

COP 27 review: progress amidst the setbacks

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The close of COP 27 (the UN Climate Change Conference) seems coloured by frustration at an apparent lack of positive outcomes. Yet looking past the negative headlines reveals some progress and reasons to be optimistic. However, genuine net-positive progress will require greater collaborative action from stakeholders.

The concept of a “just transition” in tackling climate change was high on the agenda at COP 27 leading to an agreement for a “loss and damage fund”¹ to be established for vulnerable countries. This was a major highlight of the conference, however the details of the agreement have yet to be fully defined, but it certainly marked a positive step and formal recognition of the need to align the financial burden with those countries which have both the financial means and the footprint. Another welcome announcement was Indonesia joining the Just Energy Transition Partnership², which coincided with South Africa reporting its first-year progress update having adopted the approach at last year’s conference.

While we welcome these positive outcomes, it is important to note that the loss and damage fund is a function of the future trajectory of climate mitigation and adaptation, where some elements appear to have stalled. This is where gross versus net progress kicks in.

Key takeaways

- High profile ideological strategic setbacks distracted from many notable positive implementation achievements
- Many may struggle to see a net benefit from COP 27, but the scale of progress in areas like renewable energy highlights the significant scope to accelerate progress if we reduce headwinds
- We expect a greater focus on biodiversity and “just transition” in 2023.

Additional renewable energy capacity reached record levels last year and there remains very strong momentum towards renewables as we approach 2023. Yet, this has been offset by the resurgence of fossil fuel demand and

1. <https://www.unep.org/news-and-stories/story/cop27-ends-announcement-historic-loss-and-damage-fund>.

2. <https://www.iea.org/news/iea-welcomes-indonesia-s-just-energy-transition-partnership-as-key-step-forward-for-international-cooperation-on-energy-and-climate>.

infrastructure expansions resulting from the current energy crisis. Any progress to return to a sustained reduction in fossil fuel use will be particularly beneficial, given the scaling up of renewables.

With regards to climate finance, collectively we need to dig deeper. Greater momentum is required to follow on from advances such as the different sector-specific alliances under the Glasgow Financial Alliance for Net Zero³. Furthermore, launch of the International Sustainability Standards Board's climate-related disclosure standards at COP 27 – with a focus on implementation next year – complements initiatives like mandatory disclosures in the UK in line with the Task Force on Climate-Related Financial Disclosures. As investors grapple with Paris-aligned investing, the UK Transition Plan Taskforce⁴ has developed the Climate Transition Plan concept extending beyond commitments and decarbonisation to a fully aligned approach. Despite these advances, key takeaways from the conference are an absence of “interoperable, decision-useful and implementable”⁵ global standards and globally co-ordinated policies.

The total amount of global climate finance (public and private, domestic and international) would need to increase more than eight-fold to reach the near-term target of USD 5.2 trillion per year by 2030⁶.

Recognition of the critical role that biodiversity preservation plays in climate mitigation is slowly becoming better understood. We expect biodiversity to be a major theme for financial institutions in 2023, and hope that the three thematic days at COP 27⁷ will be a springboard for the UN COP 15 Biodiversity Conference in Montreal. COP 27 saw a formal acknowledgement of the climate and biodiversity crises being interlinked, with particular focus on how agri-food systems can be part of the solution to both the climate crisis and safeguarding food security. We have high expectations for this conference where governments will convene to agree on a Global Biodiversity Framework for the coming decade.

In summary, there is much progress being achieved on very specific climate action tracks, but there still appears to be a handbrake on a necessary acceleration in progressing climate goals. The handbrake is primarily the increasing politicisation of key topics touching national interests including fossil fuels and the funding of climate transition. The G20 Summit, held in parallel with COP 27, sought to reinforce declarations on achieving the 1.5°C target; the phasing out of coal; and the acceleration of climate finance, yet divisions were evident. Our hope is that the aggregated scale of individual transition achievements this year can help create a credible, scalable and economic case for each of these targets.

3. Over 550 member firms responsible for around USD 150 trillion of investment assets.

4. Transition Plan Taskforce – <https://transitiontaskforce.net/wp-content/uploads/2022/11/TPT-Summary-Recommendationst.pdf>.

5. Excerpt from open letters of top CEOs (<https://www.weforum.org/agenda/2022/11/cop27-alliance-of-ceo-climate-leaders/>) “With the current divergence of standards underway, we call on the International Sustainability Standards Board (ISSB), the European Commission, the U.S. Securities and Exchange Commission (SEC) and all other regulating bodies to align their collective efforts to arrive at globally aligned standards to accurately measure and compare progress against ambitious targets. The standards must be interoperable, decision-useful and implementable to ensure they create trust and lasting change. Finally, market-based instruments (including carbon markets, power purchase agreements, etc.) have an essential role to play in reducing carbon emissions globally but need greater alignment and clear standards and frameworks”.

6. Source: The State of Climate Action 2022.

7. Adaptation and Agriculture; Water; and Biodiversity.

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