Digesting COP27: embarking on loss & damage funding, kicking the other cans down the road

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COP27 outcome summary
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Agenda

• Key tasks of COP27
• Aims and strategy of Egyptian presidency
• COP in times of multiple crises
• Side deals
• Catastrophic logistics
• Loss & damage
• Article 6
• Climate finance
• Adaptation
• The cover decision
• Outlook towards COP 28 and beyond
Key messages from COP26 in Glasgow

• A firm basis for delivering on the Paris Agreement
  • Detailed reporting requirements for all and related support
  • Robust rules for international carbon markets
  • Clear 5-year NDC ambition cycle, more urgency

  • Increased climate finance pledges, but low trust in developed countries keeping promises (100 billion), especially given unwillingness to commit on loss and damage

  • Increased long term ambition, focus on 1.5°C target

  • Unprecedented language on fossil fuels

  • The short-term emissions gap remains but will get smaller
COP27 in time of multiple crises

- Revival of fossil fuels (short-term)
- Diversion of public budgets for blanket energy/fossil fuel subsidies
- Increase of renewables for energy independence (long term)
- Heatwaves in Europe, floods in Pakistan, severe droughts in China, Horn of Africa and US
- IPCC: 3.6 billion people live in climate vulnerability hotspots (AR6)
- Reduction of willingness for international cooperation
- Diversion of public budgets to military spending
- Food scarcity crisis in the developing world
- Public attention diverting away from climate crisis
- Public debt services start to “bite”
- Recession & Inflation
- Geopolitical crisis
- Climate crisis
- Energy crisis
- Revival of fossil fuels (short-term)
  Diversion of public budgets for blanket energy/fossil fuel subsidies
- Increase of renewables for energy independence (long term)
Key issues on the agenda of COP27 (1/2)

• UNFCCC schedule
  • Meaningful progress on the Global Goal for Adaptation (GGA)
  • Loss & damage, through a balanced funding solution
  • Finance
  • Full operationalization of the Article 6 rulebook

• Presidency targets besides the UNFCCC ones
  • Delivering a comprehensive and ambitious Mitigation Work Programme through an increase in NDC ambition
  • Tackling climate change through collective, complementary and collaborative action
  • Ensuring a managed and just transition to deliver the agreed transition to an economic model based in low emission and climate resilient development

➢ Overextension of Presidency throughout COP!
Key issues for COP27 in Egypt (2/2)

• Halfway mark of the two-year Glasgow–Sharm el-Sheikh work programme on the **Global Goal for Adaptation**
  ▪ contested issue of **adaptation metrics** (link to Art.6.8!)

• Ad Hoc Work Programme on the **New Collective Quantified Goal (NCQG) on Climate Finance** scheduled to be finalized in 2024

• **Improve access to climate finance** to all developing countries
  ▪ **de-risking tools** to attract private sector investors
  ▪ **debt-for-climate swaps**

• Long list of **projects in Egypt and Africa** that sook financing
Flawed preparations by the Egyptians

Lack of engagement with Parties

- Limited ministerial meetings without transparent communication
- Hosting pre-COP in RD Congo (Kinshasa) put many government representatives off

Unclear political priorities

- COP27 was labelled the African COP with loss and damage, adaptation, and finance as priorities
- At the same time, Egypt put COP forward as implementation COP” and wanted to “advance partnership and collaboration”,

Profit maximization

- The government’s fixing of minimum hotel price thresholds (>3 times above normal rates) angered many NGO observers and delegations from African countries / LDCs/SIDS
Spirit of the negotiations

• **Tense situation** already at the outset

• **Perfect weather** throughout COP, but:
  
  • Logistics on the ground were difficult, with *long distances* between the venue and accommodations as well as within the venue
  
  • **Dangerous site**, with exorbitant food and drink prices, lack of sanitary facilities, noise interference, ice cold and burning hot rooms. Corrections came late and were partial
    • But: Sofas and side event room seating were nice!

• Presidency was **focused on one person**, with small team (12 people) unable to cover all streams

• **Unsustainability** of host city was major drawback

• **Slow development of new texts**, no deadlines

• Unclear situation in last two days, no communication
The elephants in the room

Finance

Loss & Damage

Mitigation work programme

Adaptation
Key issue 1: Global Stocktake

COP26:

- Non-exhaustive lists on **types** and **sources** of information should feed into the global stocktake.
- **Non-party stakeholders**, particularly from developing countries, should be asked to provide input to the GST; support needs to be provided to enable their participation.

Key bones of contention:

- Backward or forward looking nature of stocktake?
- Linkage between stocktake of needs and new finance goal.
- Sources of information: broad or narrow?

COP27 outcome:

- UN Climate Summit during New York climate week to generate momentum prior to COP28.
Key issue 2: Addressing Loss & Damage (L&D)

COP26 and afterwards:

• Two-year ‘Glasgow Dialogue’ to discuss arrangements for funding of L&D activities;
• Santiago Network on L&D to be operationalized
• Governments directly earmarked resources for L&D (Denmark 15 million $, Scotland: GBP 2 million, Wallonia: EUR 1 million)

Key bones of contention:

• Who should pay? Only developed countries as per UNFCCC or also emerging economies?
• Who should be eligible as recipient?
• Should payment be done ex-ante (insurance) or ex post (coverage of damages)?

COP27 outcome:

• Establishment of a fund, under both Paris Agreement and UNFCCC, for vulnerable countries
• Transition committee to give recommendation on funding arrangements at COP28
• Expanding sources of funding to new countries and innovative sources, such as global bunker fuel taxes
Key issue 3: Global Goal for Adaptation

COP26:
- developing countries called on developed countries to at least double their collective provision of adaptation finance from 2019 levels by 2025;
- Parties agreed to establish the ‘Glasgow-Sharm-el-Sheikh work programme on the global goal on adaptation (GlaSS)’

Key bones of contention:
- Framework: when, at what point of time
- Metrics to be used?
- Funding available?

COP27 outcome:
- Framework to be developed until COP28
  - guide delivery of the goal and track progress.
  - Apply science-based indicators, metrics and targets
Key issue 4: New climate finance goal

COP26:
- Deadline 2024
- Determining needs-based targets to mobilize investments at scale and transfer resources from developed to developing countries

Key bones of contention:
- Finance volume ("quantum")
- "Contributing countries" beyond industrialized countries

COP27 outcome:
- Purely procedural decision
Key issue 5: Mitigation work programme

COP26:

• Spotlight on mitigation ambitions: (1) 2020 was supposed to be the year when new and updated NDCs were to be provided; (2) in light of the findings of the Sixth Assessment Report of the IPCC

• ‘Glasgow Climate Pact’, COP strengthened the framework for mitigation.

• The CMA established a ‘work programme to urgently scale up ambition and mitigation’ up to 2030 and asked the subsidiary bodies to propose a decision on the work programme until its next session:
  • This work programme is to complement the global stocktake
  • The CMA also called on Parties to revise their NDCs and strengthen their 2030 targets by the end of 2022
  • It also called for Parties to present or update their long-term low greenhouse gas emission development strategies

• Various new initiatives (e.g., Glasgow Leaders’ Declaration on Forest and Land Use, Global Methane Pledge, COP26 Declaration on Accelerating the Transition to 100% Zero Emission Cars and Vans, Just Energy Transition Partnership with South Africa, Global Coal to Clean Power Transition Statement

Key bones of contention:

• NDC update more frequently than every 5 years?

COP27 outcome:

• non-prescriptive, non-punitive, facilitative, respectful of national sovereignty and national circumstances” and “not result in new targets or goals

• End date 2026
Key issue 6: Article 6 – carbon markets

COP26:
• Decisions on guidance and rules for all three components
• Relatively stringent principle and criteria while lenient transition from the CDM

Key bones of contention:
• Use voluntary market registries as well as linkages between registries in general
• Timing of authorization of ITMOs as well as the change of the “purpose”/use of ITMOs (flexible or fixed once)
• Concrete approaches for methodologies and removals under Art. 6.4

COP27 outcome:
• “Mitigation contribution A6.4ERs as new term, use restricted to domestic NDCs
• Initial report outlines agreed
• Review guidelines for Art. 6.2 agreed
Cover decision

COP26:
• Phase-down of coal
• How to keep the 1.5°C target „alive“

Key bones of contention:
• Phase-down of all fossil fuels

COP27 outcome:
• Renewables
• “low-emission” energy
• 1.5°C reference
Overall assessment of COP27

• Except for the L&D fund establishment decision, no historic decision was taken
• The COP did not become an African COP, as the topics of adaptation and special circumstances of Africa were not addressed properly
• The Egyptian presidency’s wish to treat many topics as priority actually led to an inability to achieve progress in many agenda items
  • Focus on cover decision led to loss of negotiation attention for specific streams
• The COP will be remembered as logistical challenge and the worst case of host country profiteering in the history of COPs to date
• Regarding carbon markets the bare minimum necessary to enable Art. 6.2 operationalization has been achieved
• COP28 has a full table of deferred items to deal with
Topics and hosts of next COPs

“GST COP”
COP 28
UAE
Dec. 2023

“Finance COP”
COP29
Czechia
Nov. 2024

“Ambition COP”, COP30
Brazil, Nov. 2025

COP31
Australia
Nov. 2026

COP 32
Korea
Nov. 2027
Thank you!

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