

COP27 – Achievements and Disappointments

Introduction – Expectations and issues post COP26

COP27, the latest annual gathering of almost 200 countries drawn together by the UN to discuss and seek solutions to the global problem of climate change, has taken place in Sharm El-Sheik, Egypt from the 6th to 18th November. In a recent edition of the Oxford Energy Forum¹ eighteen authors reviewed the key issues that would be addressed at the meeting and highlighted the main challenges that would be faced in trying to keep the world on track to “keep 1.5 alive”, which was the mantra of the previous COP in Glasgow in 2021. In this Energy Insight, we assess how these issues were addressed at the conference, as well as others that emerged during the two weeks of negotiations (which actually spilled over to the 20th November due to the contentious nature of some of the debate) and review the progress, or lack of it, that was made on each. As a number of OIES research fellows also attended the conference we also provide some insights from the events in which we participated.

COP27 was framed as the African COP and the COP of Implementation, and the Egyptian Presidency had a clear goal for the meeting to focus on issues of importance to the Global South developing nations. At the top of the list, and potentially the most contentious, was climate finance and in particular the establishment of a fund for Loss & Damage. This has been a perennial topic, raised first in 1991 by Vanuatu, but COP27 was expected to be the meeting at which a resolution was finally reached. Furthermore, the provision of finance for mitigation (prevention) of climate change and adaptation to the impacts in the developing world was also set to be a major topic, especially as the developed world has so far failed to meet its pledge to provide \$100 billion per annum by 2020 to developing countries for these purposes.

Beyond finance, though, another vital focus of the COP was on “implementation”, with the goal of catalysing action on climate pledges made following the Paris Agreement at COP21 in 2015 and re-affirmed at COP26 last year. In addition, countries had also promised to review their emissions reduction targets, set down in their NDCs (Nationally Determined Contributions), and to provide higher ambition this year as the current pledges are not sufficient to meet the goal of restricting global warming to 1.5° above pre-industrial revolution levels. Furthermore, the COP also had the goal of preparing for the Global Stocktake, an overall review of progress by all countries, which is due to take place in 2023 ahead of COP28 in the UAE next November.

¹ Oxford Energy Forum No. 133, COP27: Re-focusing the world on the energy transition agenda, October 2022

With these overarching goals in mind, a number of issues were at the front of delegates minds as COP27 began. Not the least of these was the volatile geopolitical background created by Russia's invasion of Ukraine and the subsequent energy crisis, as well as the deterioration of US-China relations. A vital question was whether major emitters would be able to come together and discuss climate issues and also whether the EU, historically a leader in the drive for climate action, would have the commitment and credibility to carry much weight in the negotiations given its current short-term energy crisis and its focus on energy security and affordability. Indeed, the question of energy security versus sustainability was set to cast a shadow over the entire conference.

COP27 was also set to be a forum for reviewing a number of multilateral pledges that were agreed at COP26 outside the formal proceedings. While the COP process itself is based on consensus agreement of all the Parties to a final communique which outlines the main conclusions, progress is also made via a series of agreements between groups of countries to act on specific topics. These multilateral agreements were particularly evident at COP26, where the Global Methane pledge, the Power Past Coal pledge, the Net Zero Emission Vehicle pledge and an agreement to end deforestation were deemed to be some of the key successes of the conference. In addition, the establishment of the Glasgow Financial Alliance for Net Zero (GFANZ) was also seen as a major step towards corralling private finance to support the commitments being made by governments and regions to provide capital for environmental projects, especially in the developing world.

Another key achievement of COP26 was an agreement on the rules for carbon markets, including those related to Article 6 of the Paris Agreement. This allows emission reductions (ERs) and Internationally Transferred Mitigation Outcomes (ITMOs) to be traded between countries and companies with rigorous reporting and audit trails, and the COP26 agreement has catalysed a huge surge in the trading of voluntary carbon credits.² However, the operationalization of the crediting mechanisms under Article 6.2 and 6.4 still needs to be finalised and COP27 was seen as a venue for this to occur.

The role of hydrocarbons in the energy transition is still a major topic of conversation and was set to have a higher profile at COP27 because of the desire of many countries, including African countries, to continue the development and the use of their domestic hydrocarbon resources. The question of whether and how this could fit with climate ambitions, and what technologies could be used to mitigate the inevitable emissions, would become a major topic at COP27. In addition, there was an expectation that the future of green gases, such as hydrogen and biomethane, would also be raised again, as well as the role of nuclear energy, which divides opinion between those who see it as a vital source of carbon-free energy and those who regard it as another contributor to environmental harm.

Finally, COP27 was also taking place in the context of two major reports by the IPCC (Intergovernmental Panel on Climate Change)³⁴ published during 2022 which highlighted the continuing trend of CO2 emissions that is leading the world towards an outcome that is well off target from the stated climate ambitions. They also underlined that the impact of this is going to be felt hardest by those that have made the least contribution to historic emissions and who also have the least access to the financial resources needed to avoid or adapt to the inevitable environmental changes which are set to occur. It was hoped and expected that these reports would provide a foundation for greater ambition and action at COP27, specifically with regard to supporting the Global South to mitigate and adapt to climate change and to pay for the costs it is already incurring from increased natural disasters.

² www.climatechange.com/voluntary-carbon-market-size-tops-us2b

³ IPCC, 2022: *Climate Change 2022: Impacts, Adaptation, and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

⁴ IPCC, 2022: *Climate Change 2022: Mitigation of Climate Change*. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926

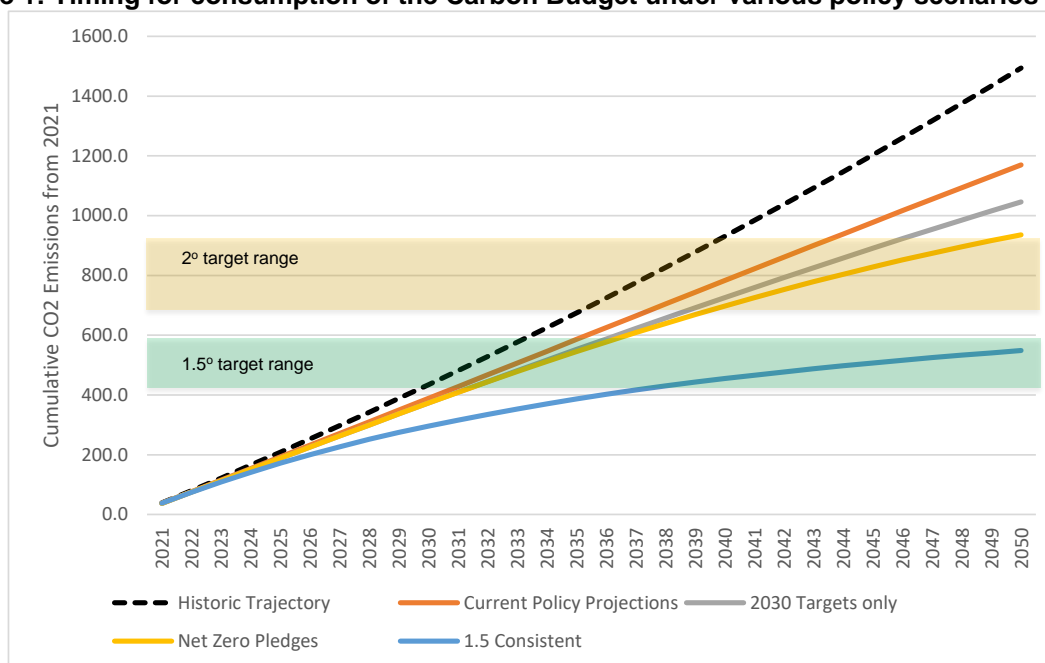
10 key conclusions from COP27

1. The world is not on track to meet its 1.5° target

Despite the best efforts to keep up appearances, the underlying subtext of the conference was that the world is going to overshoot its temperature target. As UN Secretary General Antonio Guterres put it on the first day of the conference “we are on a highway to climate hell with our foot still on the accelerator,”⁵ and this view was reinforced by a report from the NGO Climate Action Tracker which estimated that the implementation of current policies would see the world warm by 2.7° by the end of this century.⁶ This underlined the fact that few countries had fulfilled the promise outlined at the conclusion of COP26 to review their NDCs during 2022 and adjust them to provide even greater ambition and more aggressive climate targets. In fact, only around 20 countries have done this, with Australia being the most notable of the major emitters, and as a result, the outlook for the environment has changed little over the past twelve months.⁷

Figure 1 shows an OIES calculation as to when the carbon budget to meet the 1.5° and 2° temperature targets could be used up under various scenarios. It seems almost certain that, barring a radical change in policy-making and implementation in the next 2-3 years, the budget for 1.5° will be consumed by the end of this decade, and this realisation caused some delegates at the COP to suggest that the 1.5° target should be abandoned for a more realistic one. The debate on this issue raged long into many nights, with the EU, US and others (in particular Alok Sharma, the UK representative and COP26 President) fighting hard to avoid any backtracking. In the end, the target was retained in the final communique, but the sense of unhappiness and disappointment on the failure of COP27 to adequately address issues of mitigation against climate change was pervasive. As New Zealand’s minister for climate change James Shaw put it “[there are] still parties that are stuck in a state of denial or delusion about the state of the climate crisis.”⁸

Figure 1: Timing for consumption of the Carbon Budget under various policy scenarios



Source: OIES, based on data from UNFCCC, IEA and Carbon Tracker

⁵ IISD Daily Report from COP27, Monday 7th November

⁶ Bloomberg, 10 November 2022, “Climate Projections Again Point to Dangerous 2.7C Rise by 2100”

⁷ See Climate Action Tracker at <https://climateactiontracker.org/climate-target-update-tracker-2022/>

⁸ The Economist, 21 November 2022, “COP27: UN climate summit ends in discord after agreeing help for poor Nations”

2. The current energy crisis has changed short-term priorities

It perhaps goes without saying that the current crisis in global energy markets, catalysed by the impact of the Russian invasion of Ukraine, had a significant impact on negotiations at COP27. Although it was not a specific theme, it was inevitable that the short-term search for hydrocarbons, caused by the seismic shift in global energy flows caused by the Ukraine war, would increase the priority of energy security over sustainability in the short-term. A number of delegates, especially those from the Global South and Africa, noted the apparent hypocrisy in the stance of some developed countries (in particular the EU) who were pushing for the world to transition away from hydrocarbons while themselves reverting back to coal in the short-term. In addition, it was also noted that Europe's drive to find alternative sources of hydrocarbons had also driven up the price of energy for other regions, in particular making gas unaffordable in a number of developing countries. However, this criticism was deflected in the final communique, which took a more positive line (and an argument presented by the EU) that "the unprecedented global energy crisis underlines the urgency to rapidly transform energy systems to be more secure, reliable, and resilient, including by accelerating clean and just transitions to renewable energy during this critical decade of action."⁹ Nevertheless, it seemed undeniable that in the short-term at least environmental issues have taken a lower priority in political dialogue across the world.

3. The introduction of a fund for Loss & Damage was viewed as a key success, but many questions were left unanswered

The establishment of a fund for Loss & Damage has been a core goal of many countries in the Global South for three decades, and COP27 was the conference at which their ambition was finally rewarded, although with some caveats. Importantly many countries in the developed world were prepared to vote for a final communique which included this new instrument, even though they were disappointed with a lack of progress on mitigation and climate ambition, because they wanted to show support for the developing nations who had been fighting for its adoption for so long. As Germany's climate secretary Jennifer Morgan stated "we went with the agreement that was here because we want to stand with the most vulnerable."¹⁰

This acceptance by developed countries that there is an ethical obligation to provide for Loss & Damage in the developing world may be the most important result of the new fund, as it helped to avert a major rift between the Global South and the Global North at the conference. However, it should be noted that the omission of any mention of liability was critical to gaining the support of many developed countries and a number of major questions remain about the operationalisation of the new fund, who will pay into it and who the beneficiaries will be. The next 12 months will be spent establishing the fund prior to COP28, but critically it has catalysed a debate about which Parties should be categorized as developing countries. The UN definition of developing countries was established in the early 1990s and includes some states (like Singapore) that are now wealthier on a per capita basis than many developed countries and others which are now rapidly developing and contributing significantly to global emissions (such as China, the world's largest emitter of CO₂). Many developed countries were adamant that countries such as these should not only not be receiving monies from the new Loss & Damage Fund, but should actually be contributing to it, and defined the intended beneficiaries as "developing countries that are particularly vulnerable to the adverse effects of climate change."¹¹ However, this remains to be discussed in 2023, as do the issues of what financial contributions should be made by each player, how the fund will be additional rather than just a re-distribution of existing development funds, and how the monies will be allocated in the event of loss and damage occurring.

As a result, although the establishment of the fund is a positive step, there is a risk of it becoming another platform for continued disappointment. As Henry Kokofu, the head of Ghana's Environmental

⁹ Sharm El Sheikh Implementation Plan, 20 November 2022, Paragraph 9 sourced at <https://unfccc.int/documents/624444>

¹⁰ Ibid.

¹¹ Bloomberg, 21 November 2022, "How a Flawed But Historic Climate Deal Emerged From COP Chaos"

Protection Agency, stated on behalf of a group of climate vulnerable countries: “without an actual commitment to funding, we may well just end up with an empty bank account.”¹²

Three other initiatives linked to the theme of Loss & Damage are also worth noting. Firstly, an additional mechanism to provide finance for developing countries in the event of environmental disasters was proposed by Germany, in its role as president of the G7 countries. The Global Shield concept emerged as an insurance-style product, with developing countries paying small premia to get access to larger funds contributed by developed countries in the event of emergency. Only \$170 million has been committed to date, and there was some concern that the initiative might be an attempt to distract from the Loss & Damage debate, but nevertheless the initiative was generally regarded as another positive step among a variety of attempts to ease the burden on the developing countries.

A second idea was promoted by the UK government, which encouraged the insertion of new climate resilient debt clauses (CRDCs) into future bonds and private sector lending arrangements in international markets to allow developing countries to defer sovereign debt repayments for up to a maximum of two years in the event of a pre-defined natural disasters.¹³ This concept has been designed to ensure that developing countries can avoid becoming overburdened with debt in the event of natural disasters and can focus their available funds on recovering from environmental issues rather than paying excessive interest bills at times of crisis.

Thirdly, the United Nations actively promoted a global Early Warning system that could provide timely alerts to all nations across the globe of impending environmental disasters in order to minimise the potential for loss and damage where possible. Fifty countries supported the proposal with just over \$3 billion in funding, and the initiative was included in the final communique as one of the key achievements of the COP.¹⁴

4. The issue of Mitigation was relegated, with ambition not raised and implementation of targets not highlighted – the Global Stocktake in 2023 will be critical

One of the key outcomes of COP26 was a pledge in the final communique that countries should update their climate ambitions more regularly in order to bring them more rapidly in line with the 1.5° temperature target. As a result, all countries were requested to update their NDCs during 2022 and report their new targets at or before COP27 rather than wait for the normal 5-year cycle established under the Paris Agreement.

However, the outcome fell well short of this target and this reflected the overall lack of focus on mitigation at this COP. According to Climate Action Tracker only 29 countries out of 193 parties to the COP process have presented updated NDCs,¹⁵ with only five actually offering significantly increased ambition, while the EU has subsequently promised to update its NDC once its new Climate Law, known as Fit for 55, has been adopted.¹⁶ Frustration at this lack of progress was reflected by delegates, who also felt that the final communique failed to provide further momentum on reducing emissions, with Alok Sharma’s final reflections on the communique, spoken with some passion, summarising the views of many - “Emissions peaking before 2025 as the science tells us is necessary? Not in this text. Clear follow-through on the phase down of coal? Not in this text. A clear commitment to phase out all fossil fuels? Not in this text”¹⁷ – while Norway’s climate minister Espen Barth Eide concluded “[the final communique] does not break with Glasgow completely, but it doesn’t raise ambition at all.”¹⁸

¹² Bloomberg Green, 18 November 2022, “COP27: Are we there yet?”

¹³ UK Government, 9 November 2022, COP27 Finance Day: Building resilience for countries hit by natural disasters

¹⁴ Sharm El Sheikh Implementation Plan, 20 November 2022, Paragraphs 26 and 27 sourced at <https://unfccc.int/documents/624444>

¹⁵ Climate Action Tracker at <https://climateactiontracker.org/climate-target-update-tracker-2022/>

¹⁶ European Commission Press Release, 21 November 2022, “EU agrees to COP27 compromise to keep Paris Agreement alive and protect those most vulnerable to climate change” at https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7064

¹⁷ Reuters, Nov 20, 2022, “COP27 delivers climate fund breakthrough at cost of progress on emissions”

¹⁸ Ibid.

As a result of this lack of progress, which no doubt reflected the shifting short-term priorities of many countries noted above, the importance of the Global Stocktake (GST), a review of country progress on meeting climate goals to date scheduled for 2023, increased dramatically. COP27 saw formal discussion of how the data collection process will work and how the results will be interpreted and the UN emphasized that the objective was not only to review historic results but also to highlight actions that can be taken to enhance future mitigation measures.¹⁹ The GST is due to report its findings at COP28, and this will clearly be another major milestone in the climate debate.

Adaptation was also a theme that had been highlighted by the Egyptian Presidency as a key topic of COP27, but which had a rather lower profile than expected. Early in the conference a new Sharm El-Sheikh Adaptation Agenda was announced, with a 30-point plan of goals to be met by 2030. However, the ambition on this plan then seemed to be subsumed within the more high-profile debate on Loss & Damage, and specific adaptation initiatives were scarce. Funding promises were also in relatively short supply, with the US promising an additional \$200 million for developing countries and \$150 million for Africa, while an additional \$230 million was pledged to the Adaptation Fund, and the need to meet financial goals was also noted in the final communique. However, discussion about the need for a vastly increased contribution from 2025 was absent from the conference, and adaptation in general was lower down the agenda than many hoped.

5. The role of Multilateral Lending Banks (MLBs) is set to change as Blended Finance became a key theme

The final communique also reflected on the overall funding gap that is expanding on an annual basis, noting that \$4-6 trillion per annum needs to be spent on the energy transition if climate targets are to be met, that around \$6 trillion needs to be spent in developing countries before 2030 but that even the modest \$100 billion per annum funding target promised by developed countries from 2020 for mitigation and adaptation in the developing world has still not been met (with the OECD estimating a shortfall of \$17 billion in 2021).²⁰ As a result the Finance Day at COP27 was focused on the need to increase the level of funding available for mitigation and adaptation from public and private sources via blended finance, with the essential goal of catalysing a dramatic increase in private finance initiatives supported by public institutions. This support would come in the form of risk mitigation, with institutions such as the World Bank and the IMF developing green or climate funds where the initial risks are taken largely by public institutions in order to increase the risk-weighted return for private financiers. Indeed, the entire remit of the World Bank was called into question, catalysed by the Bridgetown Initiative from Barbados Prime Minister Mia Mottley but picked up by the US and other G7 countries. The proposal is that the World Bank and other MDBs should adopt a higher risk profile on environmental lending in the developing world, reducing their reliance on the views of credit ratings agencies and increasing their willingness to take on greater risk to promote private finance. In addition, they should also offer more concessionary loans and grants rather than demanding interest rates that reflect the market risk in developing countries, with the goal of minimising the debt burden in poorer countries looking to finance work on mitigation and adaptation. More progress on this issue is expected in 2023.

The issue of how private capital is reacting to climate change was also highlighted in a report on corporate greenwashing published by the UN during COP27.²¹ The report accused many companies, including those within the GFANZ alliance set up at COP26 to gather together \$130 trillion of private funds to commit to net zero strategies, of failing to maintain tight enough standards to comply with their stated climate ambitions and calling for guidelines to be updated and best practices adopted.²² This

¹⁹ UNFCCC Press Release, 14 November 2022, "Global Stocktake is About Ambition, Accountability and Acceleration" at <https://unfccc.int/news/global-stocktake-is-about-ambition-accountability-and-acceleration>

²⁰ IISD Earth Negotiations Bulletin, 23 November 2022, "COP27 Final: Summary of the Sharm El-Sheikh Climate Change Conference: 6-20 November 2022", p.31

²¹ United Nations Expert Group on the Net Zero Emissions Commitments of Non-State Entities, November 2022, "Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions"

²² Financial Times, 8 November 2022, "COP27: UN urges Mark Carney-led climate initiative to meet higher standards"

clearly called into question the role of private finance in the energy transition, in particular following the withdrawal of GFANZ from the UN's Race to Zero initiative prior to COP27.²³

However, despite this setback a number of private finance initiatives were announced during the COP, although the main plea from banks and investors alike was for there to be a larger pool of “bankable” investments, with many stating that although there were plenty of projects the risks associated with them made them uninvestable for most institutions.²⁴ This brings us back to the role of MLBs and other state institutions, who clearly need to consider how the risked return can be increased for private capital in order to unlock the trillions of dollars that are available. COP27 failed to resolve this problem, but the continued discussion highlighted that the issue remains firmly on the agenda.

6. The Just Energy Partnership Initiative aimed at reducing coal use in producing countries made mixed progress

One of the most interesting initiatives at COP26 was the development of the Just Energy Transition Partnership, with the US, the EU and a number of individual companies providing \$8.5 billion of finance to help South Africa move away from coal in its power sector. Although there have been a number of issues around the details of the agreement, in particular on the specifics of whether the funds are provided as commercial or concessionary loans or even as grants, the overall view is that progress has been made and that this first example can provide a model for future deals. With this in mind a similar \$20 billion agreement was reached with Indonesia at the G20 summit in Bali, which took place in parallel with the second week of COP27, and negotiations are also underway with Vietnam, India and Senegal as countries which also use significant amounts of domestic coal in their power sectors.²⁵

The goal is to encourage a just transition by providing funds to develop domestic industry around renewable energy in order to avoid severe economic consequences from the phase-out of coal. Unfortunately, Vietnam failed to secure a deal that it had been hoping for at COP27, with its negotiators not happy about the terms of loans and other financing being offered, and the country has subsequently outlined plans for further coal development. Nevertheless, some hope remains that an \$11 billion deal can be reached at a South-East Asia summit in December 2022, and this could provide a crucial indication of whether the JETP initiative can continue to offer another robust solution to climate finance.²⁶

7. Discussion of carbon markets did not make as much progress as hoped

A key achievement of COP26 was agreement amongst Parties on the rulebook governing Article 6 of the Paris Agreement on the establishment of carbon markets. Article 6 sets out mechanisms, namely Article 6.2 and Article 6.4, for countries, corporations and even individuals to trade and account for carbon offsets: activity on this front had increased dramatically since Glasgow. However, there was still a need for a further formalisation of how trading activity under both mechanisms would work in practice, as well as a need to set definitions regarding the quality of offsets, including adopting rigorous measurement, reporting and verification approaches. COP27 was set to be the venue where these processes would be operationalised, but despite the presentation of a 60-page draft document in the second week of the conference, many questions were left unanswered. Key decisions were instead pushed back to COP28 in UAE, particularly on issues relating to the authorisation of credits by the host country where projects are implemented, and on the definition, quality metrics and role of carbon removal activities. Much work still needs to be done throughout 2023, raising questions about when a fully tradable global market will be available.

On a positive note, COP27 did produce an agreement on some reporting templates, particularly the Initial Report and the Annex to the Bilateral Transparency Report. Some observers believe the finalization of these templates should enable countries to start developing bilateral agreements under

²³ Financial Times, 28 October 2022, “Gfanz drops its Race to Zero requirements”

²⁴ Euromoney, 8 November 2022, “COP27: The IMF wants more debt-for-nature and climate swaps”

²⁵ Financial Times, 15 November 2022, “Rich nations offer Indonesia \$20bn to wean it off coal”

²⁶ Reuters, 23 November 2022, “Vietnam boosts coal use plan for 2030 as G7 climate offer stalls”

Article 6.2. For instance, under Article 6.2, a host country now has the right to authorise the transfer of Internationally Traded Mitigation Outcomes (ITMOs) which can be used either by credit-buying countries towards achieving their NDCs, in market-based schemes such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) or by companies to offset their emissions.

The downside to this authorisation process - and perhaps the most contentious issue which remains - is that countries want to retain the right to revoke the authorisation of credits issued under Article 6.2 and 6.4, which undermines participant and investor trust in the carbon market were the authorisation of credits to be withdrawn. Another issue relates to the confidentiality of reporting, where the agreed text provides a participating party the right to 'designate information provided to the Article 6 technical expert review team during the review as confidential'. This clearly does not help the transparency of the verification process, in turn undermining the credibility of the voluntary market.

Furthermore, there was limited progress on operationalizing Article 6.4. The Supervisory Body (SB) of Article 6.4 made some recommendations regarding carbon removals. In fact, by the end of it, COP27 came to be hailed as the 'Removals COP' with 70+ removals-specific events across the two weeks, highlighting the areas which still needed to be addressed, in particular in the context of removals under Article 6. The SB was asked 'to consider the views of Parties and observers in elaborating and further developing recommendations on activities involving removals' inviting 'parties and admitted observer organizations to submit, by 15 March 2023, their views on activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts'. In addition, the Supervisory Board addressed the issue of authorized and unauthorized Article 6.4 Emissions Reductions (ERs). Authorized ERs (when a Corresponding Adjustment (CA) is applied) can now be used as ITMOs. On the other hand, unauthorized Article 6.4 ERs (where no CA is applied), are referred to as mitigation contribution Article 6.4 ERs and 'may be used, inter alia, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the host Party'.

Other outstanding issues involve the levels of transparency which would be demanded by participants and how to most effectively avoid double-counting of credits between countries. Indeed, the lengthy draft document only really discussed how countries can use the carbon market, with sections on credit registries and the voluntary carbon market for private companies still to be completed. As a result, delegates departed COP27 with mixed feelings about what had been achieved. As one negotiator put it: "it's a step forward, but I don't know that it's (the) big jump that was probably needed."²⁷

8. Hydrocarbon producing countries and companies played a more significant part in the conference

One marked difference between COP27 and previous COP meetings was the fact that oil and gas companies were invited to attend and hydrocarbon exporting countries played a more prominent role. Some estimates placed the number of oil and gas representatives and lobbyists at the conference at 600, and many environmental NGOs were vociferous in their complaints about the role of the industry).²⁸ As one put it "I have been to eight COPs, and never seen any such blatant oil and gas promotion from a presidency before...There's no legitimacy in a COP presidency giving a big platform to major polluters without even asking them hard questions."²⁹

However, there were clearly two sides to the argument on display at the conference. On one side oil producers such as Saudi Arabia and a number of African countries presented that the view that the conference should be about reducing emissions not targeting one specific sector. Saudi Arabia in particular continued to promote its idea of the Circular Carbon Economy, arguing carbon neutrality can be achieved through the use of technologies such as CCUS (Carbon Capture Utilisation and Storage)

²⁷ Reuters, 17 November 2022, "U.N. carbon market talks to drag beyond COP27 as deals elusive"

²⁸ BBC, 10 November 2022, "COP27: Sharp rise in fossil fuel industry delegates at climate summit"

²⁹ Financial Times, 14 November 2022, "Fossil fuel producers flex their muscle at UN climate summit"

combined with nature-based solutions and other forms of carbon re-cycling. Meanwhile other organisations, such as TotalEnergies, argued that gas should be regarded as a transition fuel, with Egypt's minister of petroleum and mineral resources, Tarek El Molla, stating that gas would "continue to play a key role in the future energy mix"³⁰. Indeed, the final communique included a phrase about "the importance of enhancing a clean energy mix, including low-emission and renewable energy, at all levels as part of diversifying energy mixes and systems, in line with national circumstances and recognizing the need for support towards just transitions", with low-emission energy being interpreted by many as a reference to the right of African nations and others to develop their indigenous gas resources.

On the other side of the debate environmental lobby groups and a number of country delegates balked at any platform being given to the oil and gas industry. Catherine McKenna, a former Canadian environment minister, complained that the gas industry lobby was a huge problem, while many others blamed the oil and gas producers for watering down the final communique and blocking the suggestion from India that it should include a phrase on the phase down of all fossil fuels,³¹ not just coal, which had been supported by the US, the EU and 80 other countries.³²

In reality, the presence of the hydrocarbon producers reflected the realistic, if uncomfortable, fact that oil and gas are going to be part of the energy mix for some years to come and therefore the companies and countries that produce them should be brought into the transition debate and encouraged to participate in the process of decarbonisation. Furthermore, many developing countries argue that a just transition should allow them to produce and use their domestic resources, even if they ultimately need to be phased out. As Ghanaian President Nana Akufo-Addo said at one COP session "Ghana's position on energy transition is to continue the responsible exploitation of our natural resources for our development and transition at our own pace."³³

9. The focus on methane emissions continues to increase

The signing of the Global Methane Pledge at COP26 brought the world's attention to this significant greenhouse gas, which has a global warming impact 80 times greater than CO₂, although its effects wear off over a decade rather than centuries. Nevertheless, reducing methane emissions is one of the clear routes to keeping the world on track to meet its climate targets over the next two decades and as such the fact that more than 100 countries signed a pledge to reduce emissions by 30% (from 2020 levels) by 2030 was a major achievement of last year's COP.³⁴

At COP27 methane was once again in the spotlight, in particular in the second week when a ministerial meeting was held at which U.S. Climate Envoy John Kerry announced that more than 150 countries have now joined the Global Methane Pledge (an increase of around 40 since COP26). Importantly the US was able to underline its own commitment to reduction of methane leaks thanks to commitments made in the Inflation Reduction Act (IRA) which was passed over the summer and which now includes specific charges for each tonne of methane emitted, rising from US\$900/t in 2024 to US\$1500/t in 2026. In addition, the Environment Protection Agency will be funding and providing technical assistance for methane abatement, while funds will be raised by the introduction of a royalty on all methane production, including gas that is consumed or lost in venting, flaring or negligent releases. As such, the US has taken a major step forward on the methane emission issue and is now in a strong position to demand action from others.

The US's North American neighbour Canada has also been a leader in methane emissions regulation, which was also emphasized at COP27. It has introduced strict rules for regular measurement and

³⁰ Ibid.

³¹ Financial Times, 21 November 2022, "COP27 ends in tears and frustration: 'The world will not thank us'"

³² Financial Times, 15 November 2022, "COP27: India draws support for wider climate target than coal alone"

³³ Bloomberg Green, 10 November 2022, "Notes from the ground at COP27"

³⁴ New Scientist, 2 November 2021, "COP26: 105 countries pledge to cut methane emissions by 30 per cent"

reporting with a goal of reducing of emissions by 40-45% by 2025,³⁵ going beyond the requirements of the Global Methane Pledge and providing a template for regulation that other countries are now being encouraged to follow. The EU also reiterated its commitment to the overall initiative at COP27 by co-hosting the ministerial event and underlining its own plans to reduce methane emissions that were outlined in its methane emission strategy launched in December 2021.³⁶ The bloc plans to initially focus on emissions within the EU, but the ultimate goal is to limit the emissions from imports as well once the available data makes this possible.³⁷ The EU plans to help with this data collection by establishing a global methane monitoring tool, and this will clearly be vital if a charge similar to the Carbon Border Adjustment Mechanism is eventually to be applied to methane.

A number of side events were also held to discuss both technical and economic issues related to the reduction of methane leaks. Indeed, clear progress was noted in a number of key areas, including the fact that 95% of NDCs (Nationally Determined Contributions) now include methane in their greenhouse gas target or will by their next revision, while more than 50 countries have methane action plans or are working to develop one. Leading the way was the US, which plans \$20 billion of new investments in methane reductions, but Canada, Vietnam, Nigeria, Mexico, Malaysia and Colombia also made significant statements on methane reduction at the COP.³⁸ In addition, China's special climate envoy Xie Zhenhua made a surprise appearance, emphasizing China's commitment to reducing methane emissions and revealing that a national methane mitigation plan was currently under review.³⁹ Although the list of signatories to the Global Methane Pledge still lacks some major emitters such as Russia, India, Iran, Turkey and Poland, as well as China, progress was clearly made at COP27 both in terms of additional reduction commitments and the provision of finance, with the Climate and Clean Air Coalition offering funds to help with further national and corporate planning on this issue in 2023.

10. The roles of US and China are critical in environmental negotiations, while the EU denies accusations of hypocrisy

At COP26 the relief that the US, under President Joe Biden, had once again re-entered the Paris Agreement was palpable. John Kerry, the leading US climate representative, was evident in all elements of the negotiations, acting as a catalyst for debate and a go-between when discussion broke down, being particularly important in the brokering of a last-minute deal to pass the final communique. At COP27 Kerry was once again highly visible, but on this occasion he had added influence thanks to the fact that the US had passed its Inflation Reduction Act (IRA) during the summer, which provides multi-billion dollars of incentives for the development of renewables and green technologies. As a result, the US delegation could argue that the country is taking concrete action to back its environmental ambitions and could urge others to do the same. It did this across multiple topics, from climate finance to methane emissions and food security.

However, one of the positive surprises of COP26 had been the agreement between the US and China to develop a bilateral dialogue on climate issues during 2022, irrespective of other issues between the two countries. However, Nancy Pelosi's visit to Taiwan during the summer had undermined this plan and brought all discussions to a halt, with the result that the world's two largest emitters did not start COP27 on speaking terms. This was a major hindrance to progress because, as UN secretary-general Guterres pointed out "there is no way in which we can address the climate challenge that we face without the co-operation of all G20 members and in particular without the co-operation of the two biggest economies, the United States and China."⁴⁰

³⁵ See details at <https://www.canada.ca/en/environment-climate-change/services/canadian-environmental-protection-act-registry/proposed-methane-regulations-additional-information.html>

³⁶ European Commission, www.energy.ec.europa.eu, "Methane emissions"

³⁷ See Energy Monitor, 10 January 2022 at <https://www.energymonitor.ai/tech/cleaner-fuels/eu-commission-fails-to-grasp-the-methane-nettle>

³⁸ Reuters, 17 November 2022, "COP27: More join methane pact as focus turns to farms"

³⁹ CATF Press Release, 17 November 2022, "World leaders show momentum on methane at COP27 ministerial co-hosted by CATF"

⁴⁰ Financial Times, 14 November 2022, "COP 27: US-China climate restart provides relief to downbeat UN summit"

However, the leaders of the two countries met in Indonesia at the G20 summit and agreed to “empower key senior officials to maintain communication and deepen constructive efforts.” This led to much greater participation by the Chinese delegation at COP27 and lifted the mood of the entire conference, while also allowing Xie Zhenhua, a personal friend of John Kerry, to re-open a positive dialogue. This led to a number of interactions at the conference and a hope that further discussions will occur during 2023.

However, while it is clear that the roles of the US and China are critical to progress at any COP, the role of the EU, previously seen as a champion of the climate debate, has become somewhat more complex due to its short-term reaction to the global energy crisis. It came to COP27 facing criticism from a number of developing countries about its shifting stance on the use of coal and its search for new sources of natural gas, with the word “hypocrisy” being used on more than one occasion. Despite a robust defence from EU representative Frans Timmermans, who asserted that “[if] in the short run, we use more coal than we had anticipated, it is because we are going to go much faster with our energy transition,” the EU had to fight to retain its role as a leader of the energy transition. It certainly did take a strong stance on the final communique, pushing for the phase down of fossil fuels and even threatening to walk away from any agreement that diluted the 1.5° target, but it was clear that its influence has been undermined by its reaction to the energy crisis.

Overall conclusions

It would be a struggle to argue that COP27 significantly enhanced the chances of the world meeting its climate targets as the issues of mitigation and climate ambition did not receive adequate attention at the conference. The fact that the approval of the final communique was rushed through in the early morning of Sunday 20th November in front of an almost silent hall suggested that the Egyptian Presidency knew that many of the delegates were unhappy with the outcome. Even the establishment of a Loss & Damage Fund, long sought by developing countries, was a double-edged sword. The fact that it exists is an acknowledgement by the developed world that there is a need to compensate the developing world for an issue that it did little to create and is positive in that sense. In two other ways, though, it is less encouraging. Firstly, it implicitly acknowledges that there will be loss and damage to be paid for, likely in large amounts, because another message from the conference is that we are not on track to meet the 1.5° target. Secondly, although there is a fund, there is as yet no money in it, and the debate about how much should be paid in and by whom is likely to reopen a number of perennial COP-related issues during 2023 and beyond.

As a result, it is easy to feel negative about this COP and indeed the COP process as a whole. Indeed, Simon Stiell, the UN’s most senior climate official, is intent on reviewing the operation of future summits to ensure greater transparency in the negotiations and a greater hope for positive action.⁴¹

However, even in its current form it serves a useful purpose. It provides a voice for smaller nations to air their concerns and to highlight critical issues. It brings together environmental activists to share their passion for resolving the crisis of climate change and to exchange views on potential solutions. And perhaps most importantly it does catalyse positive action in the form of initiatives such as the Global Methane Pledge, the reworking of the role of Multilateral Lending Banks, raising the profile of private finance initiatives and allowing environmental lobby groups to make their case to politicians and policymakers in a coordinated fashion.

As such, one final conclusion is that it may be necessary to temper our expectations of the COP process overall. Finding unanimity among 193 Parties is always going to be a difficult process involving inevitable compromise and frustration, especially on such a complex issue that impacts the lives of individuals and the geopolitical positions of nation states. The role of COPs, then, should perhaps be seen as keeping the issue of climate change high on the political agenda, ensuring that the principle of a “just transition”, based on common but differentiated responsibility for climate change, is maintained and catalysing multilateral initiatives involving the public and private sectors to get a just energy

⁴¹ Financial Times, 21 November 2022, “UN climate chief plans shake-up of COP annual talks after criticism”



transition to occur. In reality, although global coordination is needed to encourage overall momentum, real change on climate issues will come from multilateral groups, regional blocs, countries, companies and individuals taking specific actions. The COP process can applaud this activity, encourage further ambition, remind the world of the urgency of concerted action and ensure that the voices of all nations and interested parties are heard but perhaps we should now accept that the likelihood of the COP process itself leading to dramatic change is limited.