomenal rise in renewable supplies of energy, and by reductions in the energy intensity of economic activity around the world. However, overall population and GDP growth means these trends have made little dent in the majority percentage (over 80 per cent) of global primary energy use accounted for by fossil fuels.<sup>60</sup> The

<sup>58</sup> Gulf Cooperation Council country per capita hydrocarbon production ranges from around 111 barrels of oil equivalent (boe) per year in Bahrain to 630 boe per year in Qatar, whereas Azerbaijan's is around 43 boe per year. Figures based on data from World Bank Group (2024), 'World Development Indicators', <https://databank.worldbank.org/source/world-development-indicators>; and Energy Institute (2024), *Statistical Review of World Energy*, 73rd Edition, <https://www.energyinst.org/statistical-review>.

<sup>59</sup> IEA (2021), 'Azerbaijan 2021: Energy Policy Review', <https://www.iea.org/reports/azerbaijan-2021>.

<sup>60</sup> According to Energy Institute statistics, this share fell to 81.5 per cent in 2023, down from 81.9 per cent in 2022. Energy Institute (2024), *Statistical Review of World Energy*, 73rd Edition, p. 4.

continued increase in emissions – mainly CO<sub>2</sub> (carbon dioxide) and CH<sub>4</sub> (methane) – from burning these fuels means that the budget for greenhouse gas emissions, if the rise in global temperature is to be kept to 'well below 2°C', is fast shrinking.

Prominent scenarios show that hydrocarbon consumption needs to peak imminently and decline rapidly. Even on the basis of countries' stated policies (which would not meet climate targets), the International Energy Agency (IEA) already expects the peak in overall oil and gas demand globally to begin by 2030, just five years away. In this projection, coal consumption declines fastest, then oil, with a slightly longer plateau for gas demand.<sup>61</sup>

In this context, exploring timelines for reducing economic dependence on oil and gas is essential for planners in producer countries such as Azerbaijan. Estimating the usable remaining lifetime of a country's fossil fuel wealth is not straightforward, but the size of reserves and rates of production are the obvious place to start. Using a simple calculation based on continuing current production levels with stated 'proven reserves', Azerbaijan's oil would run out by mid-century, its gas by 2075.<sup>62</sup> Neither scenario is likely in practice. Oil production, already declining at an average rate of 3.4 per cent per year over the last decade, could decrease over a longer timeframe than that implied by the calculation above, but with correspondingly declining revenues.<sup>63</sup> Gas production, meanwhile, could increase, but significant investment in capacity and infrastructure will be required to sustain production and trade, reducing its margin of profitability. Azerbaijan's gas production, too, therefore, would be likely to follow a peak, plateau and decline. Sabit Bagirov, a former president of SOCAR, was quoted as saying 'Azerbaijan's oil wells will run dry within 20 years, natural gas reserves will last for 50 years'.<sup>64</sup>

Other key variables to consider include the following:

- **Domestic consumption.** Domestic consumption of oil and gas rose by an average of 2.5 per cent and 4.8 per cent per year respectively in Azerbaijan between 2013 and 2023.<sup>65</sup> Continued rises in demand will increasingly detract from export capacity, bringing forward the end of export viability and further reducing revenue.
- **Cost of production.** Production frequently becomes more expensive as reserves dwindle, although labour, technology, infrastructure and regulation can add to or decrease costs.

<sup>61</sup> IEA (2023), *World Energy Outlook 2023*, <https://www.iea.org/reports/world-energy-outlook-2023>; International Renewable Energy Agency (2022), *World Energy Transitions Outlook 2022*, <https://www.irena.org/Digital-Report/World-Energy-Transitions-Outlook-2022>; and Energy Transitions Commission (2023), *Fossil Fuels in Transition, Committing to the Phase-down of all fossil fuels*, November 2023, <https://www.energy-transitions.org/publications/fossil-fuels-in-transition>.

<sup>62</sup> A simple theoretical calculation of Azerbaijan's stated proven oil reserves of 7 billion barrels (a figure that appears to have remained unchanged since 2002), divided by its annual production for 2023, would give about 30 years; some studies estimate 25 years. For gas, official and external data differ, but with the president of Azerbaijan announcing that the country could be producing 50 bcm in 2024, and based on stated proven gas reserves of 2.5 tcm, production would last 50 years. See also World Bank Group (2023), 'Investments and Policy Reforms Towards Low-Carbon Transition and Resilience are in Azerbaijan's Economic Interest, says WBG Report', press release, 29 November 2023, <https://www.worldbank.org/en/news/press-release/2023/11/24/investments-and-policy-reforms-towards-low-carbon-transition-and-resilience-are-in-azerbaijan-s-economic-interest-says-w>.

<sup>63</sup> Energy Institute (2024), *Statistical Review of World Energy*, 73rd Edition, p. 21.

<sup>64</sup> AFP (2024), 'Azerbaijan says 'God-given' oil and gas will help it go green', 17 September 2024, France24, <https://www.france24.com/en/live-news/20240917-azerbaijan-says-god-given-oil-and-gas-will-help-it-go-green>.

<sup>65</sup> Energy Institute (2024), *Statistical Review of World Energy*, 73rd Edition, p. 26 and p. 39.

- **Investment in the sector and costs of capital.** Carbon risk management, policy alignment with Paris goals, and future price expectations will all affect investment, lending and insurance in relation to fossil fuel extraction, processing and transportation infrastructure. This will have implications for the viability of upstream projects.
- **International prices.** The difference between today's oil price of around \$80 per barrel and a future \$25 per barrel price, posited by the IEA's Net Zero Scenario, makes a huge difference to the financial feasibility of production and investment.<sup>66</sup> Producer countries will need to factor in scenarios such as these into their economic planning in order to build robust policies.
- **Outlook for demand in trading partners.** The policies and demand trajectories in the major trading countries and regions on which exporting countries depend will be critical inputs into decision-making about transition timelines, as illustrated by Azerbaijan's interest in EU demand (see Chapter 2, in particular Box 3).

The country's leadership has long claimed to be preparing the economy for the end of its oil bonanza. Diversification to date has focused on large-scale capital investments in energy-intensive industries and construction, fuelled by oil and gas revenues. Recently, the goal of freeing up gas for export to the EU has spurred on domestic energy diversification efforts, and international investment has begun to flow into renewables projects.

If Azerbaijan is to have access to broad-based, sustainable energy in the future, and successfully diversify its economy away from the fossil fuel sector, the country will need to make deep reforms. Changes in institutional governance, in particular, will be needed to encourage innovation, efficiency and a vibrant private sector. Such change appears unlikely under the current government. Political power remains concentrated in the hands of the ruling family, and the country's centralized, rent-based economy has been structured to serve elite interests. Preserving power will be a central consideration for the ruling elites when determining how to adapt to changes that affect the political economy.

Yet major changes are unavoidable. An examination of likely climate change impacts on Azerbaijan – whether direct or 'cascading'<sup>67</sup> – and of risks around the low-carbon transition makes this clear. Proactively preparing for these changes now would enable Azerbaijan to maintain societal robustness and stability more effectively than would be the case if the government relied on reactive, crisis-driven responses. To address the risks it faces, as well as leaving a more than superficial legacy through its role in the COP Troika, Azerbaijan must therefore be seen to match

<sup>66</sup> IEA (2023), *The Oil and Gas Industry in Net Zero Transitions*, World Energy Outlook Special Report, November 2024, <https://iea.blob.core.windows.net/assets/f065ae5e-94ed-4fcb-8f17-8ceffde8bdd2/TheOilandGasIndustryinNetZeroTransitions.pdf>, p. 33.

<sup>67</sup> Townend, R., Aylett, C. and Benzie, M. (2023), *Cascading climate risks: strategic recommendations for European resilience*, Cascading Climate Impacts (CASCADES) Project, <https://www.cascades.eu/publication/cascading-climate-risks-strategic-recommendations-for-european-resilience>.

its rhetoric on reform with action at home. This will entail the government setting policies on climate change mitigation, climate change adaptation and the domestic energy transition – including commitments in a revised NDC under the Paris Agreement – that are sufficiently bold and credible to set the tone for other countries.

## Hotter, drier, poorer and less secure

Azerbaijan is getting hotter and drier.<sup>68</sup> It is expected to be among the 13 countries with the lowest water resources per person in 2025.<sup>69</sup> The direct climate hazards the country faces include disrupted rainfall, rising temperatures and humidity, and extreme weather. These hazards interact with Azerbaijan's geopolitical and structural vulnerabilities, creating risks of food insecurity, livelihood and GDP loss, increased regional conflict, and growing mortality and morbidity in the population (see Figure 2).

**Azerbaijan is expected to be among the 13 countries with the lowest water resources per person in 2025. The direct climate hazards the country faces include disrupted rainfall, rising temperatures and humidity, and extreme weather.**

Climate change, coupled with environmental impacts affecting the Caspian Sea, presents several difficulties for Azerbaijan and its neighbours. The Caspian Sea is important for trade, food supply, biodiversity and tourism. Pollution from oil drilling and shipping – and now additional toxic fall-out from Russia's military operations – has already severely affected the sea's ecosystem and fish stocks.<sup>70</sup> Changes to water levels – influenced by reduced river flows and higher levels of evaporation – are problematic for these ecosystems, and for Caspian infrastructure, as ports need to be adapted or rebuilt. This threatens trade. Meanwhile, changes to prevailing Caspian Sea wind patterns may challenge Azerbaijan's renewable energy plans, as the strong winds that famously buffet Baku may blow less predictably.<sup>71</sup>

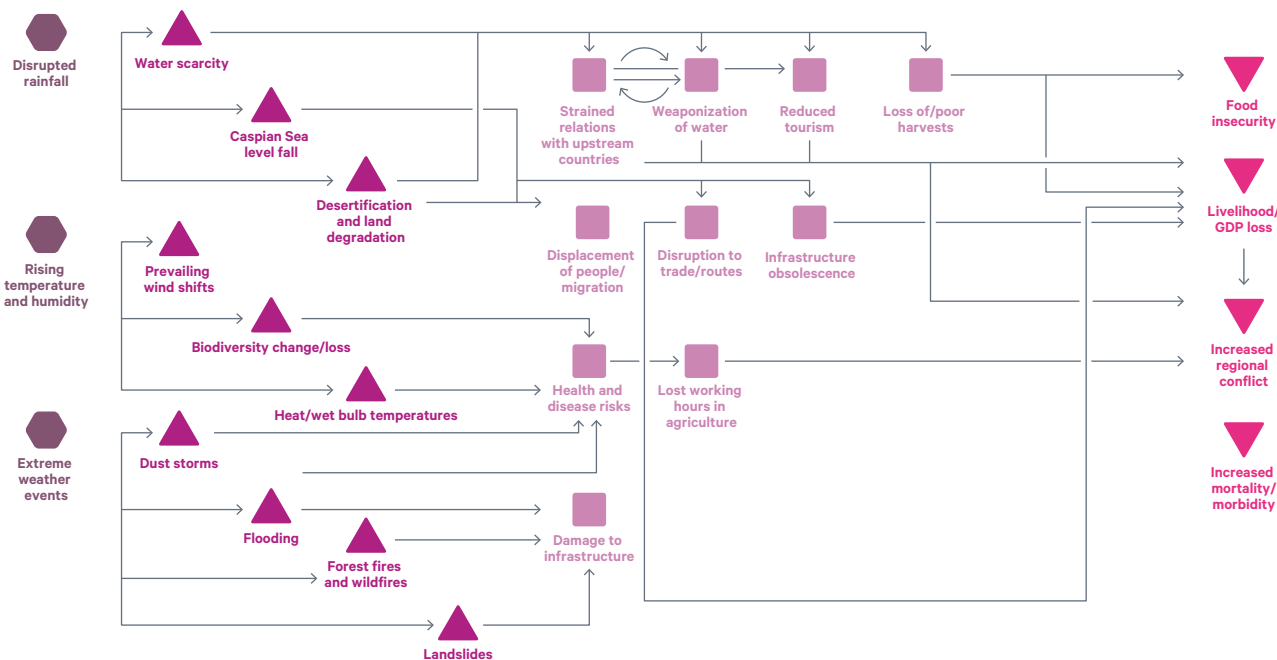
<sup>68</sup> World Bank (2023), *Country Climate and Development Report: Azerbaijan*, November 2023, <https://documents1.worldbank.org/curated/en/099112723161524095/pdf/P17904806938f5083093a707fa0352e87a5.pdf>. Mean annual temperatures have increased by 0.3°C per decade since 1960, while precipitation has declined by 3.5 mm per decade over the same period.

<sup>69</sup> UNICEF (2024), *Loss and Damage: Linking Social Protection and Climate Resilience in Azerbaijan*, UNICEF/Ministry of Ecology and Natural Resources of the Republic of Azerbaijan, <https://www.unicef.org/azerbaijan/media/4741/file>.

<sup>70</sup> Shiriyev, Z. (2024), 'Russia's War in Ukraine Is Aggravating the Caspian Sea Environmental Crisis', Carnegie Institute, 23 July 2024, <https://carnegieendowment.org/russia-eurasia/politika/2024/07/caspian-sea-ecology?lang=en>.

<sup>71</sup> Interview with senior Azerbaijani academic, Baku, April 2022.

**Figure 2.** Climate risks facing Azerbaijan



Climate pressures also have serious implications for agriculture. One in three jobs in Azerbaijan is in agriculture, making the sector critical to rural livelihoods. Despite accounting for a modest 4.8 per cent of GDP,<sup>72</sup> agriculture has been a focus for economic diversification initiatives. Some 20 per cent of all jobs created between 2010 and 2019 were in this sector.<sup>73</sup> Climate change threatens this strategy. Land degradation and desertification are already on the rise, and water is becoming scarcer. In the future, increasing heat and decreasing rainfall will damage crop yields and endanger farm animals.<sup>74</sup> Higher and more frequent extremes of heat and humidity will, at times, make it unsafe to work outside, resulting in lost working hours and lower productivity in agriculture (as well as in construction, manufacturing, and mineral and hydrocarbon extraction).<sup>75</sup>

Flooding from rivers already affects 100,000 people each year in Azerbaijan,<sup>76</sup> and floods are likely to become more frequent and intense. Knock-on impacts, such as landslides<sup>77</sup> and slow-onset ground salination, will negatively affect livelihoods and habitability in areas of the country.

As witnessed in other countries, for instance in the oil-producing regions of Khuzestan province (in southwestern Iran) and Basra governorate (in southern Iraq), environmental crises have compounded citizens' frustrations over other issues such as unemployment, corruption and poor public services, triggering

<sup>72</sup> World Bank Group (2023), *Country Climate and Development Report: Azerbaijan*, p. 32.

<sup>73</sup> *Ibid.*, p. 2.

<sup>74</sup> Ruth Townsend interview with senior Azerbaijani academic, Baku, April 2022.

<sup>75</sup> World Bank Group (2023), *Country Climate and Development Report: Azerbaijan*, p. 3.

<sup>76</sup> *Ibid.*

<sup>77</sup> World Bank Group (2016), *Europe and Central Asia: Country Risk Profiles for Floods and Earthquakes*, <https://documents1.worldbank.org/curated/en/958801481798204368/pdf/111015-REVISED-WP-ECA-Country-risk-profiles-PUBLIC.pdf>.

political unrest.<sup>78</sup> In both regions, the authorities' failure to manage environmental safety in a context of conspicuous national hydrocarbon wealth has amplified public perceptions of injustice and undermined political stability. Similar political risks around climate change can easily be envisaged for Azerbaijan.

## Climate risks without borders

Azerbaijan is exposed to transboundary or 'cascading' climate risks, in which impacts from climate hazards beyond national borders threaten the country. Such risks include regional water insecurity, food supply crises, violent conflict, cross-border displacement of people, and pandemics. Azerbaijan's water security suffers from the fact that the country depends on upstream sources of supply from outside its borders. Significant rivers – such as the Kura and the Aras – originate in Türkiye and then flow via Georgia and Armenia before reaching Azerbaijan, which gets 50–70 per cent of its water from neighbouring states. As these neighbours themselves face growing water stress, this is likely to result in increasing regional resource competition<sup>79</sup> in an already strained and volatile security context.

### **Azerbaijan's water security suffers from the fact that the country depends on upstream sources of supply from outside its borders.**

By regaining control over the whole of Mountainous Karabakh and the surrounding areas in September 2023, Azerbaijan has also gained control of the water resources in the territory. Baku now has access to hydroelectric stations previously operated by the former Armenian population in these areas. However, the potential weaponization of access to water supplies remains a concern.<sup>80</sup> Azerbaijan is also a net importer of food. Food imports are increasing,<sup>81</sup> making the country vulnerable to supply-chain disruptions and international food shortages associated with global climate and security hazards.<sup>82</sup>

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<sup>78</sup> International Crisis Group (2023), *Iran's Khuzestan: Thirst and Turmoil*, Middle East Report No. 241, 21 August 2023, <https://www.crisisgroup.org/sites/default/files/2023-09/241-khuzestan-thirst-and-turmoil.pdf>; and Lahn, G. and Shapland, G. (2022), *Cascading climate risks and options for resilience and adaptation in the Middle East and North Africa*, Research Paper, London: Royal Institute of International Affairs, March 2022, <https://www.cascades.eu/publication/cascading-climate-risks-and-options-for-resilience-and-adaptation-in-the-middle-east-and-north-africa>.

<sup>79</sup> Lahn and Shapland (2022), *Cascading climate risks and options for resilience and adaptation in the Middle East and North Africa*.

<sup>80</sup> Ghazanchyan, S. (2021), 'Azerbaijan's actions in Syunik an encroachment on sovereign territory of Armenia: Nikol Pashinyan chairs meeting of Security Council', Public Radio of Armenia, 13 May 2021, <https://en.armradio.am/2021/05/13/azerbajjans-actions-in-syunik-an-encroachment-on-sovereign-territory-of-armenia-nikol-pashinyan>; and Kuyumjian, N. (2021), 'Don't water it down: The role of water security in the Armenia-Azerbaijan war', Eurasianet, 22 December 2021, <https://eurasianet.org/perspectives-dont-water-it-down-the-role-of-water-security-in-the-armenia-azerbaijan-war>. Control over water resources is seen as one of the drivers of post-2020 violence along the Armenia-Azerbaijan border, for example in the area of the Black Lake (Sev Lich/Kara Gol).

<sup>81</sup> Shahin, U. (2024), 'Azerbaijan witnesses increase in import of food products', Azernews, 30 April 2024, <https://www.azernews.az/business/225340.html>.

<sup>82</sup> Brown, O. et al. (2023), *The consequences of Russia's war on Ukraine for climate action, food supply and energy security*, Research Paper, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Public/en-GB/RecordView/Index/203406>.

Disruption to trade routes elsewhere in the world presents an opportunity – at least in the short term – for Azerbaijan to diversify its economy. Use of the ‘Middle Corridor’ or Trans-Caspian International Transport Route (TITR) for trade between western China and Europe is small but growing, and this could enable Azerbaijan to play a bigger role in international logistics.<sup>83</sup> That said, the extent to which this opportunity is a durable one is far from certain. A combination of disruption to ports and trade routes resulting from falling Caspian Sea levels and increased regional conflict could raise trade frictions and costs, compromising Azerbaijan’s ability to consolidate use of this ‘new silk road’.

Such concerns underline the importance of regional peace and security to Azerbaijan’s prospects of both adapting to climate change and realizing an orderly energy transition. Azerbaijan is, rather implausibly, touting COP29 as a ‘peace COP’ or ‘truce COP’ (that is, a moment to pause all conflicts globally – see Chapter 5). Clear narratives around the emergence of cascading climate risks, and a focus on constructive interstate collaboration in response to them, would strengthen the currently tenuous link that the COP29 presidency has drawn between environmentalism and peace. Such an understanding could bolster collective action by governments in the COP negotiations, establishing a consensus around building resilience in a spirit of mutual self-interest.

## Transition risks and opportunities

As more countries move to electrification of transportation, heating and cooking, and to ‘green’ energy sources, the hydrocarbon rents that have filled Azerbaijan’s public coffers, enriched members of the political elite and enabled the leadership, in effect, to ‘purchase’ popular support through public sector employment, spending and vote mobilization<sup>84</sup> are likely to decline. The political, economic and social equilibrium that has persisted since the 1990s is in jeopardy unless Azerbaijan can overhaul its political economy or find an alternative source of rents.

### Box 5. The ‘UAE Consensus’ and the low-carbon transition

*Glada Lahn*

At COP28, hosted by the UAE in 2023, Paris Agreement parties agreed, for the first time, to include text on the need to transition away from fossil fuels in the COP’s final written outcome. Paragraph 28 of the resulting ‘UAE Consensus’ calls on parties to contribute to ‘transitioning 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

<sup>83</sup> Stoll, H. (2024), ‘The Middle Corridor: A Renaissance in Global Commerce’, *The Diplomat*, 11 March 2024, <https://thediplomat.com/2024/03/the-middle-corridor-a-renaissance-in-global-commerce/>; Ozat, M. and Haley, N. (2023), ‘The Middle Corridor: The Beginning of the End for Russia’s Northern Corridor?’, Caspian Policy Center, 30 June 2023, <https://www.caspianpolicy.org/research/energy-and-economy-program-eeep/the-middle-corridor-the-beginning-of-the-end-for-russias-northern-corridor>.

<sup>84</sup> Kendall-Taylor, A. (2012), ‘Purchasing Power: Oil, Elections and Regime Durability in Azerbaijan and Kazakhstan’, *Europe-Asia Studies*, Taylor & Francis Journals, vol. 64(4), pp. 737–60.

in keeping with the science.<sup>85</sup> This signals global agreement that changes in the markets for oil, coal and gas are inevitable (see Box 4). However, the timeframe for transition (i.e. economic adjustment to these changes) for different types of producer – and depending on the stage, scale and cost of production – remains contested.

The main obstacles for oil and gas exporters in adapting to changing demand are the political and economic dynamics that incentivize preservation of the status quo. Periods of higher international market prices for oil and gas have historically encouraged complacency in economies that rely on revenues from these fuels. During these periods, governments tend to increase public spending on civil service wage bills, military build-up, subsidies, and capital-intensive, high-carbon projects which lock in fossil fuel use. This further entrenches dependency on hydrocarbons while policy reforms are postponed. In some cases, wealthier producers with higher production per capita – including Azerbaijan, Kuwait, Norway, Saudi Arabia and the UAE – have used countercyclical fiscal measures to address this problem. Fiscal surpluses achieved when oil and gas prices are high can be directed to contingency funds to help stabilize the economy during periods when prices (and thus government revenues) are low; surplus revenues can also be invested for future generations. This approach is no longer enough for long-term economic or, arguably, social stability – either in Azerbaijan or elsewhere. While there will be market volatility through transition, boom periods are coming to an end.

Growing populations with aspirations for high living standards need jobs. For governments whose power is based on patronage and rent allocation rather than vote-winning, lower rents challenge the social contract. This is because government will increase its reliance on citizens to create economic value, on the private sector to provide jobs, and on both to pay taxes. Addressing this challenge entails careful social and economic reforms – not something a government wants to be doing in a time of economic crisis, as many an uprising and coup has shown. As several Arab Gulf countries have realized, now is probably the last chance to use oil and gas export revenues to facilitate reforms and invest in new areas of their economies. Societal reforms in Saudi Arabia, for example, are accompanying an unprecedented opening up to foreign investment and tourism. Similarly, Kazakhstan's engagement with clean energy and green growth plans has accelerated in recent years, backed by an understanding of the need to build economic resilience.

Reducing upstream emissions is one important part of the transition picture. SOCAR has already followed fellow national oil companies such as Abu Dhabi National Oil Company (ADNOC), Petrobras of Brazil and Saudi Aramco in instituting a net zero target (for 2050) and signing the Global Methane Pledge committing signatories to collectively 'reduce methane emissions at least 30 percent from 2020 levels by 2030'.<sup>86</sup> Implementing interim targets and demonstrating their achievement over the next few years will also increase SOCAR's emissions management capacity and longer-term commercial viability. This also makes possible the inclusion of oil and gas sector emissions targets within Azerbaijan's 2025 NDC submission.

<sup>85</sup> UNFCCC (2023), 'Conference of the Parties serving as the meeting of the Parties to the Paris Agreement Fifth session United Arab Emirates, 30 November to 12 December 2023, Agenda item 4, First global stocktake, Revised Advance Version', 13 December 2023, [https://unfccc.int/sites/default/files/resource/cma2023\\_L17\\_adv.pdf](https://unfccc.int/sites/default/files/resource/cma2023_L17_adv.pdf).

<sup>86</sup> Global Methane Pledge (2024), 'About', Global Methane Pledge, <https://www.globalmethanepledge.org/#about>.



Addressing exposure to declining demand is now paramount for all oil- and gas-exporting countries. With the UAE, Azerbaijan and Brazil presiding over the UNFCCC's flagship climate summits until 2026,<sup>87</sup> the Troika has an opportunity to lead by example on acceleration of transition plans, implementing reforms at home while engaging with diplomatic and expert forums on practical implementation of a just, orderly and equitable global energy transition. Azerbaijan has a strong interest in the 'orderly' part of this transition – particularly insofar as its own economic planning would require clear indications of future demand from European gas markets. Opening up space for practical discussions on the transition away from fossil fuels at COP29, COP30 and thereafter would therefore be useful for Azerbaijan and its fellow producer countries. Calling for greater transparency about projected demand in consuming countries would be an undertaking to which Azerbaijan could add its weight. Such actions offer low-cost, high-reward ways to begin building on the UAE Consensus.

President Aliyev has stressed that Azerbaijan will diversify away from oil, but not gas, given the country's declining oil production and the fact that external demand for gas is currently high, as countries seek to replace Russian supply. At present, sustaining oil production for as long as possible and expanding the gas sector are fundamental to Azerbaijan's economic vision, with gas set to remain a major part of the country's domestic industry and export expansion strategies.

What happens in the EU will be key to Azerbaijan's transition (see also Chapter 2). EU demand for Azerbaijani gas has increased in the short term as a result of Russia's war on Ukraine, but the longer-term prospects for such demand are more complicated. Since Russia's full-scale invasion of Ukraine in 2022, the EU has diversified gas imports but has also doubled down on efforts to *reduce* gas consumption among its members (overall, EU demand fell by 18 per cent between 2022 and 2023). The EU expects to continue this trend in line with its target of achieving net zero emissions by 2050 and near-full decarbonization of the energy sector by 2040.<sup>88</sup> The European Commission's February 2024 impact assessment of the EU's 2040 climate target projects that imports of fossil fuels to the region will fall by more than half by 2040. For gas, that amounts to around one-third of the EU's 2023 volume of imports, give or take, depending on the scenario.<sup>89</sup> This puts into serious question the need for Azerbaijan to increase gas production beyond 2030, given the EU's contracts (both for pipeline gas and LNG) with other producers.<sup>90</sup>

<sup>87</sup> The COP presidency only officially passes to the president-designate at the COP itself. COP28's president, the UAE, will continue officially presiding over the COP process until the start of COP29. COP30's president, Brazil, will hold the presidency until COP31 begins in late 2026.

<sup>88</sup> European Commission (undated), '2040 climate target: Reducing net emissions by 90% by 2040', [https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2040-climate-target\\_en](https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2040-climate-target_en).

<sup>89</sup> The European Commission's impact assessment gives three scenarios that could lead towards the 2050 target and that show gas imports falling to between 25 and 42 per cent of the EU's 2023 import volume. European Commission (2024), *COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT REPORT Part 1: Securing our future Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society*, SWD/2024/63 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024SC0063>.

<sup>90</sup> Zero Carbon Analytics (2024), *Existing gas supplies to meet EU demand under 2040 emissions target*, 16 June 2024, <https://zerocarbon-analytics.org/wp-content/uploads/2024/06/Copy-of-Gas-supply-and-demand-in-the-EUs-2040-90-emissions-target-1.pdf>.

Over the next 25 years, the EU's net zero objectives, carbon border adjustment mechanism (CBAM) and various corporate supply-chain directives are set to restrict the import of goods and services deemed to have negative environmental impacts. This poses challenges for Azerbaijani attempts to diversify into hydrocarbon-intensive sectors such as steel and petrochemicals, as tariffs would make these industries uncompetitive for the EU market unless they met rigorous environmental and emissions standards.<sup>91</sup>

Effective decarbonization and careful reinvestment of remaining oil and gas revenues are therefore crucial for the future of Azerbaijan's economy.<sup>92</sup>

### **Box 6. Diversifying Azerbaijan's economy beyond oil and gas**

*Jody LaPorte*

Since the mid-2000s, Azerbaijani government officials have declared their intention to diversify the country's economy. Plans to do so have been codified in a set of 'strategic roadmaps' approved by the president in 2016 and updated periodically since then. In practice, two sectors have received significant attention: first, the development of Azerbaijan as a major event-led tourism destination; and, second, promotion of the country as a shipping and transit hub between Europe, Russia, the Middle East and Asia.<sup>93</sup> Both agendas have fuelled a construction boom in and around Baku, creating demand for the sort of massive infrastructure projects that generate rents for companies owned by or linked to members of the ruling elite.

In the past few years, the government has also expressed its intention to develop the country's wind and solar power potential. However, the IEA notes that, despite these pledges, 'Azerbaijan's research, development and deployment (RD&D) system and governance remain incohesive'.<sup>94</sup> RD&D programmes are funded through state sources as well as private investment. But total RD&D spending is low overall, at 0.2 per cent of GDP. In partnership with Masdar, the Emirati state-owned energy company founded by Sultan Ahmed Al Jaber (who was also the UAE's COP28 president), Azerbaijan launched its first large-scale solar field in October 2023. Hailing this as a first step in the green transition, officials estimated that the field's 570,000 solar panels were enough to power 110,000 homes.<sup>95</sup> But the political economy implications may not be what they seem: these green energy outputs are designed to complement Azerbaijan's hydrocarbon production, rather than displace it, with decarbonized domestic supply 'freeing up' more oil and gas for export.

<sup>91</sup> World Bank (2022), *Azerbaijan: Towards Green Growth*.

<sup>92</sup> World Bank Group (2023), 'Investments and Policy Reforms Towards Low-Carbon Transition and Resilience are in Azerbaijan's Economic Interest, says WBG Report', press release, 29 November 2023, <https://www.worldbank.org/en/news/press-release/2023/11/24/investments-and-policy-reforms-towards-low-carbon-transition-and-resilience-are-in-azerbaijan-s-economic-interest-says-w>.

<sup>93</sup> Centre for Analysis of Economic Reforms and Communications of the Republic of Azerbaijan (2021), 'Monitoring and Evaluation Report of Strategic Road Maps on the National Economy and Key Sectors of the Economy in the Republic of Azerbaijan for 2017-2020', <https://ereforms.gov.az/files/monitoring/pdf/en/6d3c17044848381aeb8b97dc28f101f1.pdf>.

<sup>94</sup> IEA (2023), *Azerbaijan energy profile*, 'Energy system transformation', June 2023, <https://www.iea.org/reports/azerbaijan-energy-profile/energy-system-transformation>.

<sup>95</sup> Masdar (undated), 'Garadagh (Area 60) Solar Photovoltaic Power Plant', Masdar, <https://masdar.ae/en/renewables/our-projects/garadagh-area-60-solar-photovoltaic-power-plant>.

## From fossil fuels to renewables

Oil and gas make up 97.6 per cent of Azerbaijan's total energy supply (with gas accounting for 62 per cent and oil for 35 per cent). Azerbaijan is one of the most energy-self-sufficient countries in the world, with production exceeding demand by almost four times.<sup>96</sup> However, demand is growing faster than domestic production. Blanket subsidies, meanwhile, encourage inefficient energy consumption, with most of the benefit from such subsidies accruing to wealthier groups. The value of government subsidies for oil, gas and electricity between 2016 and 2021 was estimated at an average of \$2.3 billion annually, equivalent to over 5 per cent of average GDP over the same years.<sup>97</sup> Azerbaijan essentially relies on a Soviet-style energy system characterized by central, state-led control of assets, generation and distribution; in this system, power utilities operate at a loss.<sup>98</sup>

**Azerbaijan is one of the most energy-self-sufficient countries in the world, with production exceeding demand by almost four times. However, demand is growing faster than domestic production.**

The government aims for renewable energy to account for 30 per cent of electricity generation capacity by 2030, up from 20 per cent (mainly hydropower) currently.<sup>99</sup> In 2020, it set up a renewable energy agency under the Ministry of Energy and began an ambitious programme to increase the use of renewables in its energy system. In December 2023, the state oil and gas company, SOCAR, announced the creation of a new division, SOCAR Green, which would invest in solar and wind projects, green hydrogen production, and carbon capture and storage (CCS). Official data on generation capacity, however, do not indicate the much lower share of *actual generation* accounted for by renewables: as hydropower in the country mostly operates at well below capacity, especially during dry periods, the IEA puts the renewable contribution to electricity supply at 8 per cent, equivalent to just 1.5 per cent of the total energy mix.<sup>100</sup> With growing demand for electricity in Azerbaijan, increasing efficiency will be essential for reaping the benefits from the addition of renewable energy capacity.

<sup>96</sup> IEA (2023), *Azerbaijan Energy Profile*, p. 5, [https://iea.blob.core.windows.net/assets/0528affc-d2ba-49c9-ac25-17fc4e8724f7/AzerbaijanEnergyProfile\\_2023.pdf](https://iea.blob.core.windows.net/assets/0528affc-d2ba-49c9-ac25-17fc4e8724f7/AzerbaijanEnergyProfile_2023.pdf).

<sup>97</sup> IEA (2024), *Energy Efficiency Policy in Azerbaijan: A Roadmap*, p. 14, <https://iea.blob.core.windows.net/assets/fe63a883-2b61-426f-bdab-85b49576fdf9/EnergyEfficiencyRoadmapforAzerbaijan.pdf>.

<sup>98</sup> Ahmadov, I. (2024), 'Green Economy and Energy Efficiency Challenges Facing Azerbaijan', Baku Research Institute, 17 April 2024, <https://bakuresearchinstitute.org/en/green-economy-and-energy-efficiency-challenges-facing-azerbaijan>.

<sup>99</sup> Ministry of Energy of the Republic of Azerbaijan (2024), 'The Use of Renewable Energy Resources in Azerbaijan', 6 March 2024, <https://minenergy.gov.az/en/alternativ-ve-berpa-olunan-enerji/azerbaycanda-berpa-olunan-enerji-menbelerinden-istifade>.

<sup>100</sup> Gavin, G. (2023), 'Nagorno-Karabakh's newest battle is over water', POLITICO, 2 June 2023, <https://www.politico.eu/article/nagorno-karabakh-new-battle-water-azerbaijan-armenia/>; IEA (2024), *Energy Efficiency Policy in Azerbaijan: A Roadmap*, p. 7.

### Box 7. Azerbaijan's changing political economy: rentierism without oil and gas rents?

Jody LaPorte

Azerbaijan has, over recent decades, undertaken a massive state-led project to redevelop its post-Soviet economy around the extraction and export of Caspian Sea oil and gas. In managing the ensuing rents, Azerbaijan's government has prioritized state spending and investment on projects that generate profits for the ruling elites. Its strategy for economic diversification has similarly been pursued through state-led development and capital-intensive industries. These efforts, if left unchecked, are likely to continue to produce concentrated economic benefits for the state and wealthy investors. In its attempts to transition away from hydrocarbons, Azerbaijan has also prioritized the development of sectors – such as event-led tourism – in which members of the ruling elites already own businesses, raising concerns that state investment is being used to increase private profits.

These circumstances raise questions about the future of rentierism in Azerbaijan. On its face, climate change – and the global shift from fossil fuels to renewable energy – challenges the core of the country's hydrocarbon-based rentier structures. But there is also evidence that Azerbaijan's government has taken steps to preserve its access to resource rents – for example, by increasing gas production and positioning itself as a key supplier of gas to Europe. Furthermore, green energy may generate rental income of its own. As with the hydrocarbon industry, large-scale renewable energy production is a highly technical, capital-intensive and state-led endeavour. The initial investments and centralized profits associated with expansion of renewable energy are ripe for capture by elites – and thus might simply replace oil and gas rents, rather than prompting an overhaul of the rentier system.

Evidence from other oil- and gas-producing states suggests rentierism may well prove to be a resilient political economic model, even in the absence of hydrocarbon rents. Even as the UAE, Oman, Nigeria and other hydrocarbon-rich states have moved to adopt renewable energy, some observers argue that their policies have been designed to 'protect rents' rather than to 'advance low-carbon energy transition'.<sup>101</sup> Thus, while the imperatives of climate change could present an opportunity for meaningful political and economic reform in Azerbaijan, the shift to renewable energy – coupled with other rent-generating activities concerning land, property, mining and security, for example – may serve to sustain the country's networks of rent-seeking and patronage that have underpinned political stability for the past 30 years. Which scenario prevails will depend on how committed Azerbaijan's leaders are to meaningful and systemic reform, to diversifying and decentralizing the economy, and to investing in public goods that would spread future economic gains broadly across the population.

<sup>101</sup> Al-Sarihi, A. and Cherni, J. A. (2022), 'Political economy of renewable energy transition in rentier states: The case of Oman', *Environmental Policy and Governance*, 33(4), pp. 423–39, <https://onlinelibrary.wiley.com/doi/full/10.1002/eet.2041>; Sim, L.-C. (2020), 'Low-carbon energy in the Gulf: Upending the rentier state?', *Energy Research & Social Science*, 70, pp. 1–10, <https://www.sciencedirect.com/science/article/pii/S2214629620303273>; Adeniyi, F. and Isah, A. (2023), 'Unlocking renewables amid rentierism: Market constraints to Nigeria's energy transition', *Energy Research & Social Science*, Volume 104, <https://www.sciencedirect.com/science/article/pii/S2214629623003080>.brink.

In May 2021, a presidential order laid out measures for territories recently restored to Azerbaijani control to be reconstructed as a 'green zone' containing more hydropower, wind and solar farms, and energy-efficient housing. Further government announcements indicate that two hydropower plants, with a total capacity of 140 MW, are under construction on the Aras River in the Jabrayil region, while a 100-MW wind power plant in Lachin/Kalbajar (implemented by SOCAR and Masdar) and a 240-MW solar power plant (implemented by BP) in the Zangilan/Jabrayil zone are in planning.<sup>102</sup>

While this top-down approach to energy sector reform could rapidly increase deployment of renewables (albeit from a low base), it is difficult to envisage Azerbaijan successfully scaling up renewable supply and implementing the accompanying sustainability and efficiency measures without deeper market reforms. In this, one can compare the statist industrial model in Azerbaijan with the more liberalized electricity market of Kazakhstan. In Kazakhstan, earlier adoption of targets and scaling of renewables were facilitated by competitive auctions and incentives such as priority grid access and tax breaks, supported by a detailed legislative framework.<sup>103</sup> Like Azerbaijan, Kazakhstan faces governance challenges affecting its ability to attract private capital investment, but the latter's evolving experience with renewable energy deployment is something that Azerbaijan could learn from.<sup>104</sup>

## **A regional energy hub**

Azerbaijan's leadership has set out a vision for the country to become a regional energy hub; this vision includes a sustained and growing role for gas, and a growing role for renewable energy.<sup>105</sup> Plans for the latter would include sending renewable-generated electricity into the wider region. Investments in energy efficiency, green infrastructure and renewables are in their early stages in Azerbaijan, but these sectors are receiving high levels of interest and increasing engagement from European and Asian development banks, and from companies in China, Japan, Saudi Arabia and the UAE. Developing electricity trade and shared storage linkages with neighbouring countries could also help with the management of 'renewable intermittency' – the fact that wind and solar, for instance, produce less energy on still or cloudy days – and could support regional cooperation.

Recent developments on this front include Azerbaijan's signature in 2022 of a strategic partnership agreement with Georgia, Romania and Hungary on green energy transmission and development.<sup>106</sup> Baku is also planning a Caspian Sea–Black Sea–Europe energy corridor to carry 4 GW of electricity, and has plans for another

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<sup>102</sup> Azerbaijan Renewable Energy Agency under the Ministry of Energy of the Republic of Azerbaijan (undated), 'Green Energy Zone: Green Energy Zone (GEZ) in the liberated territories', <https://area.gov.az/en/page/layiheler/yasil-enerji-zonasi/yasil>.

<sup>103</sup> Kumenov, A. (2023), 'Kazakhstan: Ambitious renewables agenda setting healthy pace', 4 December 2023, Eurasianet, <https://eurasianet.org/kazakhstan-ambitious-renewables-agenda-setting-healthy-pace>.

<sup>104</sup> Guliyev, F. (2024), 'Renewable Energy Targets and Policies in Traditional Oil-Producing Countries: A Comparison of Azerbaijan and Kazakhstan', *Journal of Eurasian Studies*, 15(1), pp. 110–24, <https://doi.org/10.1177/18793665231177720>.

<sup>105</sup> Ashirov, Q. (2023), 'Azerbaijan positioning itself as trans-regional energy hub through expanding green projects', Azernews, 28 December 2023, <https://www.azernews.az/business/219646.html>.

<sup>106</sup> President of the Republic of Azerbaijan (2022), 'Governments of Azerbaijan, Georgia, Romania and Hungary signed agreement on strategic partnership in the field of green energy in Bucharest', 17 December 2022, <https://president.az/en/articles/view/58222>.

1 GW of green energy to be transported via the Azerbaijani exclave of Nakhchivan and from there via Türkiye to Europe.<sup>107</sup> Kazakhstan and Uzbekistan would also be integrated into this corridor.<sup>108</sup>

Saudi and Emirati companies have won renewable-power projects in Azerbaijan, in part reflecting agendas on the part of Saudi Arabia and the UAE to invest and compete for influence in the South Caucasus.<sup>109</sup> Chinese cooperation with Azerbaijan on renewables is also growing, as seen in a 2023 MoU between Azerbaijan's Ministry of Energy and China Gezhouba Group Overseas Investment on the implementation of up to 2 GW of renewable-energy projects, including energy storage and integrated smart energy systems.<sup>110</sup>

## **For Azerbaijan, moving away from Soviet-style infrastructure and governance of the power sector will be fundamental to generating the financial savings and economic diversification opportunities offered by energy efficiency improvements and the shift to renewable energy.**

For Azerbaijan, moving away from Soviet-style infrastructure and governance of the power sector will be fundamental to generating the financial savings and economic diversification opportunities offered by energy efficiency improvements and the shift to renewable energy. This does not mean doing away with the state's role, which is vital for regulation and for procuring for new markets such as retrofitting and efficiency services. It does, however, mean finding the right balance between state control and providing space for other actors such as an independent regulator, private efficiency services and private power generation companies in the energy sector's development. Incentives need to be developed to create optimum value for citizens now and in future. In this respect, establishment of an independent regulator for the power sector, mandated to serve the interests of current and future consumers while providing value for government, will be critical.<sup>111</sup>

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<sup>107</sup> Abbasova, N. (2024), 'Azerbaijan plans to introduce 7 GW of green energy capacity by 2030', Report News Agency, 18 September 2024, <https://report.az/en/amp/energy/azerbaijan-plans-to-introduce-7-gw-of-green-energy-capacity-by-2030>.

<sup>108</sup> Eurasianet (2024), 'Azerbaijan, Kazakhstan and Uzbekistan press ahead with ambitious electricity export plan', 14 May 2024, <https://eurasianet.org/azerbaijan-kazakhstan-and-uzbekistan-press-ahead-with-ambitious-electricity-export-plan>.

<sup>109</sup> Avdaliani, E. (2024), 'Cracks in Russia's influence in South Caucasus offer opening to Middle East', Al-Monitor, 8 September 2024, <https://www.al-monitor.com/originals/2024/09/cracks-russias-influence-south-caucasus-offer-opening-middle-east>; Masdar (2023), 'ACWA Power, Masdar and SOCAR team up for 500MW renewable energy projects in Azerbaijan', press release, 8 November 2023, <https://masdar.ae/en/news/newsroom/masdar-and-socar-building-500mw-projects-in-azerbaijan>.

<sup>110</sup> Ministry of Energy of the Republic of Azerbaijan (2023), 'Azerbaijan will cooperate with a Chinese company on 2 GW renewable energy projects', 1 June 2023, <https://minenergy.gov.az/en/foto-qalereya/azerbaycan-cin-sirketi-ile-2-qvt-gucunde-berpa-olunan-enerji-layiheleri-uzre-emekdasliq-edecek>.

<sup>111</sup> IEA (undated), 'Energy system of Azerbaijan', <https://www.iea.org/countries/azerbaijan> (accessed 7 Oct. 2024); and Cantekin, K. (2023), 'Azerbaijan: New Law on the Regulation of the Electric Power Sector Published', Library of Congress, 28 June 2023, <https://www.loc.gov/item/global-legal-monitor/2023-06-27/azerbaijan-new-law-on-the-regulation-of-the-electric-power-sector-published>.

## Climate change mitigation in Azerbaijan so far

While climate change poses tangible threats to Azerbaijan's economy and security, these threats are not being met with serious mitigation plans. When Azerbaijan was confirmed as COP29 host, its climate change mitigation plan – or NDC – was weak by international standards.<sup>112</sup> Moreover, the government had not reported emissions since 2018,<sup>113</sup> despite a requirement to do so every two years under the Paris Agreement. However, even Azerbaijan's unambitious target of reducing greenhouse gas emissions by 40 per cent from 1990 levels by 2050<sup>114</sup> – and without a 'net zero' goal – would, if implemented, represent a radical change of trajectory.<sup>115</sup> As of 2023, the country's existing climate policies did not place Azerbaijan on track to meet even its already weak NDC targets.<sup>116</sup>

As with all countries, Azerbaijan's NDC focuses on carbon emissions within national borders. Emissions associated with extracting, processing and transporting Azerbaijani-produced fossil fuels are therefore counted, but not emissions from the combustion of exported Azerbaijani fuels. Azerbaijan's NDC and rhetoric both focus on the development of renewable energy supplies for domestic use. The country, however, has been bullish about the fact that the gas saved in this process will be made available for export. While this will increase the revenues coming to Azerbaijan, it also means that the consequent emissions will end up on other countries' books.

In March 2024, in a gesture apparently intended to encourage robust commitments when countries revise their NDCs, the COP Troika wrote a joint letter to the parties participating in the COP process.<sup>117</sup> In this letter, the three governments pledged to 'advocate strongly for early submissions of high ambition NDCs' and 'demonstrate [their] commitment by submitting 1.5°C-aligned NDCs, guided by the UAE Consensus'. At the time of writing, however, no Troika country NDCs have been forthcoming, and the time in which to show leadership is running short: the deadline for all countries to submit is February 2025.<sup>118</sup> The Troika risks being only as good as its weakest link, and the three countries may quietly be hoping that, alongside sharing the burden of leadership, they are spreading the PR risk should their efforts fail to deliver the necessary commitments from parties.

Committing to a 1.5°C-aligned, transparent, inclusive and high-integrity NDC will prove a challenge for Azerbaijan, which was one of the only countries to have

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<sup>112</sup> Climate Watch (2021), 'Azerbaijan', [https://www.climatewatchdata.org/countries/AZE?end\\_year=2020&start\\_year=1990](https://www.climatewatchdata.org/countries/AZE?end_year=2020&start_year=1990) (accessed 7 Oct. 2024).

<sup>113</sup> UNFCCC (2024), 'Biennial Update Report submissions from Non-Annex I Parties', <https://unfccc.int/BURs> (accessed 10 Oct. 2024).

<sup>114</sup> UNFCCC (2023), *The Republic of Azerbaijan Updated document on Nationally Determined Contributions (NDC)*, [https://unfccc.int/sites/default/files/NDC/2023-10/Second%20NDC\\_Azerbaijan\\_ENG\\_Final%20%281%29.pdf](https://unfccc.int/sites/default/files/NDC/2023-10/Second%20NDC_Azerbaijan_ENG_Final%20%281%29.pdf).

<sup>115</sup> Climate Action Tracker (2024), 'The CAT rates COP29 host Azerbaijan's climate action "Critically insufficient"', 25 September 2024, <https://climateactiontracker.org/publications/azerbaijan-country-assessment-september-2024>.

<sup>116</sup> Ibid.

<sup>117</sup> COP28 UAE (2024), 'Presidencies Troika Letter to Parties', 21 March 2024, <https://www.cop28.com/en/Presidencies-Troika-Letter-To-Parties>.

<sup>118</sup> Stiell, S. (2024), 'Message to Parties to the Paris Agreement: Upcoming deadlines for the communication of nationally determined contributions (NDC), the submission of biennial transparency reports (BTR) and biennial communications of information related to Article 9, paragraph 5, of the Paris Agreement', United Nations Climate Change Secretariat, 16 September 2024, [https://unfccc.int/sites/default/files/resource/message\\_to\\_parties\\_to\\_paris\\_agreement\\_deadlines\\_ndcs\\_btrs\\_and\\_bc.pdf](https://unfccc.int/sites/default/files/resource/message_to_parties_to_paris_agreement_deadlines_ndcs_btrs_and_bc.pdf).

weakened its NDC at the last iteration.<sup>119</sup> But the country can and should take advantage of the ample willingness of external experts to help; many of these experts, whether in the UN system or the scientific climate community, hope that Azerbaijan's NDC will set the tone for ambitious commitments by other fossil fuel-reliant economies. To achieve this, however, Azerbaijan would need to break with its own conventions by inviting external scrutiny, increasing transparency around its climate strategy, and engaging with an Azerbaijani civil society often chilled into silence on environmental issues and the low-carbon transition (see Chapter 4). Azerbaijan could further show climate leadership by working with its Troika partners to demonstrate how NDC implementation might rapidly be built into national laws, policies and planning.

To be credible in setting the tone for higher ambition by other countries, Azerbaijan's revised NDC will need to demonstrate how addressing the scientific imperative for urgent ambition is compatible with meeting the practical challenges of implementation in a hydrocarbon-dependent state. Azerbaijan could use its NDC to indicate how the government plans to ensure sustainable diversification of the economy away from oil and gas, reduce emissions from the hydrocarbon sector during the transition, and align the country with the Paris goals in envisaging limits on new oil and gas developments.

**At present, many governments plan further expansion in the oil and gas sector, betting on a global market that takes humanity way beyond the 'well below 2°C' goal enshrined in the Paris Agreement. This increases the risks of oil- and gas-dependent economies becoming locked into high-emissions trajectories.**

In 2021, the IEA published a report charting a pathway to meet the 1.5°C ambition. In spite of significant – some would argue overambitious – assumptions for deployment of carbon capture technologies to help neutralize fossil fuel emissions, the IEA pathway envisaged no new oil and gas field development taking place beyond what had already been committed.<sup>120</sup> Yet at present, many governments plan further expansion in the sector, betting on a global market that takes humanity way beyond the 'well below 2°C' goal enshrined in the Paris Agreement. This increases the risks of oil- and gas-dependent economies becoming locked into high-emissions trajectories. The multi-decade nature of oil and gas projects means that countries incur a high risk of investments becoming uncompetitive public liabilities as global trends – particularly towards electrification in transport and the use of renewable energy in the power sector – reduce demand for fossil fuels in major consuming regions.

<sup>119</sup> Climate Action Tracker (2024), *COP29 host Azerbaijan climate action "Critically insufficient"*, September 2024, [https://climateactiontracker.org/documents/1255/CAT\\_2024-09-25\\_CountryAssessment\\_Azerbaijan.pdf](https://climateactiontracker.org/documents/1255/CAT_2024-09-25_CountryAssessment_Azerbaijan.pdf).

<sup>120</sup> The IEA's Net Zero Scenario assumes the capture and storage of 7.6 gigatonnes of carbon dioxide (GtCO<sub>2</sub>) annually by 2050, up from around 0.04 GtCO<sub>2</sub> in 2021. IEA (2021), *Net Zero by 2050: A Roadmap for the Global Energy Sector*, <https://www.iea.org/reports/net-zero-by-2050>.



## Box 8. Oil and gas production and Azerbaijan's foreign relations

Glada Lahn

The importance of oil and gas in Azerbaijan and their presence in spiritual and economic life in the region go back millennia. Historical texts mention ground flares created by gas emissions, while close-to-the-surface oil was being used for energy as early as in the 4th century BC. The world's first industrial oil well was drilled in Baku in 1847, and by the beginning of the 20th century Azerbaijan was producing half of the world's oil.<sup>121</sup> In the 1870s and 1880s, the Nobel and the Rothschild families got into the oil business in Baku under the Russian Empire, exporting oil into a growing European market before selling their operations to Anglo-Dutch Shell and US Standard Oil (a forerunner of ExxonMobil) in the political unrest prior to and during the First World War and the Russian Revolution.

Following Azerbaijan's independence from the Soviet Union in 1991, oil and gas revenues have dominated the economy. A major upsurge in Azerbaijani production occurred in the 2000s, with BP-led consortiums developing deepwater fields in the Caspian Sea. While Azerbaijan produces less oil than the UK and only a little more gas, its population is one sixth of the size and its economic dependence on hydrocarbons far higher.<sup>122</sup> The sector accounts for roughly 90 per cent of the country's export revenue and 30–50 per cent of its GDP, depending on international prices.<sup>123</sup> Oil and gas export revenues have brought considerable wealth to Azerbaijan, although GDP per capita in 2023 was lower, at \$7,155, than in Azerbaijan's less hydrocarbon-rich South Caucasus neighbours, Georgia and Armenia, and the impact of this wealth on living standards has been, at best, uneven.<sup>124</sup>

The government treats oil and gas as strategic assets. Azerbaijan's geology and geographical position put it at the heart of what is sometimes referred to as the new 'great game' between Western allies and Russia over control of oil and gas fields and pipelines in the Caspian. This is a contest playing out through concessions, infrastructure investments and pipeline connectivity. Since independence, Baku has tried to optimize this position, courting neighbouring states and strategic allies through its exports of oil and gas. Azerbaijan maintains energy relations with Russia and Iran, importing gas from both, but it has also been strengthening relations with China, the EU, Israel and Türkiye in an effort to diversify its trade and establish geopolitical counterweights to Russia. UK and US companies are also prominent in Azerbaijan's oil and gas operations.

<sup>121</sup> Bagirov, S. (1996), 'Azerbaijani Oil: Glimpses of a Long History', *PERCEPTIONS: Journal of International Affairs*, 1(3), pp. 1–3, <https://www.sam.gov.tr/media/perceptions/archive/vol1/19960600/1.-AZERBAJANI-OIL-GLIMPSES-OF-A-LONG-HISTORY.pdf>.

<sup>122</sup> Bertelsmann Stiftung (2024), *BTI 2024 Country Report: Azerbaijan*, pp. 3–33, [https://bti-project.org/fileadmin/api/content/en/downloads/reports/country\\_report\\_2024\\_AZE.pdf](https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2024_AZE.pdf); and Department for Energy Security & Net Zero (2024), *UK ENERGY IN BRIEF 2024*, [https://assets.publishing.service.gov.uk/media/66a76bf2ce1fd0da7b592e5d/UK\\_Energy\\_in\\_Brief\\_2024.pdf](https://assets.publishing.service.gov.uk/media/66a76bf2ce1fd0da7b592e5d/UK_Energy_in_Brief_2024.pdf).

<sup>123</sup> World Bank (2023), *Country Climate and Development Report: Azerbaijan*, p. 18.

<sup>124</sup> World Bank Group (2024), 'GDP per capita (current US\$) – Azerbaijan, Armenia, Georgia', World Bank Open Data, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2023&locations=AZ-AM-GE&start=1991&view=chart> (accessed 20 Sep. 2024).

Oil and gas relationships also work to cement strategic and economic security for Azerbaijan. For example, a rising share of oil has gone to Israel since the turn of the century, with Azerbaijani oil making up an estimated 40 per cent of Israeli demand in recent years. Israel supplies weaponry to Azerbaijan as part of an effort to 'contain Iran', but also made shipments to assist in the conflict against Armenian forces.<sup>125</sup> In spite of Türkiye's stated ban on 'all products' bound for Israel as of 2 May 2024 due to hostilities in Gaza, the trade in Azerbaijani oil appears to have continued through the Turkish port of Ceyhan.<sup>126</sup> Following the 7 October 2023 Hamas attack and Israeli reprisals, Azerbaijan and Israel entered into an agreement for SOCAR to explore Israel's offshore territory north of the existing Leviathan gas field.<sup>127</sup>

This tried and tested means of realpolitik means that the Azerbaijani government will be reluctant to imagine a future without oil and gas, yet all the more concerned to pursue other means of securing strategic alliances as the value of these fuels wanes over time.

## Insufficient attention to adaptation

Given Azerbaijan's interest in maintaining fossil fuel production, and given the consequent climate change impacts, it might be supposed that the government is investing heavily in climate change resilience in a way proportional to the climate risks the country faces. So far, this has not been the case. An Azerbaijani National Adaptation Plan (NAP) has been under development since 2015, financed by the international Green Climate Fund (GCF). GCF's support is aimed at improving data availability and access, enhancing technical capacity and embedding climate change adaptation into planning.<sup>128</sup> The priority focus of these efforts, as identified by the Ministry of Ecology and Natural Resources of Azerbaijan, is on water, agriculture and coastal areas.<sup>129</sup> The World Bank estimates that Azerbaijan needs to invest \$19.4 billion in resilience by 2060.<sup>130</sup> Azerbaijan is taking some steps to adapt to its increasing water insecurity. In Eastern Zangezur, Karabakh and central Azerbaijan, the government is developing water storage capacity, improving canal efficiency and introducing resilience measures.<sup>131</sup> Other than this, however, adaptation remains underdeveloped.

<sup>125</sup> Debre, I. (2023), 'Israeli arms quietly helped Azerbaijan retake Nagorno-Karabakh, to the dismay of region's Armenians', Associated Press, 5 October 2023, <https://apnews.com/article/armenia-azerbaijan-nagorno-karabakh-weapons-israel-6814437bcd744acc1c4df0409a74406c>.

<sup>126</sup> De Leeuw, L. and Norigami M. (2024), *Fuelling the flames in Gaza: Exploring the legal consequences for states and corporations involved in supplying jet fuel to the Israeli military*, The Centre for Research on Multinational Corporations, May 2024, <https://www.somo.nl/fuelling-the-flames-in-gaza>; bne IntelliNews (2024), 'Turkey reportedly still loading Azerbaijani oil for Israel despite "total trade ban"', 5 May 2024, <https://www.intellinews.com/turkey-reportedly-still-loading-azerbaijani-oil-for-israel-despite-total-trade-ban-323947>.

<sup>127</sup> Cohen, A. (2023), 'Israel-Azerbaijan Energy Deal Strengthens Strategic Partnership', *Forbes*, 13 November 2023, <https://www.forbes.com/sites/arielcohen/2023/11/13/israel-azerbaijan-energy-deal-strengthens-strategic-partnership>.

<sup>128</sup> United Nations Development Programme (2024), 'National Adaptation Plan (NAP) Support Project for Adaptation Planning and Implementation in Azerbaijan', <https://www.adaptation-undp.org/projects/naps-gcf-azerbaijan>.

<sup>129</sup> Ibid.

<sup>130</sup> World Bank (2023), *Country Climate and Development Report: Azerbaijan*, p. 15.

<sup>131</sup> President of the Republic of Azerbaijan (2024), 'Ilham Aliyev attended the International Forum "COP29 and Green Vision for Azerbaijan"'.  

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Azerbaijan loses an estimated 0.3 per cent of GDP annually to climate hazards, particularly riverine or urban flooding.<sup>132</sup> Land degradation and desertification have affected agricultural areas, while the extractives industry has contributed to land degradation and water contamination. Alongside material losses and damages, resource pressures mean that Azerbaijan and other countries in the region face increasing conflict, the erosion of socio-cultural practices, decreasing well-being and increasing potential for civil unrest.<sup>133</sup>

Given official reticence to date around the energy transition and climate change mitigation, Azerbaijan will need to build resilience rapidly if the country's people and economy are to be protected. Like all countries, Azerbaijan must choose between proactive and comprehensive climate action now or reactive, costlier and escalating action later.

## Early-mover transition opportunities

With a narrow window of opportunity in which to optimize revenues from declining but still relatively cheap-to-produce oil reserves, added to an uncertain outlook for gas expansion, Azerbaijan has some freedom of policy choice in planning its energy transition, but little time to lose. In theory, the government has the chance to prepare for the transition proactively, benefiting from political stability, a period of relatively high oil and gas prices, and the interest of international investors. In practice, it is not clear that the necessary political will exists to transform an economy structured around rent-seeking. The risk is therefore that green growth investments will in effect be 'window dressing' rather than the beginnings of genuine transformation. Given that reducing dependence on volatile revenue from hydrocarbons takes many years, there is an urgent need for the government to develop and implement a broad-based, long-term strategy.

Economically, a key dilemma is where hydrocarbon revenues should best be reinvested for sustainable development of the country. Hydrocarbon gas is expected to remain commercially viable for longer than oil, but how much capital and policy effort should be directed – and for how long – to expanding gas production and infrastructure as opposed to developing other growth sectors? Azerbaijan is not alone in facing these questions.

With the UAE Consensus (see Box 5) and the Troika's oil and gas interests concentrating minds on the challenges ahead, the Troika period offers an opportunity for Azerbaijan to join with other oil and gas exporters in mapping and instigating viable transition pathways. Azerbaijan's system of centralized control and allocation of resources may be an asset in addressing aspects of this. Oil and gas exporters will need to strategically deploy public capital expenditure and manage their sovereign wealth to support structural transformations to their economies over time. However, heavy state management can be a weakness when it comes

<sup>132</sup> World Bank (2023), *Country Climate and Development Report: Azerbaijan*, p. 21.

<sup>133</sup> IPCC (2023), *AR6 Working Group II Contribution to the Sixth Assessment Report: Impacts, Adaptation, and Vulnerability*, Chapter 10, pp. 15–20, <https://www.ipcc.ch/report/ar6/wg2/chapter/chapter-10>.

to achieving robust and flexible economies capable of adapting to changing global markets. For this kind of transformation, efficiency incentives, a vibrant private sector and the retention of talented nationals are, instead, required.

Azerbaijan would benefit from creating fiscal space to finance its transformation. It could do this by broadening the tax base, sensitively reforming energy subsidies, investing in large-scale energy efficiency projects, and putting in place legislation to incentivize growth in the 'circular economy' and regenerative business practices. In theory, such measures could shift the political economy away from the current system of centralized allocation of revenue and towards more bottom-up entrepreneurship and value creation. In practice, however, this is something the Aliyev government appears unwilling to do.

One practical area that can generate immediate benefits is the development of sustainable domestic energy services and infrastructure. Reorienting buildings and economic practices towards high-quality, low-emissions energy infrastructure and services – and taking advantage of new technologies and sustainable practices to do so – offers the prospect of improving health outcomes, generating new business opportunities, reducing subsidy costs, *and* optimizing the value of oil and gas products.

The period when Azerbaijan will be at or near the centre of global climate action offers an opportunity for the government to consolidate its plans for the energy transition and have these plans validated on the international stage. It is also an opportunity for the government to recruit practical support and advice from the expert climate community in implementing transition measures. The leadership's stated ambition for a low-carbon transition is not yet underpinned by the policies, regulation and coordination needed to achieve it. International partners can offer support, not only in terms of direct assistance but also by persistently questioning the governance, business environment and legal underpinnings Azerbaijan will need to achieve transformative rather than cosmetic shifts in its energy sector, industry, buildings and transport.

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# 04

## Can Azerbaijan aspire to climate leadership without civil society?

**Ahead of COP29, the environment for civil society in Azerbaijan has grown increasingly constrained and dangerous. Yet without the space and impetus for academic and civil society contributions, Azerbaijan is likely to fail in its climate leadership efforts, with consequences both at home and internationally.**

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Arzu Geybulla and  
Ruth Townend

### Civil society and climate action

At COP summits, non-state actors of various kinds have formal status as ‘observers’. This reflects the importance the UNFCCC accords to civil society in climate negotiations. The UNFCCC acknowledges that civil society observers ‘play a critical role as the eyes, ears and conscience of the outside world’.<sup>134</sup> Moreover, civil society organizations (CSOs) ‘do much more than observe – they variously campaign for strong ambition, develop innovative ideas, drive climate action on the ground, present the viewpoints of specific stakeholders, and generally mirror the diverse human landscape upon which the battle against climate change must be fought’.<sup>135</sup> At COP29, however, prospects for a successful summit will be complicated by the uncomfortable fact that the host country – Azerbaijan – has largely stifled its own civil society, and has a political environment hostile to civic participation or critical opinion.<sup>136</sup>

‘Civil society’ is a catch-all term that can cover advocacy organizations, universities, think-tanks, charities, religious organizations, youth movements and social enterprises. Improved opportunities for civil society engagement with the climate debate in Azerbaijan could help to ensure that the government’s energy policies and plans for climate change adaptation are accepted by, and beneficial to, the wider citizenry. Unlikely as greater CSO participation currently seems, more open

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<sup>134</sup> UNFCCC (undated), ‘UNFCCC Story: Civil Society’, <https://unfccc.int/about-us/unfccc-archives/the-unfccc-archival-exhibition/unfccc-story-civil-society>.

<sup>135</sup> Ibid.

<sup>136</sup> European Parliament (2024), ‘Resolution of 25 April 2024 on Azerbaijan, notably the repression of civil society and the cases of Dr Gubad Ibadoghlu and Ilhamiz Guliyev (2024/2698(RSP))’, [https://www.europarl.europa.eu/doceo/document/TA-9-2024-0369\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2024-0369_EN.html).

dialogue could help to ensure that policies potentially affecting all of society take into account the interests of different cohorts, including: young people; people living outside the capital and/or in rural areas; oil and gas industry workers vulnerable to energy policy changes; workers *outside* the oil and gas industry, whose interests are arguably at even greater risk of being ignored; Azerbaijan's large number of internally displaced people; and other under-represented groups.

## Azerbaijan has so far resisted pressure for political pluralism, standing alone in the South Caucasus in this regard.

Prospects for change appear poor at present. The experience of some neighbouring countries is that civil society has helped prevent autocracy and has enabled or forced political shifts towards democracy.<sup>137</sup> Azerbaijan has so far resisted pressure for political pluralism, standing alone in the South Caucasus in this regard.

Foreign and international non-governmental organizations (NGOs) and CSOs have their own reservations about Azerbaijan's hosting of COP29. These reservations were vocally expressed in the wake of Azerbaijan's selection as COP29 president-designate.<sup>138</sup> While some CSOs within Azerbaijan have expressed hopes that the country's claims of climate leadership might improve civil liberties,<sup>139</sup> the opposite is proving to be the case so far.

### Box 9. Suppression of climate protest in the UK

Ruth Townsend

Azerbaijan is far from alone in repressing civil society voices on environmental issues. In January 2024, a UN Special Rapporteur highlighted 'increasingly severe crackdowns on environmental defenders in the United Kingdom, including ... the right to peaceful protest'.<sup>140</sup> In July 2024, activists from Just Stop Oil received jail sentences varying from four to five years under a 2022 law on 'conspiracy to cause public nuisance'. These are thought to be the longest sentences ever given for non-violent protest in British legal history.<sup>141</sup>

<sup>137</sup> Boulègue, M. and Lutsevych, O. (2020), 'Resilient Ukraine is Solution to Aggressive Russia', Chatham House Expert Comment, 23 October 2020, <https://www.chathamhouse.org/2020/10/resilient-ukraine-solution-aggressive-russia>.

<sup>138</sup> CIDSE (2024), "'Stop Big Oil Influence & Protect Human Rights at Azerbaijan Climate Summit", over 150 organizations demand', Open Letter to COP29 Presidency, 20 March 2024, <https://www.cidse.org/2024/03/20/open-letter-to-cop29-presidency>.

<sup>139</sup> COP29 – Climate of Justice Initiative (2024), Open letter to COP29 presidency, 20 February 2024, [https://openazerbaijan.org/site/assets/files/2273/cop29\\_-\\_climate\\_of\\_justice\\_initiative.pdf](https://openazerbaijan.org/site/assets/files/2273/cop29_-_climate_of_justice_initiative.pdf).

<sup>140</sup> United Nations Economic Commission for Europe (2024), 'Michel Forst, UN Special Rapporteur on Environmental Defenders under the Aarhus Convention\*, Visit to London, United Kingdom of Great Britain and Northern Ireland, 10-12 January 2024, End of mission statement', 23 January 2024, [https://unece.org/sites/default/files/2024-01/Aarhus\\_SR\\_Env\\_Defenders\\_statement\\_following\\_visit\\_to\\_UK\\_10-12\\_Jan\\_2024.pdf](https://unece.org/sites/default/files/2024-01/Aarhus_SR_Env_Defenders_statement_following_visit_to_UK_10-12_Jan_2024.pdf).

<sup>141</sup> Tobin, S. (2024), 'Five UK climate protesters jailed for conspiracy to block major road', Reuters, 18 July 2024, <https://www.reuters.com/world/uk/five-uk-climate-protesters-jailed-conspiracy-block-major-road-2024-07-18>.

## A restrictive environment

Poor governance in most aspects of Azerbaijani public life remains a major impediment to effective climate action. Azerbaijan scored 23/100 in Transparency International's most recent Corruption Perceptions Index, reflecting an assessment that the public sector suffers from high levels of corruption (a low score signifies that a country is perceived as more corrupt, a high score that it is perceived as relatively clean).<sup>142</sup> A series of much-hyped government reforms in 2017 failed to address fundamental problems with the country's governance and democracy, leaving unchecked 'rampant corruption, repressive conditions inhibiting civil society, and the lack of any government accountability to the population'.<sup>143</sup>

Reflecting international concerns over governance in Azerbaijan, in January 2024 the Parliamentary Assembly of the Council of Europe (PACE) resolved not to ratify the Azerbaijani delegation's credentials, reducing the delegation's rights. PACE concluded that the country has not met major commitments made when it joined the Council of Europe 20 years ago. 'Very serious concerns remain as to [Azerbaijan's] ability to conduct free and fair elections, the separation of powers, the weakness of its legislature vis-à-vis the executive, the independence of the judiciary and respect for human rights, as illustrated by numerous judgments of the European Court of Human Rights and opinions of the Venice Commission,' the Assembly said in a resolution.<sup>144</sup> In response, President Aliyev threatened to withdraw from the Council entirely,<sup>145</sup> claiming the reduction in delegation rights reflected prejudice against an Islamic country.<sup>146</sup>

### Box 10. Civil society and climate action in authoritarian states – examples from Egypt and China

*Ruth Townend*

In authoritarian states with repressive policies towards civil society, non-government actors can still provide an 'essential bridge' between the public and the state.<sup>147</sup> Examples from Egypt and China illustrate something of the constraints civil society faces in authoritarian states, how it can have a positive impact on climate action and ambition, and the opportunities that are missed through restrictions placed on it.

<sup>142</sup> Transparency International (2024), 'Corruption Perceptions Index 2023', <https://www.transparency.org/en/cpi/2023/index/aze>.

<sup>143</sup> Freedom House (2020), 'Nations in Transit 2020: Azerbaijan', <https://freedomhouse.org/country/azerbaijan/nations-transit/2020>.

<sup>144</sup> Parliamentary Assembly of the Council of Europe (2024), 'PACE resolves not to ratify the credentials of Azerbaijan's parliamentary delegation, citing a failure to fulfil 'major commitments'', 25 January 2024, <https://www.coe.int/en/web/portal/-/pace-resolves-not-to-ratify-the-credentials-of-azerbaijan-s-parliamentary-delegation-citing-a-failure-to-fulfil-major-commitments->.

<sup>145</sup> Eurasianet (2024), 'Azerbaijani president threatens to exit top European bodies', 2 February 2024, <https://eurasianet.org/azerbaijani-president-threatens-to-exit-top-european-bodies>.

<sup>146</sup> Eruygur, B. (2024), 'Azerbaijani president says Baku may consider withdrawal from Council of Europe', Anadolu Agency, 28 February 2024, <https://www.aa.com.tr/en/asia-pacific/azerbaijani-president-says-baku-may-consider-withdrawal-from-council-of-europe/3150261>.

<sup>147</sup> Zayed, D. (2024), 'On the Margins: Civil Society Activism and Climate Change in Egypt', Carnegie Endowment for International Peace, 2 May 2024, <https://carnegieendowment.org/research/2024/05/on-the-margins-civil-society-activism-and-climate-change-in-egypt?lang=en>.

## Egypt

Since the popular uprising that toppled the repressive government of Hosni Mubarak in 2011, and the subsequent army coup, Egypt's formerly dynamic (albeit tightly controlled) civil society has operated in an even more restrictive environment.<sup>148</sup> Civil society organizations (CSOs) have depended on foreign funding, and have been exposed to state attacks on their credibility because of this. As in Azerbaijan, repressive tactics have included bureaucratic measures, arrests and crackdowns, with constraints on the funds CSOs can receive and the work they can do.<sup>149</sup>

Space for climate-focused civil society in Egypt was formalized in both the 2011 National Climate Adaptation Strategy and the 2022 National Climate Change Strategy. In these government documents, civil society is described as 'vital' and CSOs are assigned a particular duty to engage the public and promote climate-resilient behaviour. Yet ahead of Egypt's hosting of COP27 in 2022, domestic CSOs critical of the government were prevented from registering to attend, while protests (usually a mainstay at the fringes of COP negotiations) were heavily restricted.<sup>150</sup> Press in the 'global West' – broadly defined as wealthy liberal democracies – highlighted examples of civil society repression, reporting it as a threat to the credibility of Egypt as a host, and to the country's ability to achieve progressive and inclusive outcomes at the conference.<sup>151</sup>

Despite such restrictions, CSOs on the ground in Egypt have played, and continue to play, a role in climate change engagement, particularly around community-led adaptation efforts.<sup>152</sup> This is not to say that such organizations are achieving their full potential. In the wake of COP27, Climate Outreach, a British charity, partnered with the Egyptian environmental organization Greenish to map small and regional CSOs in Egypt. This exercise explored the role and potential of civil society in engaging people on climate change. The report found that CSOs are important for monitoring and evaluating government and private sector policies, and that their critical feedback, on government climate change adaptation projects particularly, is essential.<sup>153</sup> The report's primary recommendation was for government climate strategies and projects to make greater space for CSOs, including ensuring the early participation of such groups in high-level planning.

A 2024 UNESCO policy brief found CSO capacity-building, advocacy and awareness-raising in Egypt were enhancing the soft skills and climate change knowledge of young people.<sup>154</sup> By empowering young people to participate in climate change adaptation initiatives, such programmes foster green entrepreneurship and innovation, with the goal of nurturing a generation capable of implementing and advocating for climate action.

<sup>148</sup> Brechenmacher, S. (2017), 'Institutionalized Repression in Egypt', *Civil Society Under Assault: Repression and Responses in Russia, Egypt, and Ethiopia*, Carnegie Endowment for International Peace, pp. 37–64, <http://www.jstor.org/stable/resrep26904.8>.

<sup>149</sup> Zayed (2024), 'On the Margins'.

<sup>150</sup> Michaelson, R. (2022), 'Surveillance, greenwashing and a hunger strike: welcome to Egypt's Cop27', *New Statesman*, 7 November 2022, <https://www.newstatesman.com/environment/2022/11/egypt-cop27-authoritarian-greenwashing-surveillance>.

<sup>151</sup> Zayed (2024), 'On the Margins'.

<sup>152</sup> Ibid.

<sup>153</sup> Kamal, M. et al. (2023), *Shedding Light on Climate Change Civic Engagement in Egypt: A Mapping of Egyptian Civil Society Organizations*, Greenish and Climate Outreach, <https://climateoutreach.org/reports/greenish-cso-egypt>.

<sup>154</sup> United Nations Educational, Scientific and Cultural Organization (UNESCO) (2024), *Policy brief on civil society organizations' role in climate adaptation action planning in the Arab region: youth as researchers*, <https://unesdoc.unesco.org/ark:/48223/pf0000388611>.



Egypt's climate vulnerability will affect different parts of the population in different ways. Robust, iteratively improving climate governance is needed to confront emerging climate risks, and to manage the vulnerabilities of communities as these risks increase and evolve. If given the space to do so, CSOs offer critical capacity in this regard, being essential on-the-ground responders as well as playing a long-term role in accountability and inclusive engagement, rooted in the communities at risk.<sup>155</sup>

### **China**

The communist authoritarian state of China allows 'considerable yet well-defined space' for CSOs working on environmental and climate issues. However, political constraints limit the scope of CSO impact.<sup>156</sup> The policy paradigm of 'environmental authoritarianism' defines the relationship between civil society and the state. In this paradigm, a limited cadre of scientific and technocratic elites provide specialist input into policymaking, while broader public participation is confined to support for implementation of state-led or -endorsed initiatives or policies. Authoritarian methods are not only used to silence criticism of the government and the Communist Party of China; individual liberties are also sometimes constricted in service of the government's environmental policy agenda, with citizens prevented from engaging in behaviour the authorities deem environmentally unsustainable.<sup>157</sup>

A host of climate change CSOs operate in China today, under the umbrella of Climate Action Network China. But the work of these organizations is limited to policy implementation, raising awareness, education and research.<sup>158</sup> This means the potential of CSOs to help shape innovative, inclusive and effective solutions that benefit from understanding of the needs and capabilities of different audiences and contexts is often missed.

Top-down climate action in China has differing impacts across society. Vulnerable groups sometimes suffer disproportionately from the imposition of blanket social policies. Inappropriate climate policies, such as forcing bans on domestic coal-burning on to households that sometimes have no alternative means of heating, can cause confusion, anger and even hostility towards the climate cause. In Europe and the UK, such sentiments have been characterized as 'greenlash'. By contrast, researchers find that 'better outcomes are achieved when grassroots, citizen-driven environmental initiatives and projects become trusted partners with the state'.<sup>159</sup> In this sense, 'China's top-down approach thus misses out on a powerful driver of sustainability and social support for environmental goals'.<sup>160</sup>

<sup>155</sup> Hamzawy, A., Al-Mailam, M. and Arkeh, J. (2023), 'Climate Change in Egypt: Opportunities and Obstacles', Carnegie Endowment for International Peace, 26 October 2023, <https://carnegieendowment.org/research/2023/10/climate-change-in-egypt-opportunities-and-obstacles?lang=en>.

<sup>156</sup> Mizo, R. (2022), 'Civil Society, Climate Action, and the State in China', Toda Peace Institute, 24 June 2022, <https://toda.org/global-outlook/2022/civil-society-climate-action-and-the-state-in-china.html>.

<sup>157</sup> Beeson, M. (2010), 'The coming of environmental authoritarianism', *Environmental Politics*, 19(2), pp. 276–94, <https://doi.org/10.1080/09644010903576918>.

<sup>158</sup> Mizo (2022), 'Civil Society, Climate Action, and the State in China'

<sup>159</sup> Li, Y. and Shapiro, J. (2022), 'China Planet: Ecological Civilization and Global Climate Governance', *Issues in Science and Technology*, Vol. XXXVIII, No. 4, Summer 2022, <https://issues.org/china-planet-ecological-civilization-climate-governance-li-shapiro>.

<sup>160</sup> Ibid.

## The impacts of insularity

For any COP president-designate, the limited time available for preparation ahead of the conference is challenging – both in terms of logistics and for ensuring local officials have the skills and background knowledge to manage the negotiations. In Azerbaijan's specific case, however, a combination of an abbreviated lead-in period, years of official reticence to engage with climate change, and tight government controls on civil society and academia has left the country with a paucity of skills and expertise in climate change, climate finance and negotiation. While the government has been working hard in recent months to develop its capacity in some of these areas, the crucial capacity and expertise that Azerbaijani civil society might have offered ahead of COP29 have been suppressed. The government has heavily restricted freedom of association, and the list of political prisoners has continued to grow.<sup>161</sup>

Azerbaijani NGOs and CSOs face barriers at the point of set-up. There are constraints on who may establish such organizations, and registration procedures are burdensome. The Ministry of Justice has powers to supervise, inspect and dissolve NGOs. A broad interpretation of legal instruments is often used against NGOs, including to hinder freedom of expression. Financial barriers to operation include limited access to funding, and restrictions on who can donate to NGOs. The government, which believes that civil society should serve state interests, is sceptical of foreign funding, claiming that this is a threat to national security and the national interest.<sup>162</sup> Barriers to freedom of assembly include requirements for advance notification of gatherings, restrictions on who can organize and assemble (and in what location), and 'excessive criminal penalties' for arranging gatherings deemed by the authorities to have breached regulations.<sup>163</sup>

During a visit to Berlin in April 2024, President Aliyev dismissed criticisms of Azerbaijan for jailing journalists. Addressing questions from the audience in a press conference with the German chancellor, Olaf Scholz, Aliyev said the government was not censoring media and that recent investigations were simply within the scope of Azerbaijan's laws. The president added that the country 'must protect' its media 'from external negative influences'.<sup>164</sup> But to many observers, Aliyev's remarks will simply have confirmed the repressive impulses that seem to motivate Azerbaijan's political leadership.

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<sup>161</sup> Turan News Agency (2024), 'Number of political prisoners in Azerbaijan approaches 300', 18 March 2024, <https://turan.az/en/politics/number-of-political-prisoners-in-azerbaijan-approaches-300>.

<sup>162</sup> European Center for Not-for-Profit Law (ECNL) (2023), *2023 Azerbaijan CSO Meter Country Report*, ECNL Stichting, <https://csometer.info/countries/azerbaijan>; and Human Rights Watch and Freedom Now (2024), "'We Try to Stay Invisible": Azerbaijan's Escalating Crackdown on Critics and Civil Society', 8 October 2024, <https://www.hrw.org/report/2024/10/08/we-try-stay-invisible/azerbajians-escalating-crackdown-critics-and-civil-society>.

<sup>163</sup> International Center for Not-for-Profit law (ICNL) (2024), 'Azerbaijan', <https://www.icnl.org/resources/civic-freedom-monitor/azerbaijan>.

<sup>164</sup> More, R. (2024), 'Azerbaijan's Aliyev rejects criticism over journalists' arrests', Reuters, 26 April 2024, <https://www.reuters.com/world/azerbajians-aliyev-rejects-criticism-over-journalists-arrests-2024-04-26>.

## **From nationalism to flawed elections – many levers for perpetuating rule**

Azerbaijan's leadership has said for decades that politics could not be reformed while the conflict over Mountainous Karabakh continued. In September 2023, Azerbaijan took control of the territory, following a 24-hour blitzkrieg military operation. On 7 December 2023, the same day on which Armenia announced it would back Azerbaijan's hosting of COP29, President Aliyev called a snap presidential election for 7 February 2024; this vote resulted in his re-election and the extension of his presidency for another seven years. Monitors from the Organization for Security and Co-operation in Europe (OSCE) said the election itself 'took place in a restrictive environment', 'was devoid of genuine pluralism', and was compromised by the country's 'shrinking space for independent media, civil society, and political parties'.<sup>165</sup>

In light of the government's rhetoric presenting the conflict with Armenia as the obstacle to political pluralism in Azerbaijan, the resolution of the conflict over Mountainous Karabakh raised hopes among some in Azerbaijan that greater political openness could now come.<sup>166</sup> Instead, since the military victory over Armenia, and in the lead-up to COP29, Azerbaijan's leadership has been cracking down even further on political dissent, restricting the activities of opposition parties, limiting free speech and tightening control over the media.

## **In the lead-up to COP29, Azerbaijan's leadership has been cracking down even further on political dissent, restricting the activities of opposition parties, limiting free speech and tightening control over the media.**

Throughout Aliyev's 21 years in power, the Azerbaijani government has silenced independent voices, including through restrictive legislation, physical intimidation, arrests and blackmail. According to the remaining human rights monitors in the country, more than 300 political prisoners are behind bars.<sup>167</sup> Among them are journalists, academics, civic and political activists, and human rights defenders. The run-up to the 2024 presidential election saw renewed crackdowns targeting independent and opposition media outlets.

These trends have understandably raised concerns about political repression associated with the forthcoming COP29 summit. On 20 February 2024, a group of Azerbaijani NGOs published a manifesto establishing the 'COP29 – Climate

<sup>165</sup> Organization for Security and Co-operation in Europe, Parliamentary Assembly (2024), 'Election Observation Mission, Republic of Azerbaijan – Early Presidential Election, 7 February 2024, Statement of Preliminary Findings and Conclusions', <https://www.osce.org/files/f/documents/9/3/562473.pdf>.

<sup>166</sup> Wintour, P. (2023), 'Azerbaijan close to peace agreement with Armenia, officials say', *Guardian*, 27 December 2023, <https://www.theguardian.com/world/2023/dec/27/azerbaijan-close-to-peace-agreement-with-armenia-officials-say>.

<sup>167</sup> Amnesty International (2024), 'The Human Rights Situation in Azerbaijan Ahead of COP29', Amnesty International Public Statement, 11 June 2024, <https://www.amnesty.org/en/wp-content/uploads/2024/07/EUR5583142024ENGLISH.pdf>.

of Justice Initiative' with a vision to 'promote civil liberties, public participation, and environmental justice in Azerbaijan'.<sup>168</sup> The document detailed obstacles to genuine climate action and civil society participation in Azerbaijan, and called for government action to address political incarceration, remove restrictions on freedom of association and movement, combat corruption and end violence against women. The initiative also called for a roadmap for Paris-compliant action up to 2030; measures to reduce pollution (including in oil-contaminated areas); and free, fair and efficient use of water resources.

In April, Anar Mammadli of the Election Monitoring and Democracy Studies Centre, one of the initiative's co-founders, was arrested on what Amnesty International described as 'bogus' and 'fabricated' charges of conspiracy to commit smuggling.<sup>169</sup> Mammadli is far from alone. Since the beginning of Aliyev's most recent presidential term, scores of civic activists, rights defenders and journalists have been placed behind bars on charges ranging from smuggling to hooliganism, drug possession, extortion and fraud. Many more have been questioned, and some have been subjected to long 'exposés' published in pro-government media outlets accusing them of spreading anti-government narratives and spying for foreign governments.

Amid a wave of pre-COP crackdowns in which journalists<sup>170</sup> and environmental and peace activists<sup>171</sup> have been imprisoned, the Azerbaijani authorities launched a 'COP29 NGO Coalition' in July 2024.<sup>172</sup> This coalition consists mainly of foreign NGOs, yet excludes most major international environmental groups. A 'grant competition' for joint initiatives between foreign and local NGOs was also announced, with the support of the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan. Together, the purported aim of these initiatives is to offer 'a clear demonstration of how Azerbaijan is sensitive and caring towards the concept of inclusivity'.<sup>173</sup> Yet given the lack of transparency around who can be included in such initiatives, the detention of prominent Azerbaijani environmental activists, and the oppressive environment in which those who remain free must operate, the prospects for meaningful engagement between Azerbaijani civil society and the state, or even between Azerbaijani civil society and international stakeholders, look poor.

## Token inclusivity?

The principle of 'inclusivity' in climate action features prominently in international policymaking. This reflects a consensus on the importance of recognizing and addressing the disproportionate burdens that climate change and the energy transition place, or are likely to place, on under-represented, deprived

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<sup>168</sup> COP29 – Climate of Justice Initiative (2024), Open letter to COP29 presidency.

<sup>169</sup> Amnesty International (2024), 'Azerbaijan: Human rights defender detained: Anar Mammadli', 16 May 2024, <https://www.amnesty.org/en/documents/eur55/8053/2024/en>.

<sup>170</sup> European Federation of Journalists (2024), 'Azerbaijan: 23 journalists in jail ahead of COP29', 19 August 2024, <https://europeanjournalists.org/blog/2024/08/19/azerbaidjan-23-journalists-in-jail-ahead-of-cop29>.

<sup>171</sup> *The Economist* (2024), 'Azerbaijan's Government Turns on Its Critics at Home', 29 August 2024, <https://www.economist.com/europe/2024/08/29/azerbaidjans-government-turns-on-its-critics-at-home>.

<sup>172</sup> COP29 Baku Azerbaijan (2024), 'President-Designate meets COP29 NGO Coalition members', 10 September 2024, <https://cop29.az/en/news/president-designate-meets-cop29-ngo-coalition-members>.

<sup>173</sup> COP29 Baku Azerbaijan (2024), 'Foreign and Local NGOs establish "COP29 NGO Coalition"', press release, 19 July 2024, <https://cop29.az/en/news/foreign-and-local-ngos-establish-cop29-ngo-coalition>.

or excluded groups in society. It also reflects a consensus on the consequent importance of engaging marginalized groups in the development of climate and clean-energy solutions.<sup>174</sup>

The international community has already made clear that it intends to scrutinize the extent to which COP29 is genuinely inclusive, and the Azerbaijani government has shown signs that, in certain cases, it is willing to respond when pressure is applied. For example, when Azerbaijan announced a 12-strong COP29 organizing committee that was entirely male, an outcry ensued.<sup>175</sup> Representation of women has been shown to correlate with more ambitious environmental decision-making, and Baku evidently heard concerns that the initial absence of women on its organizing committee was a threat to the COP's success.<sup>176</sup> The committee was subsequently expanded twice 'to ensure inclusiveness', and by May 2024 it consisted of 24 women and 31 men.<sup>177</sup> Nigar Arpadarai, a non-aligned member of parliament, was appointed as an official 'COP29 High-Level Champion',<sup>178</sup> a role established at COP21 in Paris, in 2015, to advance dialogue between government and non-government COP participants. Arpadarai was joined on the COP presidency team by two more women: Narmin Jarchalova, a former member of Azerbaijan's presidential administration, who was appointed chief operating officer for COP29; and Leyla Hasanova, chair of the Non-Aligned Movement Youth Organization, who was appointed Youth Climate Champion.<sup>179</sup>

### **Eco-protesters vs 'eco-activists'**

The constricted and selective operating space for environmentalism in Azerbaijan should be seen in the context of previous government crackdowns on, and endorsements of, eco-activism. During the summer of 2023, Azerbaijani authorities called in riot police to disperse village residents in Söyüdlü; the villagers were protesting about waste from a nearby gold mine being dumped into a lake. Violent arrests by riot police ensued, with the use of rubber bullets, tear gas and physical force. Those arrested included journalists, politicians and village residents.

This forceful response contrasts starkly with the government's treatment of other 'eco-activists' when this suits political priorities. Also in 2023, the Lachin Corridor was blocked in apparent protest at the environmental impacts of ore mining operations; yet the protest continued long after mining operations in the area had ceased. The one-way blockade of this sole route connecting Mountainous Karabakh to Armenia left the Armenian population of the contested region with limited access

<sup>174</sup> Jaglom, W. and Pfeiffer, L. (2019), 'How Can Climate Action Be Inclusive?', *Climatelinks*, 22 October 2019, <https://www.climatelinks.org/blog/how-can-climate-action-be-inclusive>.

<sup>175</sup> We Mean Business Coalition (2024), 'COP29: Leading women call for gender diversity', <https://www.wemeanbusinesscoalition.org/cop29-women-call-for-gender-diversity>.

<sup>176</sup> Heckwolf, A. and Soubeyran, E. (2024), 'Azerbaijan's short-lived all-male COP29 organising committee illustrates the ongoing struggle for inclusivity in climate action', *Grantham Research Institute on Climate Change and the Environment*, London School of Economics and Political Science, 29 January 2024, <https://www.lse.ac.uk/granthaminstitute/news/azerbajians-original-all-male-cop29-organising-committee-illustrates-the-ongoing-struggle-for-inclusivity-in-climate-action>.

<sup>177</sup> COP29 Baku Azerbaijan (2024), 'COP29 Organising Committee', <https://cop29.az/en/pages/COP29-Organising-Committee>.

<sup>178</sup> High-Level Climate Champions via LinkedIn (2024), 'Welcoming the Ninth UN Climate Change High-Level Champion', LinkedIn, 20 February 2024, <https://www.linkedin.com/pulse/welcoming-ninth-un-climate-change-high-level-champion-uhqvc>.

<sup>179</sup> COP29 Baku Azerbaijan (2024), 'The COP29 Presidency Team', <https://cop29.az/en/teams>.

to healthcare and on the brink of starvation.<sup>180</sup> President Aliyev praised these 'eco-activists', yet the government alleged that the Söyüdlü village residents protesting against pollution of their lake were acting on the orders of provocateurs. Following the Söyüdlü village protests, the government launched a further crackdown against investigative journalism platform Abzas Media, online media outlet Toplum TV, individual journalists, civic groups and political activists.

## Prospects and tests

It is hard to take Azerbaijani promises of climate leadership at face value when many in civil society and academia consider the energy transition too 'political' to speak about, while others who have spoken out remain behind bars. The correlation between political openness and effective climate action is not necessarily a straightforward one – democratic states have themselves miserably failed to address climate change adequately, while the experience of authoritarian states in responding to environmental challenges is arguably mixed (see Box 10). It is nonetheless reasonable to argue that more transparent internal debate of Azerbaijan's climate and energy transition challenges would be beneficial. Azerbaijani environmental activism will not thrive, or provide the momentum and challenge to official policy that might aid ambitious and inclusive climate action, while oppression of civil society remains pervasive. If Azerbaijan wishes to be seen as serious about climate leadership, it should begin by lifting government-imposed repression of civil society as a whole, and of CSO-led environmentalism in particular.

The government's holding of an 'inaugural' Baku Climate Action Week from 30 September to 4 October 2024 provided a first test of the government's willingness to open its streets and ears to civil society.<sup>181</sup> Beyond official announcements,<sup>182</sup> it is difficult to get insights into the inclusivity and openness of the event, which was held in partnership with London Climate Action Week, a thriving hub of civil society and open, challenging debate about climate action.<sup>183</sup> Meaningful Azerbaijani civil society participation in future gatherings would require the government to be open to criticism, even though, according to one academic: 'It is harder to have conversations about weaknesses here, and climate change is the ultimate threat that no one is on top of, which makes it a less attractive conversation for rhetoric.'<sup>184</sup> Such events also require believable protections for civil society actors, to assure them that if the government doesn't like what they have to say, they won't be silenced behind prison cell doors.

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<sup>180</sup> UN Office of the High Commissioner on Human Rights (2023), 'UN experts urge Azerbaijan to lift Lachin corridor blockade and end humanitarian crisis in Nagorno-Karabakh', 7 August 2023, <https://www.ohchr.org/en/press-releases/2023/08/un-experts-urge-azerbaijan-lift-lachin-corridor-blockade-and-end>.

<sup>181</sup> Baku Climate Action Week (2024), 'Programme', <https://bakuclimateactionweek.org/en/events-programme>.  
<sup>182</sup> News.az International (2024), 'Baku Climate Action Week wraps up with bold commitments ahead of COP29', 7 October 2024, <https://news.az/news/baku-climate-action-week-wraps-up-with-bold-commitments-ahead-of-cop29>.

<sup>183</sup> London Climate Action Week, <https://www.londonclimateactionweek.org>.

<sup>184</sup> Ruth Townsend interview with environmental academic, Baku, April 2024.

By hosting COP29, the government of Azerbaijan wants to 'improve its reputation on the world stage'<sup>185</sup> and rebrand itself just as it has done in the past when hosting other, less political international events such as the European Games, the Eurovision Song Contest, Formula 1 motor racing and the Islamic Solidarity Games. COP29 also provides an opportunity for foreign-based rights watchdogs and climate organizations to highlight the country's egregious human rights and freedoms record, as they have done during other international events hosted by Azerbaijan. Although the situation on the ground is oppressive, there are opportunities for international civil society to work with exiled Azerbaijani media and civic groups, which remain committed to holding the leadership in Azerbaijan to account.

If President Aliyev continues to shrug off international criticism,<sup>186</sup> the need for international civil society groups and the UN to cite evidence that Azerbaijan's civic space has virtually disappeared will be all the greater. If the UNFCCC model of a rotating COP presidency is to add value to, rather than detract from, the multilateral process, then drawing attention to problematic aspects of a host's governance, particularly towards vital constituencies such as civil society, will need to be much more of a priority for external observers and the UN. External critical scrutiny during events such as COP29, while no substitute for domestic activism and a vibrant civil society, is all the more valuable when, as in Azerbaijan's case, the governance environment makes it so difficult for CSOs and NGOs on the ground.

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<sup>185</sup> Mammadov, R. (2024), 'Azerbaijan and COP29: An opportunity or a challenge', Middle East Institute, 7 February 2024, <https://www.mei.edu/publications/azerbaijan-and-cop29-opportunity-or-challenge>.

<sup>186</sup> Geybullayeva, A. (2024), 'Azerbaijan, COP29 host, shows disregard for climate action and human rights', Global Voices, 1 May 2024, <https://globalvoices.org/2024/05/01/azerbaijan-cop29-host-shows-disregard-for-climate-action-and-human-rights>.

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# 05

## A ‘peace COP’? The challenges of peace and green transitions

Having solved its issues with Armenia, and with the Armenians of Mountainous Karabakh, by force, Azerbaijan is keen to burnish its peace credentials by framing COP29 as a ‘peace COP’. Hype around an imminent agreement is best avoided, but joint environmental action can nudge confidence-building forward.

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Laurence Broers

### From war to peace?

There is little doubt that Azerbaijan’s securing of the COP29 presidency, just three months after a campaign in Mountainous Karabakh widely characterized as ethnic cleansing, was a diplomatic coup for the government.<sup>187</sup> Following Azerbaijan’s victory in the Second Karabakh War in late 2020, three years of coercive diplomacy had culminated in a September 2023 military strike that finally extinguished the 35-year-long attempt by local Armenians, supported by Armenia, to separate from the country. The successful Azerbaijani military operation resulted in the mass flight of the territory’s entire Armenian population, already weakened by a nine-month blockade. Baku continues to hold prisoner numerous figures from the Karabakh Armenian civil and military leadership: slated for trial in Azerbaijan, they are seen as hostages in Armenia. In COP29, Baku saw an opportunity to burnish its

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<sup>187</sup> Harazim, K. (2023), ‘EU Parliament accuses Baku of ‘ethnic cleansing’ in Nagorno-Karabakh’, Euronews, 5 October 2023, <https://www.euronews.com/2023/10/05/eu-parliament-accuses-baku-of-ethnic-cleansing-in-nagorno-karabakh>; Scheffer, D. J. (2023), ‘Ethnic Cleansing Is Happening in Nagorno-Karabakh. How Can the World Respond?’, Council on Foreign Relations, 4 October 2023, <https://www.cfr.org/article/ethnic-cleansing-happening-nagorno-karabakh-how-can-world-respond>; Freedom House, International Partnership for Human Rights, Democracy Development Foundation, Helsinki Citizens’ Assembly-Vanadzor, Protection of Rights without Borders, Law Development and Protection Foundation, and Truth Hounds (2024), *Why Are There No Armenians in Nagorno-Karabakh?*, Washington, DC: Freedom House, <https://freedomhouse.org/report/special-report/2024/why-are-there-no-armenians-nagorno-karabakh>. Ethnic cleansing is a process involving both the mass forced displacement of people and the erasure of their former presence. Numerous acts of destruction of Armenian material and cultural heritage in Mountainous Karabakh since the mass displacement in 2023 have been documented through satellite imagery by Caucasus Heritage Watch. See, for example, Lindsay, I., Smith, A. T., Ghulyan, H. and Khatchadourian, L. (2024), *Monitoring Report #7*, June 2024, <https://indd.adobe.com/view/b1b54fc0-dce2-4eb0-ba83-eb728c49dd20>.



international bona fides as a peace actor, promoting the conference as a 'peace COP' and enjoining other nations to observe a global 'COP truce', akin to an Olympic truce, in all conflicts.<sup>188</sup>

COP29 consequently coincides with a remarkable moment in Azerbaijan's history as an independent state, as the government has defeated the secessionist movement in Mountainous Karabakh and has resolved what was long seen domestically as Azerbaijan's greatest burden: the occupation of 14 per cent of its territory, with the internal displacement of some 600,000 people. Negotiations between Armenia and Azerbaijan on a framework peace agreement resumed in 2024, and Azerbaijani diplomats are keen to promote a positive assessment of progress in the relations between the two states.<sup>189</sup>

Notwithstanding caveats about the manner in which Azerbaijan has reached this point, this assessment has some basis in fact. Front lines were quieter in 2024 than at any time since before the 2020 Second Karabakh War. Armenian and Azerbaijani border commissions have met with increasing frequency, resulting in widely disseminated photos of the first border posts erected between the two countries.<sup>190</sup> Both sides affirm their interest in connectivity and a long-awaited regional opening, and Armenian and Azerbaijani officials concur that most of the articles of a framework agreement have been signed off.

## **The positive gloss to the current stage of talks also reflects the fact that from Azerbaijan's perspective, the vital interests that were in play from the onset of the conflict in the 1980s until 2023 are no longer at stake.**

Yet, as mediators like to say, 'nothing is agreed until everything is agreed'. The positive gloss to the current stage of talks also reflects the fact that from Azerbaijan's perspective, the vital interests that were in play from the onset of the conflict in the 1980s until 2023 are no longer at stake. What is being discussed today is a range of secondary issues or new issues emanating from the Second Karabakh War and its aftermath.

Moreover, the most sensitive remaining issue, connectivity and transit, has by agreement been taken out of the text currently being negotiated. The risk is that this results in a hollowed-out agreement which merely postpones efforts to resolve outstanding problems between the two states. Azerbaijani diplomats have also flagged a wide range of issues that they frame as preconditions, or possible preconditions, for signature of a framework agreement on normalization. These issues include but are not limited to revision of Armenia's constitution and Armenian

<sup>188</sup> Harvey (2024), 'Azerbaijan accused of hypocrisy after calling for Cop29 global truce'.

<sup>189</sup> Suleymanov, E. (2024), 'Abandon the doom and gloom narrative around Azerbaijan and Armenia', letter to the *Guardian*, 7 May 2024, <https://www.theguardian.com/world/article/2024/may/07/abandon-the-doom-and-gloom-narrative-around-azerbaijan-and-armenia>.

<sup>190</sup> Ghazanchyan, S. (2024), 'First border post installed on Armenia-Azerbaijan border', Public Radio of Armenia, 23 April 2024, <https://en.armradio.am/2024/04/23/first-border-post-installed-on-armenia-azerbaijan-border>.

cooperation in the formal dissolution of the institutions of the Organization for Security and Co-operation in Europe (OSCE) that were set up to mediate the conflict in the 1990s. The negotiating parameters for an agreement are therefore not yet set, and more preconditions can be expected. Messaging remains distinctly mixed: while Azerbaijani diplomats talk up the possibilities of peace, President Aliyev continues to emphasize military build-up as a national priority.<sup>191</sup> Beyond these dynamics, however, as with the transition to green energy, the transition to peace requires forms of social and political agency that have long been restricted in Azerbaijan.

## The limits of top-down transitions

While totally different in their content and scale, the challenges presented by post-oil and post-war horizons share some similarities. Both challenges require divestment from habitual sources of power and leverage – resource rents and a national cause, respectively – that have sustained Azerbaijan's political model for decades. And in the same way that responding effectively to climate change requires new kinds of knowledge, power and agency that a petrostate has hitherto not needed, the kinds of agency, strategy and practice needed for peace to take hold are radically different from those needed by a state mobilizing for and waging war.

While estimates differ on the lifespan of Azerbaijan's natural resource rents, all agree on their finite nature (see Chapter 3, Box 4).<sup>192</sup> New pillars of a decarbonized Azerbaijani economy will inevitably depend on new forms of connectivity that in turn will depend on sustained peace and stability in the region. Peace and the green transition are thus inextricably linked, since a stable peace aligns with, enables and would presumably be indispensable to a post-oil Azerbaijan.

Yet for as long as resource rents continue to provide for Azerbaijani structural autonomy in the global economy, as well as military superiority over Armenia, there are few costs to the postponement of a sustainable peace with Yerevan, even though new regional connectivity schemes and a deepening of economic relations would depend on just such a peace. President Aliyev has argued that Azerbaijan's hydrocarbon resources are 'a gift from God' that Azerbaijan intends to continue exploiting, in addition to investing in green energy.<sup>193</sup>

Meanwhile, a wave of arrests and detentions in the months leading up to COP29 have indicated a concomitant reluctance on the part of the authorities to relinquish use of accusations around the 'Armenian trace' as a tried and tested method of silencing domestic dissent.<sup>194</sup> Young scholars and social media posters have been detained – and in one case, that of Bahruz Samadov, charged with treason – on account of contacts with Armenians. Echoing the violent dispersal in June 2023 of villagers protesting about pollution from a gold mine at Söyüdlü in Azerbaijan's

<sup>191</sup> Turan (2024), 'Ilham Aliyev Declares Military Strengthening a Priority for Azerbaijan', 23 September 2024, <https://turan.az/en/politics/ilham-aliyev-declares-military-strengthening-a-priority-for-azerbaijan-784950>.

<sup>192</sup> Guliyev, F. (2019), 'Azerbaijan's Missed Opportunities', *Current History* 118 (810): 265–70, <https://doi.org/10.1525/curh.2019.118.810.265>.

<sup>193</sup> Ainger, J. (2024), 'COP29 Host Azerbaijan Says Its Fossil Fuel Is 'Gift from God'', Bloomberg UK, 26 April 2024, <https://www.bloomberg.com/news/articles/2024-04-26/cop29-host-azerbaijan-says-its-fossil-fuel-is-gift-of-the-gods>.

<sup>194</sup> Bardouka, Y. (2024), 'When advocating for peace becomes treason – the arrest of Bahruz Samadov', OC Media, 11 September 2024, <https://oc-media.org/features/when-advocating-for-peace-becomes-treason-the-arrest-of-bahruz-samadov>.

Gadabay region,<sup>195</sup> the state is not ready to accept autonomous civic agency capable of either raising environmental concerns or brokering new relations across the Armenian-Azerbaijani divide (see also Chapter 4).

International actors should therefore not expect decisiveness in Azerbaijan's policies *vis-à-vis* either conflict resolution or climate change. External actors need instead to anticipate and prepare for the frictions associated with hybrid policies that simultaneously assert a change narrative – and the state's pre-eminent role within that change – while continuing to extract economic rents from hydrocarbons and to leverage nationalist legitimacy from unresolved issues in the relationship with Armenia. Real change implies the government adopting a long-term horizon in which the structural needs of a post-oil Azerbaijani economy eventually intersect with new kinds of relations made possible by sustained peace.

Expectations of breakthrough signatures of a peace agreement consequently need to be tempered. Instead, the COP29 opportunity should be used by Azerbaijan and Armenia to agree a new basket of bilateral confidence-building measures addressing some of the many environmental issues, such as conservation, pollution and water resource management, that by nature are beyond unilateral solutions.<sup>196</sup> Embedding the incremental nature of such confidence-building packages into the process can gradually widen the field of Armenian-Azerbaijani strategic interactions beyond their antagonistic militarized dimensions, and build a basis for eventual agreement on other substantive issues that remain contentious.

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<sup>195</sup> Mammadova, C. (2023), 'Crackdown on environmental protest in Azerbaijan sparks outrage', Eurasianet, 23 June 2023, <https://eurasianet.org/crackdown-on-environmental-protest-in-azerbaijan-sparks-outrage>.

<sup>196</sup> See, for example, the ideas discussed in this white paper published by the Hertie School and Restart Initiative (2023), *Economic Connectivity Armenia-Azerbaijan Dialogue Series ECAADS*, September 2023, [https://hertieschool-f4e6.kxcdn.com/fileadmin/1\\_Study/6\\_Executive\\_Education/Customized\\_Programmes/ECAADS/Publications/ECAADS\\_White\\_Paper\\_September\\_2023.pdf](https://hertieschool-f4e6.kxcdn.com/fileadmin/1_Study/6_Executive_Education/Customized_Programmes/ECAADS/Publications/ECAADS_White_Paper_September_2023.pdf).

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# 06

## Conclusions and recommendations

**Azerbaijan has an opportunity to show genuine climate leadership by focusing debate on the decarbonization dilemmas of petrostates, and by using UNFCCC dialogues to recruit the world's expertise and ingenuity in exploring solutions. However, given Azerbaijan's current trajectory, this opportunity looks likely to be lost.**

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James Nixey and  
Ruth Townend

This paper was prompted by Azerbaijan's unexpected assumption of a position at the centre of global climate governance, as host of the UNFCCC's flagship 2024 climate change conference, COP29. It will be the first major multinational political event in the country, and preparations for the 11–22 November summit are bringing scrutiny not only to Azerbaijan's climate credentials but to other aspects of its politics and society.

As we have shown, the odds seem stacked against Azerbaijan providing strong and genuine climate leadership. Despite, or perhaps because of this, the UNFCCC secretariat, civil society, the scientific community and some parties to the Paris Agreement on climate change are likely to do whatever they can to help Azerbaijan make a success of COP29, its Troika membership, and UN World Environment Day 2026. However, with support also comes scrutiny, likely over time to include international lobbying for incremental improvements in the country's climate commitments and more consistency and accountability in its implementation of them. As the world's main multilateral mechanism for negotiating governmental plans to address climate change and its impacts, COP summits are not easily written off. These events are too important. This is particularly true of COP29, given its agenda of boosting global climate finance at a crucial point in the Paris process.

Despite the authors' scepticism on prospects for success, it is not out of the question that the scrutiny that comes with COP29 and Troika membership could have a galvanizing effect on climate ambition and action in Azerbaijan. As this paper has shown, the country has strong incentives to rapidly upscale resilience-building and transition, though these are counterbalanced by competing imperatives to maintain the status quo. Azerbaijan is also well versed in managing the often competing needs and interests of disparate stakeholders. Plus, the government has

experience of hosting large international events, albeit in sport and entertainment rather than climate diplomacy. Then again, a climate COP is not Eurovision, and participants and observers at COP29 will need to look beyond official rhetoric for evidence of significant reform on environmental and other governance issues. Those hoping for signs of progress should remember that Azerbaijan's climate governance institutions are shallow and not designed to facilitate change, that its civil society is forcibly constrained, and that its broader political environment is generally hostile to change and designed to withstand it.

Despite initial claims that Baku could host 80,000 delegates, this year's COP may be a slimmed-down affair. Attendance has reportedly been capped at 40,000; with just weeks to go before the conference, many world leaders have not yet confirmed their attendance; observer organizations report being allocated fewer 'badges' to access the conference; and companies are reportedly nervous of an event at which the credibility of both the host and the Paris Agreement is on the line. The optics of having an authoritarian petrostate presiding for the second consecutive year (after the UAE in 2023) over the world's most important climate summit are challenging, particularly given the UNFCCC's commitment to principles of international cooperation and civic inclusion. If the organizing committee fails to set the right tone, Baku in November 2024 may not be the best place for corporates (and other non-state actors) to burnish their green credentials.<sup>197</sup> Concerns over a potential PR fiasco at Baku would be amplified if Donald Trump, a vehement climate change denier, wins the US presidential election just a few days before COP29 opens.

Threats both real and invented are regularly invoked by Baku. But there is no greater, more systemic threat than climate change. COP29 represents an opportunity to set Azerbaijan's future political and economic trajectory. The host's aspirations to make COP29 a 'peace COP' may have more credibility if that 'peace' includes measures likely to prevent climate- or resource-related conflict, rather than ambivalent commitments to peace with Armenia combined with procrastination on an actual agreement.

## **Battening down the hatches**

Change is coming to Azerbaijan, whether it wants it or not. The question of whether the political leadership is willing to accept that inevitability – and to channel it into constructive climate diplomacy and domestic energy sector reform – has been a thread running through this paper.

Whether for Azerbaijanis themselves or external observers, the country's internal complexity and geopolitically pivotal position offer cause for a mixture of justified despondency at the lack of reform prospects, and optimism at Azerbaijan's obvious potential. The name 'Aliyev' has ruled in Azerbaijan for over 30 years, with few discernible improvements in democracy, governance or human rights, and many

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<sup>197</sup> Colman, Z., Schonhardt, S., Weise, Z. and Mathiesen, K. (2024), 'Wary of Trump and Azerbaijan, businesses shun COP climate talks', E&E News, 8 September 2024, <https://www.eenews.net/articles/wary-of-trump-and-azerbaijan-businesses-shun-cop-climate-talks>.

observable declines. Yet the country is largely regarded by many in the 'West' as a necessary friendly rampart in wider struggles with Russia and Iran. Azerbaijan is also ostensibly stable and independent-minded. Its population has no desire for a further war with Armenia,<sup>198</sup> and the political leadership understands, at some level, that Azerbaijan's long-term future lies neither with hydrocarbons nor with Russia.

What is less clear is whether change will come to Azerbaijan through combinations of external pressure and wider systemic forces, leading to a renewed impetus for progressive reform; or whether change will be accompanied and driven by social unrest, as has happened (and will continue to happen) with so many of its neighbours or near-neighbours. Climate change will make Azerbaijan hotter, drier, poorer and less stable; unequal distribution of fossil fuel wealth will do little to cushion society from these blows.<sup>199</sup>

**Within a decade, Azerbaijan's energy paradox – wedded to oil and gas but propelled towards renewables – is likely to result in the country simply pursuing both to the greatest extent possible in an attempt to maintain its geopolitical position, preserve its economy and, most of all, sustain the ruling elites.**

With a significant boost to his domestic legitimacy as a result of Azerbaijan's military victory in 2020, President Ilham Aliyev has had an unprecedented opportunity to adjust Azerbaijan's course and prepare the country for the future, including for the climate-related pressures it will feel. That opportunity, however, is being squandered due to a lingering political aspiration to total control, the structural underpinnings of which – oil and gas rents – are environmentally damaging as well as impermanent. The inherent insecurity of the country's elites, their overriding imperative of political survival, and the accompanying logic that meaningful, systemic transformation would be contrary to self-interest as currently perceived by the Aliyev government mean that Baku is attempting to stave off change for as long as possible.

## **A 'gift from god' and an obligation to humanity**

President Aliyev says that oil and gas are 'a gift from god'. Azerbaijan's claims of climate leadership now demand that his country grapple with, and help other nations grapple with, the consequences of that 'gift'.

<sup>198</sup> Caucasus Watch (2023), 'Public Opinion in Azerbaijan Favors Peace with Armenia: Survey Shows 78.5% Support', 11 December 2023, <https://caucasuswatch.de/en/news/public-opinion-in-azerbaijan-favors-peace-with-armenia-survey-shows-785-support.html>.

<sup>199</sup> International Monetary Fund (2024), 'GDP per capita, current prices', <https://www.imf.org/external/datamapper/NGDPDPC@WEO/ARM/AZE/GEO> (accessed 7 Oct. 2024).

Greenhouse gas emissions from Russian and US fossil fuels vastly exceed emissions from countries like Azerbaijan. Meanwhile, the EU, in some respects less vulnerable than Azerbaijan to the effects of climate change, encourages Azerbaijan to drill deeper than it ever has before. Within a decade, Azerbaijan's energy paradox – wedded to oil and gas but propelled towards renewables – is likely to result in the country simply pursuing both to the greatest extent possible in an attempt to maintain its geopolitical position, preserve its economy and, most of all, sustain the ruling elites.<sup>200</sup>

While coal, oil and gas reserves can be delineated by country, the atmosphere that must absorb greenhouse gases from their use cannot. All countries, including Azerbaijan, will suffer when that atmosphere is overburdened. Whether emissions are domestic or exported is only relevant to the extent that hydrocarbon revenues may support some countries in becoming resilient to climate impacts, while other countries will remain vulnerable. Azerbaijan will be in the latter camp for as long as it continues to neglect adaptation and seeks in effect to 'free-ride' on the climate change mitigation of others. No matter where emissions from oil and gas production occur – whether in Azerbaijan or elsewhere – cascading climate impacts will flow across borders and through systems to the detriment of all.

## A role for the West?

Autocratic, hydrocarbon-rich states are less likely to engage in democratic and social reform than are authoritarian states without large energy reserves.<sup>201</sup> In its domestic and foreign policies, Azerbaijan is definitively moving further away from the Western community of nations – as seen in its withdrawal from PACE in response to the European body's decision not to ratify its credentials (see Chapter 4). Its growing preference for Turkic- and Russian-mediated forums over Western counterparts is manifest in its recent application for membership of the BRICS grouping.<sup>202</sup>

The West, meanwhile, unlike Russia, will not fully ignore Baku's human rights record or its kleptocratic business practices. Yet Western countries are not without leverage considering their importance to Azerbaijan as a bulwark against Russia, their soft power and market power, and Azerbaijan's concern for its own reputation. The UK has a potentially important role in this respect, considering the prominence to date of the British financial services sector in managing wealth originating in foreign autocracies.

Western policy towards Azerbaijan today is beset by paralysis. This is the worst of all worlds. It would be better for Western governments to abandon the pretence that Azerbaijan is aligned with Western objectives much beyond energy

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<sup>200</sup> Guliyev, F. (2012), 'Political elites in Azerbaijan', in Heinrich, A. and Pleines, H. (eds) (2012), *Challenges of the Caspian Resource Boom. Domestic Elites and Policy-Making*, Houndmills: Palgrave Macmillan.

<sup>201</sup> The authors are grateful to Leila Alieva for this point. It comes up in Alieva, L. (2024), 'Soft power lessons from Russia's war: How to overcome polarisation and strengthen liberal democracy', Foreign Policy Centre, 16 May 2024, <https://fpc.org.uk/soft-power-lessons-from-russias-war-how-to-overcome-polarisation-and-strengthen-liberal-democracy>. The point also draws on research from Ibadoghlu, G. and Sadigov, R. (2023), 'The economics of petro-authoritarianism: Post-Soviet transitions and democratization', *Resources Policy*, Vol. 85, Part B, August 2023, <https://www.sciencedirect.com/science/article/abs/pii/S0301420723004634>.

<sup>202</sup> Guliyev, V. (2024), 'New Alliances: BRICS and Azerbaijan', Baku Research Institute, 9 September 2024, <https://bakuresearchinstitute.org/en/new-alliances-brics-and-azerbaijan>.

security, and to concentrate instead on assisting more promising would-be allies, than to continue current arrangements. Better still, however, would be a new, heavily conditional, but more positive foreign policy offer and vision – not only for Azerbaijan but, crucially, for its two South Caucasus neighbours, Armenia and Georgia, as well. New Western approaches to engagement with Baku, which could include assistance funds and investment for development, climate change adaptation and the energy transition, would need to take care to ensure international norms are respected while also being advantageous to all South Caucasus parties. The recommendations at the end of this research paper propose possible first steps along this path.

## Settling bills, settling scores

COP29's remit is one of transparency, nationally determined progress on climate action, and equitable financing that supports the most vulnerable countries. In terms of anticipated negotiating dynamics, the climate finance agenda at COP29 ties in with the movement to address inequities established in the age of empires, so that rich countries with the greatest historic responsibility for emissions now take a due share of the financial responsibility for helping poorer countries pay for climate action. All of these elements speak powerfully, in one way or another, to the Azerbaijan leadership's narrative about the country and its governance.<sup>203</sup> Yet to be even remotely credible on climate leadership, Baku must at least begin an inspirational narrative of change for the country, back this up with ambitious commitments and concrete actions, and gather other nations behind its example.

The COP process is consensus-driven. Negotiations rely on movement from the most reticent governments. As Azerbaijan is among this number, it may enjoy more credibility with countries facing similar dilemmas, or harbouring reservations about overcommitting on their climate actions, when it comes to advocating a higher 'floor' of ambition at COP29. A willingness to discuss its own challenges openly could enable Azerbaijan to push through an agreement that, while inevitably involving compromise, could offer benefits so comprehensive that delegates cannot turn it down. Conversely, pressure towards backsliding on hard-won ambition is ever-present at the COP. Azerbaijan's own ambivalence risks emboldening vested interests' attempts to secure a watered-down agreement that delays transition and further damages trust between countries. In this case, high-ambition countries and international civil society will need to work hard to hold the presidency and others to account.

Growing energy transition risks, combined with insufficient international collaboration to manage these risks and to meet – or, at least, strive towards meeting – climate commitments under the Paris Agreement, mean that no developing nation can be secure in setting its own direction and destiny while oil and gas continue to dominate economically. Azerbaijan's own climate vulnerability,

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<sup>203</sup> Eurasianet (2023), 'Azerbaijani president targets French "neocolonialism"'; and Samadov, B. (2023), 'How Azerbaijan uses 'anti-colonialism' to authoritarian ends', OC Media, 22 December 2023, <https://oc-media.org/opinions/opinion-how-azerbaijan-uses-anti-colonialism-to-authoritarian-ends>.



the transition risks it faces, and its attempts to assume a position of global climate leadership all require it to move rapidly away from the fossil fuels that it has considered a boon and a birthright. Azerbaijan should use its COP presidency to help the world find the finance to make the low-carbon transition. The true cost of oil and gas dependency must be counted and paid for at some point. As COP29 host and president, Azerbaijan is tasked with presenting the international community with 'the bill', as it were, and helping countries negotiate a path to paying it. The challenge will be to do so in a way that meets the needs of Global North and Global South alike, former colonial powers and former colonies, fossil fuel-funded stakeholders and advocates of fossil fuel-free economies.

## **A new vision for Azerbaijan**

With a prime seat at the multilateral table, Azerbaijan holds a strong hand, but the country must play it well. It has stability, natural resources that potentially bridge the fossil fuel and renewables eras, education and youth (over 90 per cent of the 10-million-strong population is under 65).<sup>204</sup> Moreover, the country is geopolitically positioned neither in the East nor the West, neither in the Global North nor Global South, and has no game-changing dependencies on any major power.

An opportunity therefore presents itself for Azerbaijan: to stand out in the region, and the world, and to lead by example as a prosperous, greening nation, at peace with itself and with others.

## **This possible optimistic future for Azerbaijan requires a new and genuine commitment to institutional reform, market liberalization and societal freedoms.**

This possible optimistic future for Azerbaijan does not imply or require membership of Western- or Russian-led blocs like the EU or the Eurasian Economic Union. Nor does it imply adoption of a 'Western' set of values, whatever that may mean. But it does require a new and genuine commitment to institutional reform, market liberalization and societal freedoms. It's an achievable vision for a leader with few constraints on his power. However, President Aliyev will need to diffuse that power to cement his legacy, and ultimately bequeath it responsibly to assure his country's future. This is the historic opportunity that Azerbaijan has, yet which seems to be passing it by.

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<sup>204</sup> Note, however, that the demographic youth bulge is often seen as a problem, not a blessing, politically speaking.

## Recommendations

*Ruth Townend, Laurence Broers, Arzu Geybulla, Glada Lahn, Jody LaPorte, James Nixey and Lubica Polláková*

The following recommendations – jointly developed by the authors of this paper – propose avenues through which Azerbaijan could amplify its climate leadership role internationally and optimize the benefits of a COP legacy at home and in its neighbourhood. The recommendations also aim to support the global community in engaging with Azerbaijan's COP29 presidency, Troika role and national green transition objectives.

### **1. Azerbaijan's government should openly acknowledge its dilemmas around fossil-fuel reliance and climate vulnerability, and should solicit support from the global climate community in addressing them.**

- In preparing for its COP29 presidency, Azerbaijan has shown signs that it is willing to move past its customary hostility to 'outside interference'. In a growing spirit of openness, the government should further leverage the resources, expertise and ingenuity of the global climate community, while supporting broader expertise at home (see Recommendation 3). Azerbaijan needs to understand and face the reality of its climate and transition dilemmas, while soliciting support and funding to overcome them.
- Reducing dependence on fossil fuels will take Azerbaijan many years. Azerbaijan's government must 'bite the bullet' with an ambitious revision of its NDC and a correspondingly ambitious National Adaptation Plan (NAP). Officials should use the multilateral climate leadership spotlight to promote the country's successes, while transparently disclosing its challenges and needs.

How the international community can help:

- Technical and financial support for Azerbaijan's low-carbon transition and climate change adaptation could help the country to become a vanguard of reform. Given the poor governance environment and Azerbaijan's poor scores on corruption indices, the efficacy of international support will depend on rigorous accompanying monitoring mechanisms and incentives for governance reform.
- Businesses and governments partnering with Azerbaijan – particularly the UK, which remains the largest single foreign investor in the country, and the EU, as the main market for Azerbaijani gas – should advocate for meaningful governance reforms, and for diversification and decentralization of Azerbaijan's economy.

**2. As Troika members, the UAE, Azerbaijan and Brazil should be open about the geopolitical challenges of the energy transition. They should continue to break down taboos around fossil fuel production in the negotiations, and make it part of their mission to plot a viable path to a resilient future for current producers.**

- At recent COPs it has gradually become more possible to ask politically difficult questions about the future of fossil fuels. Azerbaijan and its Troika partners should ensure these questions are brought to the centre of the debate at COP29 and COP30. Particular attention should be paid to the following:
  - How to increase transparency in long-term oil and gas demand-side signals from importing countries so that supply-side planning can adapt accordingly and in time. Change will also depend on developing incentives for new markets.
  - How to support economic resilience during the energy transition for fossil fuel producer countries (including, but not limited to, members of the Troika), and the priorities for different types of producer in planning successful transition pathways.
  - How to collaboratively manage an orderly transition at the global economic level, reorienting incentives and structural factors that currently drive extractives-led export growth over other forms of wealth creation.
  - How the New Collective Quantified Goal (NCQG) on climate finance can include revenues from fossil fuels. Such an inclusion should be proportional to the scale of the climate and transition challenges developing countries face, and should channel financial flows away from extraction and towards transition and resilience.

How the international community can help:

- Transition pressures are increasingly affecting, and affected by, geopolitics. This is exemplified by Azerbaijan's incentive to increase production to meet EU demand as a result of Russia's strategic withdrawal of gas supplies (see Box 3). Failure to address production of fossil fuels head-on in global negotiations to date is becoming increasingly untenable. Production needs to be on the table, alongside demand, and the Troika is well placed to put it there. Developed and developing producer countries and consumer countries must engage constructively, or risk a 'prisoner's dilemma' playing out to the detriment of all.
- Recent COPs have made leaps forward in broaching the production and use of fossil fuels. The inclusion of text on 'phase-down of unabated coal' and 'phase-out of inefficient fossil fuel subsidies' at COP26 broke new ground. The COP28 agreement on 'transitioning away from fossil fuels in energy systems in a just, equitable and orderly manner' has the potential to be transformative. Backsliding on these gains needs to be avoided at all costs.
- Developing-country hydrocarbon producers should push for an NCQG that addresses the current incentives for them to resist transition. This should also be raised as part of the associated Bridgetown Initiative for reform of the international financial architecture in terms of addressing developing-country indebtedness and ensuring that vulnerable countries have access to low-cost capital which supports Paris-aligned sustainable development.

**3. Azerbaijan's government needs to engage with domestic civil society on climate and environmental action. This would help the country to benefit from the innovation, plurality and on-the-ground connections local actors can bring.**

- Azerbaijan's government should provide genuine space for Azerbaijani CSOs, and stop harassing and restricting domestic civil society. Azerbaijan will struggle to achieve inclusive or progressive climate leadership or action while environmentalism in the country is politicized and oppressed.
- Given transboundary climate risks in the South Caucasus, dialogue and cooperation with Armenia will be necessary. Armenian CSOs and their Azerbaijani interlocutors would be well placed to assist with the necessary bridge-building, continuing attempts that have been ongoing in one form or another for years. But Azerbaijani practitioners should be able to engage without the threat of treason charges over such cooperation.

How the international community can help:

- Given the low likelihood of Azerbaijan creating genuine space for civil society, it is important that overseas CSOs, national governments and the UN speak up for Azerbaijani civil society.
- Those with the platform to do so should highlight how the constraints on, and impoverishment of, civil society in Azerbaijan undermine prospects for effective climate action:
  - Commentary and critiques should take advantage of moments when civil society voices might expect to be raised: Baku Climate Action Week, from 30 September to 4 October, was one such opportunity (though coverage of, and comment on, the week were muted); COP29 in Baku, COP30 in Belém and World Environment Day 2026 in Baku are others.
  - Advocates for civil society should cite evidence of the disappearance of civic space around climate action in Azerbaijan, including the politicization of study of climate action and energy transition in academia.
  - Rights watchdogs and climate organizations should continue to highlight Azerbaijan's record on human rights and political and civic freedoms.
- The UK government, the European Commission, the UN, consultants, overseas civil society groups, and other organizations working with the Azerbaijani government should exert pressure for just and transparent treatment of civil society in the country.
- While many in Azerbaijan have been coerced or sentenced into silence, there are opportunities to work with exiled media and civic groups, which remain committed to holding the leadership in Azerbaijan to account.

**4. To bolster the credibility of the 'peace COP' agenda, Azerbaijan's government should emphasize the links between cross-border, cascading climate risks, conflict and security.**

- There remains a risk that efforts to associate COP29 with regional peace will lack substance or sustainability. This might involve signatures of a shallow bilateral agreement or 'basic principles' that resolve little, either before or at COP29 or afterwards. Such an agreement, which would merely postpone the resolution of contentious issues to an uncertain future, should be avoided. Instead, a focus on shared environmental issues as a starting point will make the peace agenda more meaningful, and provide opportunities for confidence-building and normalization of Armenian-Azerbaijani relations:
  - The 'peace COP' agenda can be made more substantive through a focus on cascading risks and instability, and through international collaboration on the management of transboundary risks in a spirit of mutual self-interest.
  - Cooperation on shared environmental challenges in the wider South Caucasus could serve to entrench a cycle of confidence-building measures. This could help to normalize joint Armenian-Azerbaijani action on environmental problems, particularly transboundary water issues, with benefits for regional security and stability.

How the international community can help:

- The international community should support good governance in Azerbaijan and constructive regional diplomacy, including on climate risks. This should include encouraging Azerbaijan and its South Caucasus neighbours to act in a spirit of cooperation and reciprocity.
- Political leaders in Azerbaijan, Armenia and Georgia should recognize the risks the three countries share, and their joined interests in effective climate action, and act correspondingly.
- Good-neighbourly water diplomacy efforts could be a positive legacy coming out of the COP process, and could be supported through the existing regional agendas (e.g. through the UN Economic Commission for Europe).

**5. Azerbaijan's COP platform should be leveraged to build wider stability and support sustainable development in the South Caucasus and Caspian Sea region, and to draw attention to specific regional challenges. Political leaders in Azerbaijan, Armenia and Georgia should also acknowledge their joint interest in effective climate action in a way that is independent of, but complementary to, Azerbaijan and Armenia's bilateral peacebuilding efforts.**

- Part of the logic for a rotating presidency of the UNFCCC's climate talks is to highlight different regional challenges and opportunities, and to bring differing perspectives to the table at each summit. As part of its claims to climate leadership, Azerbaijan should take the opportunity to prioritize regional 'ownership' of shared environmental challenges in the South Caucasus and Caspian Sea region.

- Baku understands that regional cooperation with Armenia and Georgia is essential for addressing transboundary issues such as managing water resources, conserving or restoring biodiversity, and reducing air pollution. Azerbaijan needs to provide genuine climate leadership to enhance regional cooperation on such issues, in a way that is independent of, but complementary to, peacebuilding efforts with Armenia.
- The Caspian Sea, which Azerbaijan shares with Russia, Iran, Kazakhstan and Turkmenistan, is shrinking, highly polluted, and contaminated from oil drilling, shipping and military conflict. A concerted effort to clean up this shared asset and restore its ecology would be a major success, with dividends for all littoral countries. Again, this would help with confidence-building.

How the international community can help:

- COP29 can help regional decarbonization efforts by bringing international attention and investment to the South Caucasus, and by promoting an Azerbaijani role as a hub for green energy and trade and as an enabler of broader regional decarbonization.
- International actors, including the US, the EU and the UK, should support cooperation by committing to a 'regional environmental fund' and calling for international investment in it. Such a fund could provide financial resources and incentives for Azerbaijan, Armenia and Georgia to tackle shared environmental challenges, potentially stimulating foreign investment.

**6. Parties to the UNFCCC should mandate the secretariat to develop best practice and guardrails for the COP presidency. Guidance developed should seek to realize the benefits and limit the potential damage from the system of rotating the COP presidency between regional blocs and designating a new president for each COP.**

- The role of the COP presidency has grown in scope and symbolism. Given recent criticism about alleged 'capture' of the process by governments less than committed to climate action, parties should mandate the UNFCCC secretariat to review what purpose rotation of the presidency serves, how the presidency role has changed, and what can reasonably be expected of a COP presidency country, which might only have a year – or, as in Azerbaijan's case, less – to prepare for the role. Allaying such concerns is vital, given that faith and trust in the UNFCCC, the Paris Agreement and the COP process are the bedrock of multilateral climate ambition. With all its faults, this system provides the world's last, best hope of some level of coordinated climate action.
- If the UNFCCC process is to benefit from continued rotation of the COP presidency, then summit presidents and hosts need to more adequately represent the interests not just of their own country but of the wider regional blocs they come from.
- New mechanisms of collaboration and representation are needed to achieve this end. Parties should mandate the UNFCCC secretariat to consider how it can support this through the COP president candidacy and induction processes, without adding further complexity or burdensome bureaucracy.

How the international community can help:

- Previous COP presidents and a spread of countries from across regional blocs should work with the UNFCCC secretariat to develop proposals for enabling gains from, and for limiting the downsides of, the COP presidency rotation. Such mechanisms need to ensure that expectations of the COP president are realistic, and that the annual figureheads of the COP can be best enabled to promote progress under the Paris Agreement. Mechanisms proposed would need to be negotiated and agreed upon by parties at the COP, most likely at COP30 or COP31.

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Glada currently facilitates government and expert dialogue on managing fossil fuels through transition. She also works closely with several countries on research and dialogues to foster peace-positive and sustainable water governance. Independently, she has conducted consultancy for organizations including the International Energy Agency, the School of Oriental and African Studies (SOAS) and various UN bodies.



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Cover image: Work is carried out on façades of buildings in preparation for COP29. Baku, June 2024.

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