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COP28: So Near and Yet So Far

The 28th annual Conference of the Parties (COP28), saw over 100,000 country negotiators, lobbyists and activists descend on Dubai—nearly three times as many as attended COP26.

It concluded with an historic agreement, marking a significant shift in the global approach to climate change. Almost 200 participating nations committed to a "transition away from" fossil fuels, language that has never before been used in the history of COP agreements.

However, as with any global agreement of this magnitude, there are strengths and weaknesses to be considered.

A few days before COP28 kicked off, we set out some positive things to look out for amid the pessimism surrounding the conference. Now the participants have packed up and returned home, how would we assess the results?

The Headlines: Good News and Not So Good News

We started with a much overdue agreement of a "loss and damage" fund, which aims to support those vulnerable countries hit hardest by climate change. The blueprint has the fund hosted by the World Bank, which will be able to disburse money to developing countries. The initial funding is close to $792mn.

However, that progress was quickly overshadowed by mixed signals from the UAE Presidency, as Sultan Al Jaber claimed there is "no science" behind the idea that fossil fuels must be phased out in order to stay below the 1.5°C threshold, followed by Energy Minister Prince Abdulaziz bin Salman insisting that the Kingdom would not agree to a text calling for the phase-down of fossil fuels.

It therefore came as a welcome surprise to many when participating countries approved the text of the first global stocktake, which calls for "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 in keeping with the science."

Notably, this is the first fossil-fuels language included in any COP deal in nearly three decades of climate summits.

Other key mitigation proposals include:

- Tripling renewable energy capacity globally and doubling the global average annual rate of energy-efficiency improvements by 2030
- Accelerating the phase-down of unabated coal power
- Accelerating zero- and low-emission technologies, including renewables, nuclear, low-carbon hydrogen production and abatement and removal technologies such as carbon capture, utilization and storage, particularly in hard-to-abate sectors
- Phasing out inefficient fossil fuel subsidies as soon as possible

Despite these strengths, the COP28 agreement has several weaknesses. Before COP28, the hope was for a call for a full fossil fuel phase-out. The call for a "transition away from" fossil fuels, while novel, lacks the term "phase out" and does not amount to a commitment by the parties, which would have implied more definitive and immediate action. Moreover, language regarding "transitional fuels" could slow the shift to renewable energy sources and undermine efforts to reduce greenhouse gas emissions.

While it sets ambitious goals, the agreement also lacks specific, enforceable measures, timelines and non-compliance penalties, without which achieving these goals could be a challenge.

Moreover, the agreement does not sufficiently address the need for richer countries to aid poorer ones in transitioning away from fossil fuels. While the Loss and Damage fund was established, addressing the need to adapt and implement pre-emptive measures was overlooked. In fact, previously agreed text on a Global Goal on Adaptation was watered down, failing to agree on global quantified targets to keep countries accountable for future stocktakes. That is concerning given the widening adaptation funding gap: current commitments are at least 10 times less than the estimated annual financing needed for the rest of this decade.

Beyond the Headlines: Some Notable Progress and Discussion Points

Methane Matters

The climate envoys from the U.S. and China, John Kerry and Xie Zhenhua, both stressed the urgent need for international cooperation to enhance methane control in developing countries. Following on this, the Biden administration said it would impose new rules on oil and gas producers, requiring them to discover and rectify methane leaks from their operations—the first requirement of its kind.

In addition, 50 oil companies representing 40% of global production agreed to stem releases of methane to near-zero by 2030 and stop routine flaring of natural gas; while the World Bank-run Global Flaring and Methane Reduction (GFMR) Partnership will provide more than $250mn and mobilize billions from the private sector to support those countries with the least capacity and resources to address these emissions.

Methane has 25 times the global warming potential of carbon over a 100-year period and, once detected, the International Energy Agency (IEA) estimates that over half of oil and gas methane leakage can be abated at a profit. Historically, methane leakage has been very difficult to trace, but satellite data represents a major advance in this field.

Tripling Renewable Energy Capacity

More than 100 countries agreed to triple renewable energy capacity by 2030. Meeting the target would require renewables to build at a compound annual growth rate of 14.9% from the end of 2022 to 2030, bringing global renewable energy capacity to at least 11,000 gigawatts (GW)—more than 20% higher than current projections from BloombergNEF.

Many elements are still to be solved, not least permitting, leases, grid connections, raw materials and labor shortages. Tangled supply chains and high interest rates have tested capital-intensive renewables through 2023. In the U.S., slow permits and slim margins have made things worse. Furthermore, in its 2023 Energy Outlook, the IEA warns of ongoing material bottlenecks due to limited extraction, concentrated production and booming demand.

Blended Finance Is the New Buzz Word

Going into COP28 there was a clear rallying cry for the financial sector and policymakers to develop the tools and partnerships to mobilize the magnitude of capital required. In his opening speech, the U.K.'s King Charles noted that trillions of dollars will be needed to tackle the climate crisis, and that public finance alone will "never be sufficient." The momentum following the King's speech delivered a series of new climate financing initiatives, backed by public and private finance.

- COP28 President Al Jaber revealed that the UAE will put $30bn into the climate vehicle Alterra, backed by BlackRock, TPG and Brookfield Asset Management, which will focus on scaling climate change solutions and hopes to mobilize $250bn by 2030
- Danish investment firm Copenhagen Infrastructure Partners' announced plans to raise $3 bn for renewable projects in emerging markets
- The U.S. pledged $3bn toward the United Nations Green Climate Fund, aimed at helping developing countries with climate mitigation and adaptation efforts
- Abu Dhabi will host a newly launched Global Climate Finance Center in partnership with nine founding members, including the World Bank, HSBC, Blackrock and Ninety One Asset Management
- The European Investment Bank pledged €5bn in counter-guarantees to help support the region's struggling wind sector

Sustainable Food Systems

Global food systems account for 30% of global human-caused emissions. A growing global population is estimated to require some 10% more agricultural land by 2030. A transformation of food, land and water use is therefore imperative if we are to achieve net-zero emissions and avoid further deforestation and pressure on ecosystems.

More than 130 countries signed the UAE Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action, committing to adapting and transforming food systems. The Declaration requires signatories to include food and land use targets in their Nationally Determined Contributions and National Adaptation Plans by 2025.

Leading food and agriculture organizations also committed to partnering with 3.6mn farmers to accelerate the transformation of over 160mn hectares, or three times the land area of Spain, to regenerative landscapes, with an initial investment of $2.2bn.

Progress on Voluntary Carbon Markets (VCMs)

Beyond climate finance, international leaders and financial institutions recognize that VCMs play a key role in the transition to net zero. Cognizant of the challenges created by the current fragmentation and the lack of transparency on the market, the Integrity Council for Voluntary Carbon Markets (ICVCM), the Voluntary Carbon Markets Integrity Initiative (VCMI), the Science Based Targets initiative (SBTi), and the GHG Protocol announced a joint effort to establish a new end-to-end integrity framework that will provide consistent guidance on decarbonization and the role for offsets in addressing residual emissions.

In addition, six crediting programs, including Verra and Gold Standard, announced that they would seek to align certification mechanisms with common principles for quantification and accounting. Together with regulatory announcements by the International Organization of Securities Commissions (IOSCO) and the U.S. Commodity Futures Trading Commission (CFTC) outlining guidance and good practices, these announcements are positive steps to bring credibility to VCMs, which we see as complementary but not alternative to robust carbon emissions reduction by companies.

Where Do We Go From Here?

"We are what we do, not what we say," as COP28 President Sultan al-Jaber put it in his closing words to the conference.

While the COP28 agreement represents a historic step forward in the global fight against climate change, it is not without its weaknesses. The success of this agreement will largely depend on how effectively its commitments are translated into action in the coming years, and more specifically if and how "transitioning away from fossil fuels in energy systems" is formally recognized in Nationally Determined Contributions (NDCs).

The IEA stated that the commitments made at COP28 alone would not be sufficient to limit global warming to 1.5°C. Even so, they could reduce global energy-related greenhouse gas emissions by four billion metric tonnes of carbon dioxide equivalent in 2030.

Those hoping for a more ambitious outcome next year will be disappointed to hear that the location for COP29 next year is Azerbaijan, another oil-rich country. All eyes are on Brazil for COP30 in 2025, not least because countries will be required to formally review and revise their NDCs by then.

COP28 once again reaffirmed the prospects for renewable energy, but those prospects must be underpinned by significant and sustained capital flows—an increasingly tall order while global nonfinancial debt sits near an all-time high of $230tn. A packed election calendar worldwide in 2024 is likely to see climate change adaptation and mitigation crash into the debt-sustainability debate, and become the victim of some divisive policy stances.

Despite unprecedented steps on climate action, it seems increasingly likely that the world will not limit global warming to 1.5°C. The need for still more concrete and enforceable measures, and for strong international cooperation, remains more critical than ever.

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