

# MONITOR

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## On the road to COP28 – lessons for international climate policy

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**In these times of manifold crises, the COP in Egypt has kindled hopes for greater climate justice by setting up a fund to compensate for loss and damage in particularly vulnerable developing countries. Simultaneously, in the face of lacking progress on the issue of emissions reduction and the attainment of global climate goals, the question of whether the sluggish UNFCCC process should be flanked more strongly by additional initiatives – within the framework of the G7 and G20, for example – is becoming increasingly urgent.**

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- › Although it was possible to avoid the feared retreat from previous agreements on emissions reduction at COP27, no significant progress was made. For the first time, a loss and damage fund is to be set up to compensate particularly vulnerable developing countries.
- › As the recommendations for the concrete structure and scope of this financial instrument will not be developed by a commission until the next COP at the end of 2023, the impact that such a fund would have is difficult to predict at present.
- › The targets of the Paris Climate Agreement were reaffirmed and the states have been called upon to improve their national climate protection plans by COP28 in the United Arab Emirates.
- › Given the insufficient progress made by the international community in the fight against climate change, it is important to ask whether the UNFCCC process at UN level could be flanked more intensively by multilateral initiatives in the future – within the framework of the G7 and G20, for example – in order to unleash more momentum.

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### Challenging times for COP27

It was under difficult circumstances that the UN Climate Change Conference (COP 27) took place in Sharm El-Sheikh, Egypt, from 7 to 20 November 2022 with a good 35,000 delegates attending. Higher energy prices, which can be attributed primarily to a one-sided dependence on Russian gas, are weakening the European economies in particular. Simultaneously, developing countries are also affected directly and indirectly by the rise in energy and food prices. The consequences of the Russian war of aggression in Ukraine have led to a further significant increase in the number of people suffering from energy poverty and even an increase in the number slipping into extreme poverty. In this complex landscape, fossil fuels are experiencing a "renaissance" in many places. This is something that can be seen in Germany, for example, with the continued operation of coal-fired power stations and in the renewed discussion around nuclear energy. Furthermore, in many emerging economies where the demand for energy is steadily growing, coal continues to play a central role in electricity generation. In view of the precarious energy supply situation worldwide, there is little appetite amongst these countries for agreeing on a binding phase-out date for coal use. Calls for a lowering of the level of ambition in climate protection were therefore audible from various sides at the climate summit. This in spite of the fact that the latest Assessment Reports issued by the Intergovernmental Panel on Climate Change (IPCC) covering 2021 and 2022 make it unambiguously clear that climate change is progressing faster than expected and that extreme weather events will emerge more frequently and more intensively. It is therefore absolutely necessary to turn the global trend around and significantly reduce greenhouse gas emissions. Apart from the significant "corona dip" in 2020, global emissions have continued to rise steadily in recent years. Although this task, which is vital for the survival of all humanity, can objectively no longer be postponed, the Russian war of aggression could slow down the global fight against climate change. This was the challenging starting point for the international community at last year's COP.

## The UNFCCC process: one step forward, two steps back?

One factor behind this is the complexity of the United Nations Framework Convention on Climate Change (UNFCCC), signed at the "Earth Summit" in Rio de Janeiro in 1992. The annual climate conferences associated with it are the most prominent multilateral instruments of international climate policy. The UNFCCC now comprises a total of 196 Parties plus the European Union. Consequently, the pressure to act in order to reach a coherent and at the same time ambitious conclusion at the conferences year after year is enormous. Against this background, the world climate conferences in the past have regularly fallen short of expectations. It is therefore not surprising that the process is often controversial among many campaigners as well as in the scientific and political communities, and that the assessment of the goals achieved often varies depending on individual perspectives. The COP in Egypt produced the following key outcomes, the implementation of which could have implications for future international climate policy:

### Climate finance

Hopes and expectations among developing and emerging countries that are already suffering from the consequences of climate change were high on the prospect of climate financing, although these expectations have only been partially fulfilled. The latest example is the renewed failed effort to raise the annual 100 billion US dollars agreed at the UN Climate Change Conference (COP 15) that were to be made available to developing and emerging countries between 2020 and 2025 for measures to reduce emissions and adapt to climate change. According to the OECD, only around 83 billion US dollars have been allocated.<sup>1</sup> It was also not possible to agree on a new and even more ambitious financing target for the period beyond 2025, although this is something that had been demanded by the group of developing countries that are being most affected. They argue that the current resources are far from sufficient. Despite this, the final declaration only contains an appeal to the Parties to meet the targets that have already been promised.

### Loss and damage fund

A partial success achieved by the developing and emerging countries was the approval to set up a fund for loss and damage. In this case, the term "loss and damage" refers to harm and destruction that is generally attributable to the effects of climate change and cannot be avoided either by "mitigation" (avoidance and reduction of greenhouse gas emissions) or by "adaptation" (adaptation to climate change). Developing countries are severely affected by the impacts of climate change, particularly through increased droughts, heavy rainfall events and rising sea levels. Compared to the most significant (historical) emitters, which are mainly to be found in the Global North, they have made little significant contribution to its effects. While the previous COP merely launched the "Glasgow Dialogue" to discuss options for financing measures to address damage and loss caused by climate change in yearly meetings until 2024, Sharm El-Sheikh succeeded in putting "loss and damage" on the COP agenda for the first time. There had been voices, notably from the United States and the European Union, that had warned against escalating compensation demands and so wanted to prevent the establishment of a fund. A change of heart on the EU's position on the fund came late but was quite vehement. This could have been due to the fact that the discrepancy between the announcements made before, and the actions taken during the energy crisis by the EU - the supposed pioneer in climate protection - had caused frustration in developing countries and the EU negotiators did not want to disappoint their partners in the Global South once again.

Although an agreement has been reached on the establishment of this instrument, from the point of view of the developing countries it only represents a partial victory. The exact structure remains unclear. An international working group of 24 members - 14 of whom represent developing countries - is to draw up appropriate proposals before COP 28. One of the main questions arising relates to the exact meaning of loss and damage, i.e., what types of damage can be covered by the fund. It also remains to be established which states will actively participate in the fund and will ultimately determine the financial clout that the fund will possess. The role that China plays here will be decisive. Although it backed the establishment of the fund, it continues to invoke its status as a developing country and consequently does not want to contribute to it.

The United States and the EU in particular seem unwilling to tolerate this any longer and are intensifying their efforts to hold China accountable to a greater extent. Similarly, the question of which countries will precisely benefit from the fund and be compensated for irreparable loss and damage is also yet to be worked on by the committee that has been set up. This leaves some questions unanswered about the possible beneficiaries and the extent of the support that will come. The final answers to all these questions will be crucial in assessing the impact of such a loss and damage fund from the perspective of the developing countries concerned.

### **The 1.5°C target - still achievable or already an illusion?**

More than anything else, the COP27 had to be evaluated in terms of whether the 1.5°C target still applies. The assessment here was ambivalent. The goals of the Paris Agreement were reaffirmed in principle and the final declaration refers to limiting global warming to well below two degrees, but if possible to 1.5 degrees compared to pre-industrial levels. This would mean that global greenhouse gas emissions would have to fall by 43 per cent by 2030 relative to 2019 emissions, and that the world would have to live and operate in a carbon-neutral way by 2050.<sup>2</sup> It quickly becomes apparent, however, when looking at the specific formulations and measures, that no progress has been made in phasing out fossil fuels to the extent that would be necessary to maintain a realistic chance of achieving the 1.5°C target according to the scientific assessment. Although worded broadly, the expansion of renewable energies is also mentioned explicitly for the first time, and the commitment to phase out coal is also reaffirmed. Nevertheless, NGOs and climate protection groups have criticised the fact that the heavily-represented oil and gas lobby and delegates from oil-producing countries also managed to achieve some positive outcomes for their part. German Environmental Aid (DUH) has voiced its criticism that "the phase-out of fossil oil and gas was completely excluded from the final declaration"<sup>3</sup>. Towards the end of the conference, the Indian delegation proposed that instead of a phase-down of coal, a phase-down of all fossil fuels should be considered, and that this should be put in writing. However, despite the support of the EU, the UK, the USA and many other countries, this proposal failed due to the opposition from the Gulf states.<sup>4</sup> The Egyptian COP presidency also disregarded the late push made by these countries and tabled the adopted text for a vote. The text makes no mention of a phase-out of fossil fuels or the global emissions peak in 2025 called for by the EU.

Against this background, there are two key issues for the upcoming COP28 - scheduled to take place in Dubai from 30 November 2023 onwards – that will be crucial for the ultimate credibility of maintaining the 1.5°C target. Firstly, whether or not the loss and damage fund can be successfully implemented. This depends also on the continued commitment of the industrialised countries and, for many developing countries, will be the litmus test for further cooperation. Furthermore, the extent to which China is redefining its role in international climate policy and to which extent it sees itself as an emitter that contributes as a donor within the framework of the negotiations. The second issue surrounds the Global Stocktake (GST), the second since 2015. The GST was launched at the UN Climate Change Conference in Glasgow last November (COP26) and is now nearing completion. Each Global Stocktake is a two-year process that takes place every five years. The purpose of the GST is to assess collective progress under the Paris Agreement and identify opportunities for increased action and support.<sup>5</sup> Given that the GST takes place two years prior to the resubmission of Nationally Determined Contributions (NDCs), it has the potential to create pressure for more ambitious action towards climate neutrality at the national level. It will become clear by then, at the latest, whether the 1.5°C target is still within reach.

### **Climate protection initiatives within the framework of G7 and G20 – an alternative or a complementary approach?**

The G7 and G20, which in 2022 in particular have been increasingly focusing on climate policy issues, represent an additional lever or platform for the development and implementation of inter-governmentally coordinated responses to the challenges of climate policy. The G20 summit in Bali, for example, helped bring about a rapprochement between China and the USA on climate policy.

Cooperation between the two countries had reached a low point since the climate conference in Glasgow due to recent tensions. This demonstrates the extent to which the UNFCCC process is already linked and intertwined with multilateral negotiations and initiatives within the frameworks of the G7 and G20.

### Global Shield against Climate Risks

Founded in 2017, the InsuResilience Global Partnership (IGP) for Climate and Disaster Risk Financing and Insurance Solutions in Developing Countries has already supported 24 programmes with more than 300 projects in 100 countries, providing climate risk financial protection to 150 million people in 2021.<sup>6</sup> Nevertheless, this approach cannot be regarded as a panacea, as the risk is difficult to assess for many providers, especially in particularly vulnerable regions. Furthermore, since the money for the insurance policies comes from industrialised countries, it is still unclear to what extent it will be possible for a viable business model of its own to develop in most countries in the long term. In order to protect the poorest and most vulnerable, insurance must be "needs-based, easily accessible and, above all, affordable".<sup>7</sup> In this context, Germany used its G7 Presidency as an opportunity to work closely with the 58 particularly vulnerable countries (V20) to introduce the establishment of the Global Shield against Climate Risks into the negotiations. Such a shield would cushion the shortcomings of the other initiatives, especially with regard to the particularly vulnerable developing countries. The Global Shield is pursuing the goal that "[the] protection against climate risks [...] [should] become more systematic, coherent and permanent compared to the previous instruments."<sup>8</sup> The Shield builds on existing instruments such as the InsuResilience Global Partnership (IGP) and is looking to mobilise additional funding.<sup>9</sup> To what extent the concept will work is something that will become clear in the coming years. The success of the Global Shield is in part dependent on the provision of sufficient funding and the participation of other financially robust countries. Germany will provide seed capital of 170 million euros for the Global Shield and climate risk financing<sup>10</sup>. France and Canada, among others, have also already agreed to participate.

### Just Energy Transition Partnerships (JETPs)

During COP27, efforts were also successful in adopting the investment plan with South Africa for the JETPs that were agreed with that country. The G7 countries Germany, the UK, the USA, France and the EU had already agreed on a JETP with South Africa at COP26 in Glasgow. A total of 8.5 billion US dollars was mobilised for this purpose in 2021. In addition to the 700 million euros already made available, Germany has now pledged a further 320 million euros.<sup>11</sup> This partnership will facilitate measures, projects and financial support to enable South Africa, which currently still generates 85 per cent of its electricity from coal, to gradually move away from coal-fired power electricity generation. Implementation of the transition in a socially fair manner and with the participation of various stakeholders is an important element of this. The G20 Summit in Bali, which took place during the COP, also saw another JETP agreed<sup>12</sup> with the host Indonesia. This can be regarded as further evidence of the growing interlinkage between G7/G20 initiatives and the COP as part of the UNFCCC process.

### China - indispensable for global climate protection?

The interconnectedness among different summit formats had already been demonstrated in the run-up to COP26, when "the G20 summit [was] able to usher in a new multilateral capacity to speak on the global coal phase-out".<sup>13</sup> While these prospects have been marred by the Russian war of aggression against Ukraine and the geopolitical polarisation associated with it, the observation of an increasing intertwining between the multilateral levels cannot be denied. Whether or not this will also lead to a more effective international climate protection landscape depends not only on the Western industrialised countries, but also on China in particular. China, which is responsible for around 27 per cent of greenhouse gas emissions and has now emerged as the world's second-largest emitter in history, has so far sent out ambivalent signals. Although on the one hand it is driving the expansion of renewable energies more rapidly than any other nation, it continues to build coal-fired power plants and still generates more than 50 per cent of domestic energy production by burning coal.<sup>14</sup>

This year, more than 350 million tonnes of coal were mined, more than at any time for several years. It comes as no surprise then that the People's Republic is already above the EU average in terms of CO<sub>2</sub> emissions per capita.<sup>15</sup> Similarly, China's insistence on its status as a developing country, despite being the largest public lender to developing countries, particularly in Africa, is causing increasing levels of incomprehension among industrialised countries and making cooperation for global climate protection extremely challenging. At the same time though, effective climate protection is not achievable without China's contribution. This means that further efforts to sound out possible ways of cooperating with Beijing will be unavoidable. Indeed, this was already evident on the sidelines of the G20 summit in Bali, when US President Biden and Chinese President Xi Jinping agreed to continue the interrupted bilateral climate negotiations - a surprising move amid the heightened geopolitical tensions around Taiwan.

### Conclusion and outlook

- › Although it was possible at COP27 to avoid the feared retreat from previous agreements on emissions reduction, no significant progress was made. For the first time, a loss and damage fund is to be set up to compensate particularly vulnerable developing countries. Given that this agreement was by no means a foregone conclusion in these times plagued by numerous crises, it can be viewed as a success of international climate diplomacy. As the recommendations for the concrete structure and scope of this financial instrument will not be developed by a commission until the next COP at the end of this year, the impact that such a fund would have is scarcely apparent at present.
- › The wording of the proposal is not explicit in answering one of the crucial questions, namely whether financially robust emerging countries such as China in particular, but also India, Indonesia, Mexico and others, should now have to pay into the fund. As is so often the case in the UNFCCC process, the decision was taken to assign this highly controversial but important topic to a working group and to postpone the debate until the next World Climate Conference. This approach highlights the shortcomings within the UNFCCC process, something that could only be mitigated by obtaining additional support from the G20 Platform. Rather than waiting for a big breakthrough in the run-up to the World Climate Conference year after year - this applies less to experts and those experienced in COP than to politicians and the public in general - it would make more sense to restructure the COP into a kind of hub for international climate protection and to strengthen it by linking and interlinking it with processes and initiatives of the G7 and G20. Although the goals of the Paris Agreement on climate change have been reaffirmed, the absence of a clear declaration of commitment to phase out fossil fuels due to a lack of readiness and ambition makes it increasingly unrealistic for the Parties to adhere to the 1.5°C limit. This will only be the outcome if the negotiation processes, which are often complex and influenced by national economic and competitive considerations, can be significantly accelerated and the level of ambition among the Parties - especially among the largest emitters - can be increased. One key role is played by China, which has a responsibility to constructively engage in the process through ambitious pledges and refrain from invoking its status as a developing country.
- › Cooperation and coalitions at the G20 level, the countries responsible for around 75 per cent of greenhouse gas emissions, could be an important lever for achieving the climate goals and help implement the shared but differentiated responsibility principle in the shift away from fossil fuels and make the UNFCCC process more robust by further interlinking the multilateral levels. Moreover, it will continue to be crucial in the future that binding resolutions are passed at climate conferences, as this is the only forum in which developing countries can directly participate in negotiations and the honouring of promises that have been made can be assessed in the eyes of the global public. Fundamentally, and despite all geopolitical tensions, it is the hope that 2023 will be a year of action and that by the time of the Global Stocktake and adaptation of the NDCs at and after the next COP28 in Dubai, there will be more momentum in international climate diplomacy to achieve the ambitious goals after all.

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## Imprint

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