

COP28 insights

Week one: The “ph-word” and the science

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- ◆ COP28 started with a bang, then settled into humdrum as far-reaching issues go slow, leaving much to do in the final week
- ◆ Operationalising the Loss & Damage Fund is a key win, but finance continues to dog other issues, including the stocktake
- ◆ Various declarations were unveiled, but implementation is key; focus now turns to negotiating a phase down or out

One aim: COP28 started in Dubai with the aim of keeping the 1.5°C target alive. Some 84,000 delegates are registered to attend the summit – either to negotiate, participate in side-events, join declarations, make pledges, or show support.

One surprise: The COP28 Presidency put the operationalisation of the L&D fund to a vote on the first day and immediately pledged USD100m to the fund. Other Parties followed suite; it is difficult to track, but the total comes to USD726m (according to the COP28 Presidency), with major contributions from Germany, France, Italy, and the UK. However, it is a far cry from what is required (by several orders of magnitude) as finance remains a point of contention across many other issues.

One controversy: It was widely reported (firstly in *The Guardian*) that the COP28 President questioned the science and what fossil fuels mean for 1.5°C. This angered many vulnerable groups, with many (IPCC) scientists vocal about the necessity of a fossil fuel phase out for 1.5°C. We consider the remarks as *unguarded*, but in our view, the real test is whether an ambitious outcome is achieved in line with science.

One concern: The global goal on adaptation (GGA) is not really progressing, as various drafts are not evidencing progress, in our opinion. We think this will be a disappointment to many, as climate impacts are clear but the collective goal is not.

One worry: We have closely followed the evolving text of the global stocktake (GST) – the key determinant of future climate policy. The various segments are in place although the “guidance and way forward” section is now just a collection of ideas rather than a *negotiable text*. The ambition of the GST will inform the ambition of the *Cover Decision* and many other issues also depend on the GST outcome.

One direction: There have been a flurry of initiatives – covering food, renewables, oil and gas, methane, health, the vulnerable, forest and oceans, finance, innovation. These were not universally welcomed but are a contribution to the multiple angles of attack on climate change. We strongly believe it's the implementation that counts.

One focus: In week two, all attention will be on the specific language of the phrase – “**phase down/out of (unabated) coal/fossil fuel (emissions)**”. There is a strong push for phase out, but the qualifiers will determine ambition levels. It should appear both in the GST and in the *Cover Decision*. There is much negotiation to be had.

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Where are we with key issues from the COP28 negotiations?

Mitigation: Progress here has been slow – although this is not too surprising given the work programme is not due for completion. The mention of a “peaking of global emissions well before 2025” was in initial texts but was subsequently removed. There is a lot of deferral to the outcomes of the global stocktake. (Adding to the pressure is a *Fossil fuel non-proliferation treaty* which is gathering some momentum as 11 countries have signed up).

Global Stocktake (GST): There have been two drafts of the GST so far; in our view, the second had a much clearer sense of purpose and (potential) ambition. The nature of the GST has been discussed with most concluding that it should be “course corrective”. There is currently a reference to a “peaking of global greenhouse gas emissions at the latest before 2025” although it is just an option that could easily disappear. There are other references to coal and CCS, as well as biodiversity and oceans – again, all options that could stay or disappear.

Crucially, in the current draft, there is an option for “an orderly and just phase out of fossil fuels” as well as one for “unabated fossil fuels” alongside no mention of a phase out at all. In our view, this will be the key focal point in the coming week. The *Guidance and way forward* section will determine future global ambition (through country climate pledges or nationally determined contributions, NDCs).

“ Global averaged concentrations of carbon dioxide (CO₂), the most important greenhouse gas, in 2022 were a full 50% above the pre-industrial era for the first time. They continued to grow in 2023

WMO Greenhouse Gas Bulletin No. 19 (15 November 2023)

Article 6

Art6.2: For this issue, there are two main areas of discussion: (1) around the need to define “cooperative approaches”; (2) the authorisation process – who can authorise, how will this be done, can these be revoked, the way that authorisations are done (tables and format). The issue of “emissions avoidance” has also crept into these discussions.

Art6.4: Besides discussions on the registry and the authorisation process, the key issue of “emissions avoidance” remains on the table. Previous options of an eligible activity, ineligible have been whittled down to “as an activity covered by reductions” as well as kicking the can to COP29 (CMA6, 2024). We sense that many Parties seem to be on the side of not referring to emissions avoidance directly, although this could still change in week 2 as ministers take over negotiations. There is almost agreement (but not quite) on emissions removals (the verifications and standards) as some Parties look for more clarity on appeals, grievances, baselines, additionality, leakage, monitoring and reversals. In our view, this would have definitional implications for voluntary carbon markets.

Art6.8: It seems that many are still unclear as to what non-market approaches (NMA) should include e.g. “domestic fiscal measures” and “carbon pricing” although most developing Parties are not keen for carbon pricing to be considered as an NMA.

Adaptation: This cross cutting issue has mostly coalesced into the **global goal on adaptation (GGA)** and the report of the **Adaptation Committee (AC)**. On the **GGA**, discussions are not really moving ahead and the direction is unclear. A second draft was not much of an evolution

to the first (unlike the second draft of the GST which had clearly progressed). In our view, the targets have become even more vague. On the **AC**, some Parties thought that the AC hadn't interacted enough with the science body, the Intergovernmental Panel on Climate Change (IPCC); many sections in the AC report invite them to be closer to the IPCC. There is also the potential to invite the IPCC to produce a special report on adaptation within its Seventh Assessment Cycle (we note that IPCC WGII already covers adaptation).

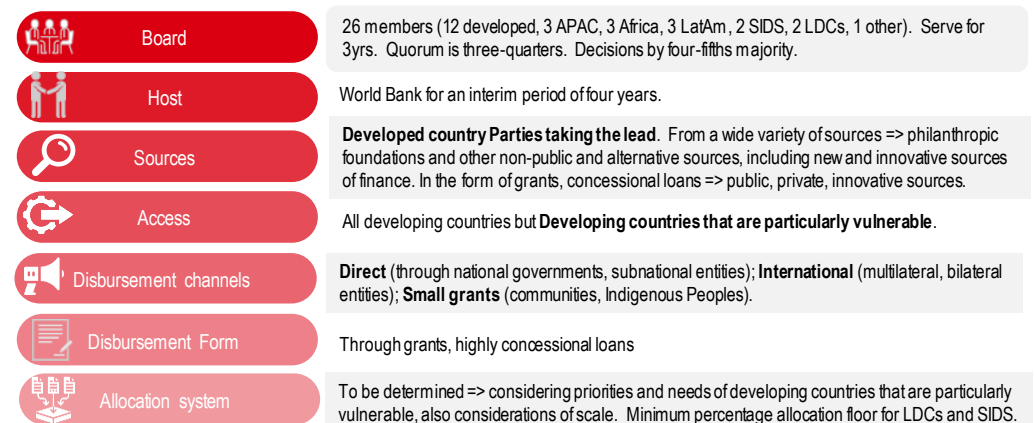
Climate finance: This issue cuts across many different parts of the negotiations. In terms of long-term finance, a debate is ensuing over whether developed countries should approach climate finance under *general burden sharing* (e.g. assigning responsibilities), an approach favoured by receiving developing countries, as opposed to a *collective goal* where a single goal is "contributed to" (an approach favoured by developed countries themselves). Essentially, developed countries are in favour of more vagueness; developing countries more precision.

NCQG: The structure of the new finance goal is emerging. Most agree that a strong finance outcome in 2024 would help with more ambitious climate pledges. The discussions at COP28 have so far focused on timeframes and sources of finance – with these covering various layers. The lack of a clear definition of climate finance is also popping up in NCQG discussions. The focus in week 2 will be on guiding work for 2024 (where the NCQG is due for completion).

Loss & Damage Fund – a key win from week one

The agreement of the L&D Fund on day one surprised everyone and was a positive for momentum in the early days of COP28. The agreement is not perfect and, we hear that whilst all Parties were equally unhappy, it was accepted because reopening deliberations would not guarantee a finish and would be a complete distraction from other issues.

Figure 1: How the L&D Fund will work



Source: UNFCCC

There will be an annual "high-level dialogue" to discuss how the fund is working and how it can be improved. The initial focus will be "on priority gaps within the current landscape of institutions" with further arrangements are to be approved at COP29 (2024).

Just transition: Four drafts for the just transition work programme have not been well received. In our reading of the drafts, the objectives are a bit vague and do not cater to individual segments of society affected by the transition. Major sections were completely removed / replaced with a placeholder in the fourth draft. However, a loose framework is emerging that covers objectives, scope and timelines – but there are multiple options within each of these.

A word on the science

There has been a lot of controversy over the science in week one – exactly what it means / what is required – and whether it is to be believed.

The science is clear: While the Sixth IPCC Assessment Report finds the planet's surface temperature warmed by 1.1°C over the period 2011-20 (compared with the pre-industrial period), a more recent World Meteorological Organization (WMO) assessment¹ finds that mean near-surface temperature in 2023 (January to October) was 1.4°C above the pre-industrial, the hottest year on record. It is likely that 2024 could be even warmer and break more records, driven in part by a peak in El Niño. The EU Copernicus Climate Change Service data reveals that 1.5°C was broken for around a third of days in 2023, and 2°C was broken for two days on 17 and 18 November 2023.



The science is clear: we need net zero carbon dioxide emissions by 2050

The Club of Rome² (5 December 2023)

It is clear what is required to achieve the Paris Agreement targets, the world must peak global emissions by 2025 and cut GHG emissions by 43% by 2030 (on 2019 levels) and 60% by 2035, and achieve net zero CO₂ emissions by 2030. This will require a phase-out of fossil fuel emissions; given recent assessments suggesting prohibitive costs and uncertainty around effectiveness and scale of technological options to capture fossil fuel emissions, it is clear that the world needs to phase out nearly all fossil fuel use by 2050 to meet Paris goals, not just phase down or out of fossil fuel emissions.

Figure 2: A number of science-related reports were released in the past week

Title of science report	Science body
State of the climate, 2023 (Provisional)	World Meteorological Organisation
2023's 10 New Insights in Climate Science	COP28
Protected Areas Worldwide Remain Unprotected From Fossil Fuel Expansion	Earth Insight report
Global Carbon Budget 2023	Earth System Science Data
The Global Tipping Points report	Global Systems Institute, University of Exeter

Source: HSBC (based on various news stories and press releases)

A word on finance

There was a plethora of fragmented climate finance announcements over the past week, from governments contributing to various climate funds, e.g. Loss & Damage, to announcements of funding and initiatives by businesses, investors and philanthropies. Some suggest the total committed at the end of week one is close to USD60 billion. A large share of this is attributable to the USD30bn ALTERRA fund launched by the UAE with the aim of mobilising up to USD250bn in private finance to benefit the global South.

¹ WMO state of the climate: Provisional State of the Global Climate 2023

² <https://www.clubofrome.org/impact-hubs/climate-emergency/cop-science-is-clear/>

What does all this finance mean? Still to be determined, in our view. We need to wait until the end of COP28 to see a final tally, assess what is new, additional and credible, and assess where the funds are going and how they will be spent. What's clear is that the amounts being pledged by both the public and private sector are far short of what is required for mitigation, adaptation and loss and damage.

Mobilisation of finance: There was also a focus in week one on how to mobilise more clean capital, with a focus on the private sector and supporting the conditions for clean investment to accelerate; this mostly involved the Multilateral Development Banks (MDBs) in some way. Instruments and approaches discussed included blended finance, country platforms, debt repayment pauses, transfer of special drawing rights from developed to developing countries, more efficient use of existing MDB capital and capital increases from shareholders, debt-for-climate swaps, debt-for-nature swaps, and many more. Few of these ideas are new and have either not managed to scale or faced resistance. Acceleration and scale will require much more rapid reform of the global financial system, as championed by Barbados Prime Minister Mia Mottley and her *Bridgetown Initiative*. Clear, action oriented text on global financial system reform in the Global Stocktake could help, but is yet to be reflected.

A flurry of activity in the green zone

There were many announcements outside of the formal negotiations. Many different declarations – some supported by more countries than others – were initiated by the COP28 Presidency in a bid to generate positive momentum for the talks (similar to COP26 in 2021). We highlight a few of the key initiatives covering Energy, Food and Health below.

Figure 3: Some key initiatives from week one

- 1 The **Global Renewables and Energy Efficiency Pledge** has been endorsed by 119 countries
- 2 The **COP28 UAE Declaration on Agriculture, Food, & Climate** has received endorsements from 137 countries.
- 3 The **COP28 UAE Declaration on Climate and Health** has been endorsed by 125 countries.
- 4 The **COP28 UAE Declaration on Climate Relief, Recovery & Peace** has been endorsed by 74 countries and 40 organizations
- 5 The **COP28 UAE Declaration on Climate Finance** has been endorsed by 12 countries.
- 6 The **Coalition for High Ambition Multilevel Partnerships (Champ)** Pledge has been endorsed by 64 countries
- 7 The **Oil and Gas Decarbonization Charter** has been endorsed by 51 companies, representing 40 percent of global oil production.
- 8 The **Industrial Transition Accelerator** has been endorsed by 35 companies and six industry associations, including World Steel Association, International Aluminium Institute, Global Renewable Alliance, Global Cement and Concrete Association, Oil and Gas Climate Initiative, International Air Transport Association

Source: COP28 Presidency

Global Decarbonization Accelerator (GDA)

The energy package was unveiled (as previously anticipated) in three parts:

1. **Global Renewables and Energy Efficiency Pledge** – aims to triple global installed renewable energy capacity by 2030, and double the global average annual rate of energy efficiency improvements to more than 4% by 2030
2. **Oil and Gas Decarbonization Charter** – committing to zero methane emissions and ending routine flaring by 2030, and to total net-zero operations by 2050
3. **Methane and other non-CO₂ greenhouse gases**

The GDA also includes the new Industrial Transition Accelerator (ITA), which will focus on unlocking investment and scaling decarbonisation in heavy-emitting sectors (energy, industry and transport).

These announcements were not universally welcomed and there has been widespread criticism. For example, UN Secretary-General Antonio Guterres said that the O&G Charter “clearly falls short of what is required”. Much of the criticism centred on the Charter only covering *operational* emissions – and not that of burning fossil fuels (Scope 3 emissions).

Emirates Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action

Some 70% of the global population, 70% of the food we eat and a quarter of global emissions were represented by the 134 countries that signed up to this Declaration. It addresses a key impact on (and cause of) climate change – food and agriculture, covering not only food security but also the livelihoods of those reliant on the industry. There is also an element of the biodiversity-climate intersection in this declaration.

COP28 UAE Climate and Health Declaration

A partnership with the World Health Organization (WHO) was announced following the first ever ‘health day’ at a climate COP. The focus was on making health systems more climate-resilient, encouraging more collaboration to reduce the health impacts from climate change, and increasing finance for climate and health solutions. There were a series of actions from various health organisations from around the world.

Other initiatives

There were also other (much smaller) initiatives, including:

- ◆ **Nuclear** – 22 countries signed up for a tripling of nuclear energy by 2050 (although there were many in civil society who were upset by this).
- ◆ **Global methane pledge** – Kazakhstan, Turkmenistan joined the pledge (although we note a lack of binding commitments and the absence of key methane emitters).
- ◆ **Powering Past Coal Alliance** – the US, the Czech Republic, Cyprus, Dominican Republic, Iceland, Kosovo and Norway joined the alliance. They aim to phase out unabated coal power.
- ◆ **Support for the vulnerable** – COP28 UAE Declaration on Climate, Relief, Recovery and Peace which includes a sub-charter ‘Getting Ahead of Disasters Charter’.

Figure 4: There are three remaining action days in week 2 of COP28

December 7	December 8	December 9	December 10	December 11 - 12
Day of Rest	Youth, Children Education and Skills	Nature, Land Use and Oceans	Food, Agriculture and Water	Final Negotiations

Source: COP28 Presidency

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