COP28 Needs to Fast-Forward the Global Energy Transition and Support for Developing Countries | *Statement*

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The Need for Rapid and Far-Reaching Transformation

The 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) will convene in Dubai (United Arab Emirates) from 30 November to 12 December 2023. The year 2023 saw another series of devastating extreme weather events around the globe and is on track to be the hottest year on record, marking yet another stark reminder of the escalating climate crisis. Yet, the world is still off-track in its fight against climate change. The UNFCCC NDC Synthesis Report published just before the start of the conference noted that under current Nationally Determined Contributions (NDCs), global GHG emissions are set to increase 9 per cent by 2030 compared to 2010 levels.

The Intergovernmental Panel on Climate Change's Sixth Assessment Report (AR6) has underscored the need for "rapid and far-reaching transitions across all sectors and systems" to avert catastrophic climate impacts. However, the IPCC also stressed that a plethora of feasible, effective, and affordable mitigation options exist. In addition, it highlighted that mitigation action has the potential to yield multiple benefits. The health benefits of avoided local air pollution alone could offset the costs of mitigation measures.

A key element of the Dubai conference is the first Global Stocktake under the Paris Agreement. This two-year process has assessed progress and potential ways forward across all pillars of climate action, from mitigation to adaptation and loss and damage. The conclusion of the GST needs to chart a clear course forward, in particular by informing the next round of Nationally Determined Contributions (NDCs), which are due in 2025. Other key issues include supporting developing countries with climate-related loss and damage, adaptation, and overall financial support.

Mitigation: From Global Emission Goals to System Transformation

On mitigation, the conference needs to deliver an honest recognition that current efforts are far from sufficient and clear action to close these gaps. The agreed consensus on achieving global GHG emissions peaking as soon as possible must be revised to stipulate that global emissions must peak before 2025. Furthermore, the conference outcome should clarify that, as indicated by the IPCC, global GHG emissions must be reduced by 40 per cent by 2030 and further by 60 per cent by 2035 compared to 2019 levels, culminating in net-zero CO_2 emissions by 2050.

Moreover, the conference should define key actions on how to achieve these objectives. COP26 initiated a process of concretizing the climate mitigation challenge by calling for the expansion of renewable energy and enhancement of energy efficiency and for phasing down of unabated coal and the phasing out of inefficient fossil fuel subsidies. This marked the first time a COP decision directly addressed fossil fuels. Building on these discussions, COP28 should endeavor to break down global goals into sector-specific targets, outlining the transformation required in each sector to align with the Paris Agreement temperature limit.

Recent work by the International Energy Agency, International Renewable Energy Agency and others indicates in particular the following key avenues of action:

- An immediate stop to any further expansion of exploitation and use of fossil fuel, followed by a reduction by a quarter by 2030, and a full fossil fuel phase-out by 2050,
- Tripling globally installed renewable energy capacity by 2030,
- Doubling energy intensity improvements by 2030,
- Achieving a 75 per cent cut in methane emissions from fossil fuel operations by 2030,
- Tripling clean energy investments in emerging and developing economies by 2030.

However, setting targets by itself does not reduce emissions. The conference should therefore also do its utmost to trigger actual action. While the next generation of NDCs officially targets 2035, the conference should urge countries to incorporate commitments to strengthen actions by 2030. Ideally, countries should come forward with enhanced actions for this critical decade already in 2024. Moreover, the conference should encourage countries to break down their NDCs into sectoral targets and measures. A sectoral breakdown of NDCs could help to better connect NDCs to national policymakers and implementers in specific sectors and identify areas for international cooperation. The conference outcome should in particular request parties to indicate in their NDCs how they will contribute to each of the global targets as outlined above.

Additionally, the conference outcome should establish a tracking mechanism to closely monitor progress towards these global goals. Starting in 2024, each COP should assess whether implementation is on track or needs to be strengthened. Operationally, this mechanism could be integrated into the existing work program to enhance mitigation ambition and implementation. Starting in 2024, parties should report annually under the mitigation work programme on how they are contributing to the achievement of the global goals. The mitigation work programme could then collate this information and suggest ways to further strengthen action.

Finally, it would be desirable to break the global challenge down into even more specific action items, such as increasing the rate of building retrofits and reducing average energy consumed per square meter in buildings, increasing the share of fossil fuel–free transport, reducing carbon intensity of industries, transforming food systems and reducing agricultural emissions. However, it will not be possible to achieve global agreement on such items at this conference. Frontrunner countries should therefore enhance existing international coalitions to move forward on these objectives. Existing cooperative initiatives in particular need to create clear follow-up and review processes to show they are on track.

Loss and damage: Make the Loss and Damage Fund (LDF) operational

Regarding Loss and Damage, the conference must deliver on a decision on the full operationalisation of the Loss and Damage Fund (LDF) and commitments for financial contributions to it.

The agreement between Australia and Tuvalu offering residency to Tuvalu citizens because of existential threats due to sea level rise, announced a few weeks before the COP 28, not only once more highlights the urgency of raising ambition and the need for rapid and far-reaching change, as many commentators did. It also demonstrates what Loss and Damage means to people: a fundamental threat to life and livelihoods.

One year ago, COP 27 at Sharm el-Sheikh sent a historic signal: From almost zero, Loss and Damage made it on the conference agenda and already at the same COP a decision was made to set up a fund that should be made operational within one year. Less than one month before COP28, at its fifth, extraordinary meeting the Transitional Committee set up for preparing this purpose agreed on a draft text for a COP decision on structure and arrangements of the fund. Main element of this draft are

- LDF is initially administered by the World Bank (first four year period),
- Management governance: LDF has a sectretariate (location not decided yet and a supervisory Board with 26 members, majority of 14 seats by developing countries, no seat for Non-Party Groups ,
- COP is to review the structure every four years,
- All developing countries have access to fund,
- Minimum amount for the least developed countries (LDCs) and small island states,
- Access of other countries capped and dependent on their own capacities,
- Industrialized countries are to pay for the establishment of the fund,
- Industrialized countries are "urged" to continue paying for loss and damage and "other parties" are "encouraged to provide support on a voluntary basis.

While the mention of “other countries” opens the call for contributions to all high-emitting countries, criticism focuses on a business-as usual character of the draft text, voluntarity of contributions and a lack of financial commitments of rich countries.

The UN Conference on Trade and Development (UNCTAD) estimates Loss and Damage at USD 345 billion in 2020 and USD 580 billion in 2030. Based on these estimates, UNCTAD proposes to allocate USD 150 billion to the LDF initially and to increase this amount to USD 300 billion by 2030. In contrast, only USD 300 million has been announced for the LDF so far.

Having these dimensions in mind, to be successful on Loss and Damage, the conference has to send strong signals of political will, adopt a decision on the structure of the LDF and put pledges for significant resources for the LDF on the table.

Adaptation: Adopt the framework for the Global Goal on Adaptation

Political action regarding adaptation and adaptation finance are still by far not on the same level as for mitigation. Expectations regarding adaptation at COP28 are in particular that the conference draws on the work of the two-year Glasgow-Sharm el-Sheikh work program (GLaSS) which consisted of eight workshops and will probably conclude with an annual report at COP28. Parties are expected to resolve remaining challenges, finalize and adopt a framework for the Paris Agreement's Global Goal on Adaptation to make this more operational by identifying more concrete targets and indicators.

Climate Finance

In terms of investment needs for the 1.5 C trajectories, the IEA states that global annual clean energy spending has to almost triple in amount from USD 1.8 trillion in 2023 to USD 4.5 trillion by the early 2030s. The needs of developing and emerging countries excluding China still cumulate to an annual amount of USD 1 trillion until 2030 and USD 2 to 2.8 trillion from 2030 onwards. Especially developing countries require the international provision of financial means to meet their investment needs.

In this regard, developed countries pledged to provide an annual amount of USD 100 billion for climate investments from 2020 until 2025. However, the USD 100 billion goal was not achieved in 2020 and 2021. In order to achieve the overall sum that was pledged by 2025,developed countries should pay more than USD 100 billion in the coming years to meet the USD 100 billion goal on average over the period 2020-25. Meanwhile, the negotiations around a 'New Collective Quantified Goal (NCQC)' for the period after 2025 are still ongoing at COP 28 with high-level ministerial dialogues and will most likely end at COP 29 in 2024. For COP28 parties are expected to narrow down options for the NCQG and pave the way for a consensus one year later. Those should include specific sub-goals on the type and source of funding.

One major point of discussion around climate finance within the UN system is the question whether high-emitting emerging countries such as China or the Arabic countries should also pay from 2025 onwards. They are not yet obliged to pay within the UN system as they fall into the category of non-Annex I countries which still reflects the economic realities of 1992. However, parties are still expected to settle their differences and work together in scaling up climate finance at COP28. In this regard, developing countries from within the Group of 77 are already increasing their pressure on emerging high-emitting countries to provide climate finance.

This controversy around the question 'who pays' also sparks around the second replenishment of the Green Climate Fund (GCF) for the 2024-2027 period. In October 2023 the GCF was filled with USD 9.3 trillion, which falls behind the USD 9.8 billion promised for the first replenishment in 2019. Although some countries are expected to announce their contributions to the GCF at COP 28, high-emitting countries such as China are not planning to participate in the GCF.

The climate finance structure around the World Bank, the International Monetary Funds (IMF) and Multilateral Development Banks (MDBs) are also undergoing reform processes. The reform process falls in a time where public fiscal budgets are under stress due to multiple crises. Thus, the members of the World Bank are not in favor of a capital increase. Instead, other reform proposals were made, including:

- The updated mission statement of the World Bank now states: 'To end poverty and boost prosperity on a livable planet'.
- Lower equity ratio of World Bank credits which unlocks additional USD 40 billion over the next 10 years of climate investments. Additionally, the risk of the World Bank increases.
- New 'Portfolio Guarantee Mechanism' which allows countries to give guarantees for World Bank finance to developing countries and thus increase the financial amount. The US government stated that they can provide USD 25 billion through this mechanism without directly touching fiscal budgets.
- Working program for new lending rules: Loans could have longer duration, more volume and discounted interest charges.

Finally, the reform process in the International Monetary Fund (IMF) includes a discussion around the provision of climate finance in the form of Special Drawing Rights (SDRs). The Bridgetown Initiative led by Barbados prime minister Mia Mottley advocated for the provision of SDRs from industrialized countries for climate investments. At COP28 parties are expected to build on this reform process and adopt the new practices also to other MDBs and national lending facilities.