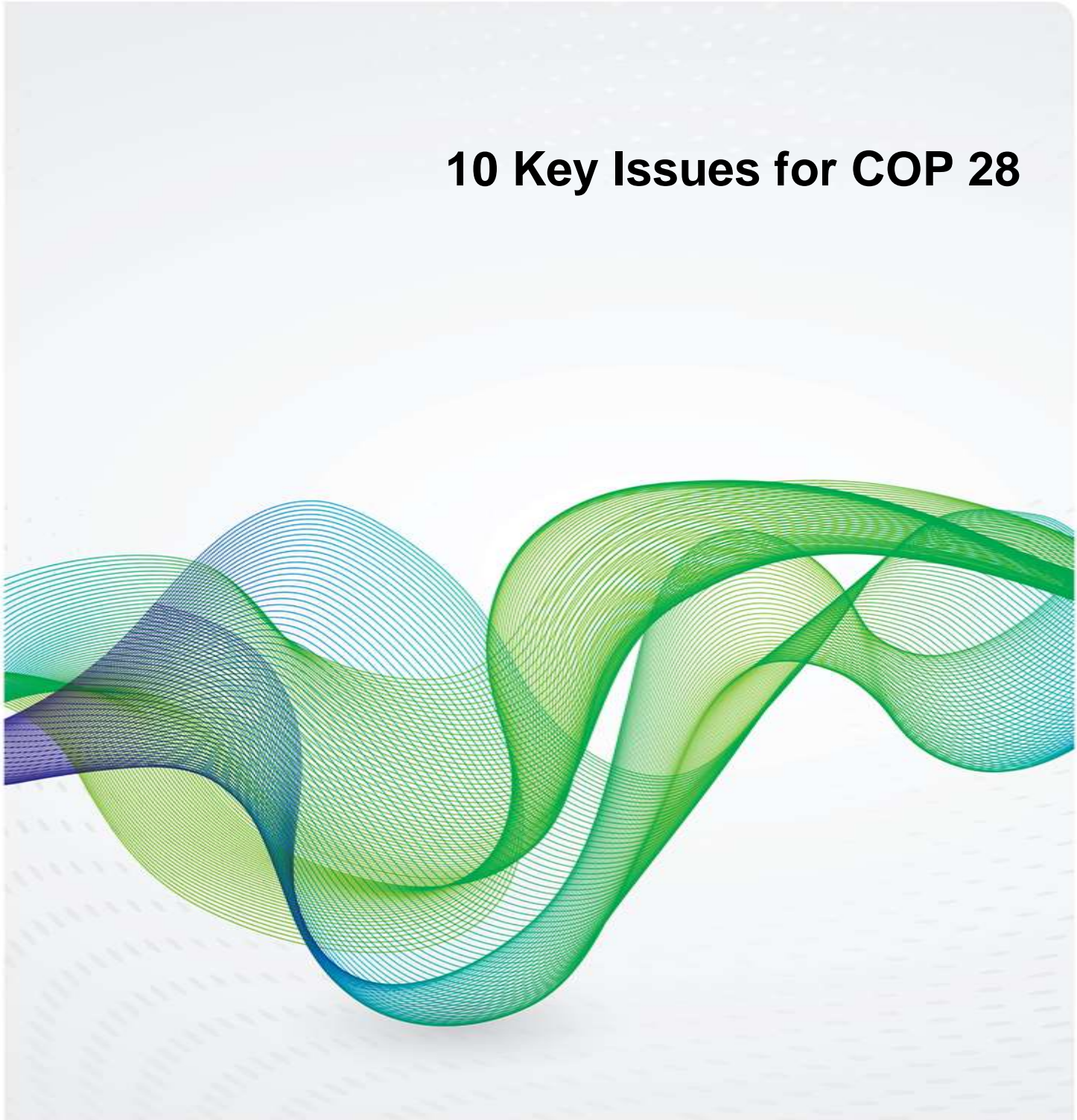
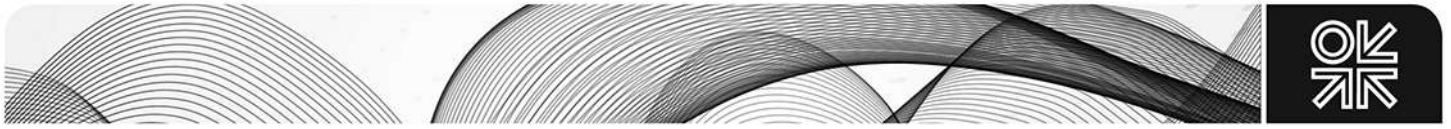


November 2023

10 Key Issues for COP 28





Introduction

The UN Climate Change Conference (COP 27), held in Sharm El-Sheikh in November 2022, ended on a downbeat note as the final communique was rushed through at the last minute and was regarded as unsatisfactory by many participating delegates, government officials and observers,¹ who had been hoping for a more aggressive stance on the phase out of fossil fuels and a more proactive statement of intent concerning the provision of finance to the developing world. One positive note was an agreement to set up a Loss & Damage Fund to help compensate developing countries for the impact of climate change that they have suffered, but even this achievement was undermined by the fact that no actual pledges were made and no methodology for its use was established. Perhaps more importantly, though, there seemed to be little sign that the Conference had catalysed active steps to increase mitigation efforts and encourage firmer commitments to ratchet up pledges on emission reduction and decarbonisation of the global energy sector.²

As a result, many of the key issues were left for discussion at COP 28, which is to be held in Dubai from 30th November to 12th December 2023.³ Financing for the developing world will again be at the forefront of discussions. A critical focus will also be on the findings of the Global Stocktake and the political reaction to them, as COP 28 will set a foundation for work on the new nationally determined contributions (NDCs) which countries will need to prepare over the next two years ahead of COP 30. In addition, there will be much discussion on the future of hydrocarbons and the phasing out of unabated fossil fuels.⁴

Beyond the specific energy transition debate, geopolitics will also cast a shadow over the COP, as many of the key actors are currently distracted by conflicts and tensions around the world, both military and economic. It will be critical to see whether Parties can separate their current political disagreements from the global challenge of emissions reduction and decarbonisation. The indications from pre-COP meetings are mixed. The Bonn Intersessional, which took place in June, struggled to set an agreed agenda for its own meeting, never mind the COP, with the debate on financing and the mitigation work programme being key stumbling blocks. However, subsequent discussions at the G7, the MENA and New York Climate Weeks and at the Pre-COP meeting in Abu Dhabi have struck a more conciliatory and progressive note, providing hope that COP28 may produce some positive results.

Having said that, securing agreement amongst the 197 parties who participate in the process is always a difficult process, especially as unanimity is required for the signing of the final communique. As such, achievement of the four main goals set out by COP President Sultan Ahmed Al Jaber; to fast track the transition away from fossil fuels; to transform climate finance; to focus on the role of people and nature in the transition; and to ensure inclusivity for all participants, may be a struggle. The best hope of results from the COP process may again come from the multilateral agreements that were a key part of COP 26 and COP 27 and which brought issues such as methane emissions, net zero emission vehicles, deforestation and just energy transition partnerships to greater prominence even as the main conference was struggling to reach overall consensus.

We have identified 10 key themes which we believe will be the main topics of conversation at COP 28 and which will drive the progress of the negotiations.

¹ <https://www.ft.com/content/03d7609b-decc-40fc-8029-a6cdebb11752>

² <https://www.oxfordenergy.org/publications/co27-refocusing-the-world-on-the-energy-transition-agenda-issue-133/>

³ <https://www.cop28.com/>

⁴ <https://www.argusmedia.com/en/news/2505584-finance-fossil-fuels-to-be-key-points-at-cop-28?backToResults=true>

1. The Global Stocktake (GST)

The GST was established under Article 14 of the Paris Agreement at COP 21 as a process to review global progress towards achieving the climate target of keeping global warming below 2° above pre-industrial levels and ideally close to 1.5°. ⁵ Its purpose is to review mitigation efforts to reduce greenhouse gas emissions (GHGs), to evaluate progress in adapting to current climate change and to assess the means of implementation, including finance, technology transfer and capacity building. Each GST takes place every five years, in advance of the COPs at which new NDC targets are set as part of the ratcheting of global climate ambitions. COP 28 will see the presentation and review of the first GST as part of the cycle which will see new NDCs set at COP 30 in two years' time.

The first GST began formally in 2021, with the data gathering taking place in 2022, and a synthesis report was produced in September 2023. ⁶ The third part of the process will be the discussion of the results at COP 28, and most importantly of the consequent actions that are needed. However, the main conclusions of the report are already known, and they were of little surprise to anyone with a passing knowledge of the climate debate. Firstly, it confirmed a persistent “emissions gap” and noted that current climate commitments will not result in the world meeting the targets set in the Paris Agreement. Some progress has been made, as global temperatures under current policies are due to increase by 2.4-2.6° Celsius by the end of the century compared to the 3.7-4.8° expected in 2010. However, the world remains well above the 1.5-2.0° target. The GST does not just highlight the problem though, but also offers solutions, with the key ones being the need to phase out unabated fossil fuels, to accelerate the scale up of renewable energy, ⁷ to address emissions in hard-to-abate sectors such as transport and industry and to reduce emissions of high impact greenhouse gases such as methane. Addressing the implementation of these solutions will be a key role for COP 28.

Beyond mitigation, the GST underscores the need for greater efforts on adaptation and the need to address loss and damage, in particular for vulnerable countries in the Global South. It notes that implementation to-date on these issues has been poor and has been distributed unevenly, and COP 28 will need to provide greater guidance on both. A primary issue in this regard is the question of finance, and the GST notes that the re-allocation of trillions of dollars towards the developing world to ensure a just transition for all will be vital, both to enable all countries to achieve a zero-carbon energy system and also to provide for adequate adaptation to ongoing climate change.

The GST will therefore provide the foundation for a critical policy debate at COP 28, and has already raised a number of vital, but controversial, issues. Its conclusions on the global warming path will provide a sombre backdrop to the negotiations, and the issues it raises around solutions are themes that have formed the basis for debate and disagreement at previous COPs. As a result, it will be critical to see whether the GST can catalyse statements of higher ambition and plans for implementation at and post COP 28.

2. Loss & Damage Fund

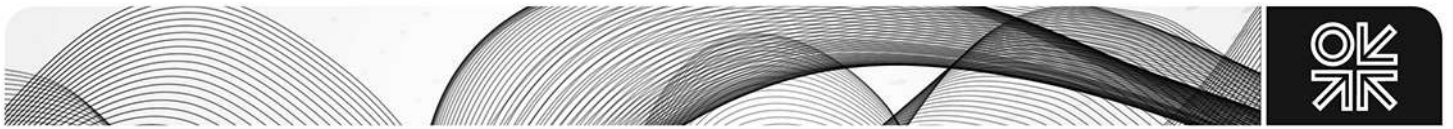
One of the perceived successes of COP 27 was the establishment of a Loss & Damage Fund to support developing nations in dealing with the impact of climate change. ⁸ The Fund had been a long-term ambition for countries in the Global South who have, with justification, claimed that they are suffering the consequences of a crisis which they have done little to cause. As a result, they expect the developed world to provide funds to repair damage created by the effects of global warming. The creation of the Loss & Damage Fund was seen as recognition of this by the developed world, although no legal liability has been admitted. As COP 27 ended, the sense of triumph at the formation of the Fund was mitigated by continued debates about how it should be funded and by whom, where it should be located and who

⁵ <https://unfccc.int/topics/global-stocktake>

⁶ <https://unfccc.int/documents/631600>

⁷ <https://energy-utilities.com/pre-cop28-report-triple-renewable-power-and-news122915.html>

⁸ <https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries>



should be eligible to withdraw from it. As one delegate ominously stated, “without an actual commitment to funding, we may well just end up with an empty bank account.”⁹

In an effort to resolve these key questions the UNFCCC set up a transitional committee to make recommendations on the Fund to COP 28. Following four inconsequential meetings during 2023, a fifth gathering on 3rd-4th November finally agreed that the Fund would be administered at first by the World Bank, as well as setting out some key governance rules and asserting that the Fund “will provide financing in the form of grants and highly concessional lending.”¹⁰ However, two vital issues remain for discussion at COP 28:

- Who are the eligible beneficiaries? Developing nations insist that they should all be able to access the fund, but developed countries point out that the definition of a developing country was established in 1992 and economic circumstances have changed since then. For example, it would seem illogical for Singapore, with a higher GDP per capita than many European countries, and China, with the world’s second largest economy, to be able to withdraw from the Fund. Instead, developed countries want to establish a much tighter definition of “particularly vulnerable” countries, but not surprisingly there is a serious debate about who should qualify to be on this list.
- Who should be paying into the Fund and how much? While there is little debate that developed world countries should be paying into the Fund, many also argue that major emitters such as China should also be contributing and that other more advanced “developing countries” might also be asked to do so. Clearly, this is a matter of huge disagreement. In addition, the level of contributions has not yet been decided, and although one proposal has suggested an initial commitment of \$100 billion per annum by 2030, it is not at all clear how this should be divided up among contributors.¹¹

The position of developing countries is that, although they are not especially satisfied with the outcomes to date, enough progress has been made to allow for further negotiations at COP 28, albeit with “a long list of concerns and questions.”¹² However, if the discussions are not successful, especially on the issues of who should pay into the Fund and how much, then it is not inconceivable that the Loss & Damage Fund could be one of the most contentious issues in Dubai and could even be the one that creates a major fault line between negotiators from the Global South and the Global North.¹³

3. Financing of the Developing World

The broader issues about the financing of mitigation and adaptation in the developing world have been prevalent at every COP, but particularly since Paris in 2015. The primary focus to date has been on the failure of the developed countries to meet their 2009 commitment to provide and mobilise \$100 billion per annum of funding to the developing world by 2020. The target had still not been achieved by COP 27 in 2022, and in May this year the new COP 28 president Sultan Al Jaber blamed rich nations for their “dismal failure” and for holding up progress in negotiations. He stated that “expectations are very high [but] trust is very low” ahead of COP28, meaning that there will be significant pressure to show that the funds have actually been provided.¹⁴

However, beyond this issue, the major question for COP 28 will be what new financing goal should be established for 2025 and beyond? A number of international bodies have produced forecasts showing that the funding needed for mitigation alone in the developing world will be as high as \$1 trillion per year by 2030,¹⁵ and the figure mooted for a 2025 contribution from developed countries is around \$500 billion per annum. The debate around these figures and how they will be provided will be central to the COP

⁹ <https://www.oxfordenergy.org/publications/cop27-achievements-and-disappointments/>

¹⁰ <https://www.argusmedia.com/en/news/2506476-loss-and-damage-committee-agrees-text-for-cop-28>

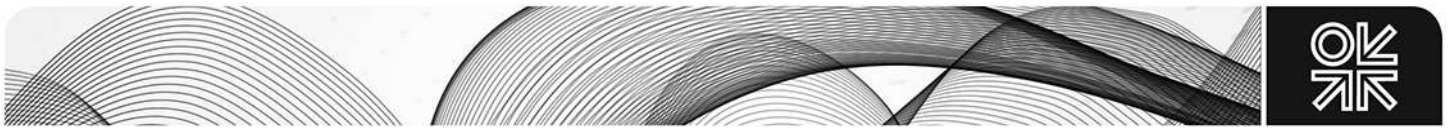
¹¹ <https://www.argusmedia.com/en/news/2503646-loss-and-damage-impasse-bodes-ill-for-cop-28-progress>

¹² Ibid.

¹³ <https://www.theguardian.com/environment/2023/nov/05/countries-agree-key-measures-to-fund-most-vulnerable-to-climate-breakdown>

¹⁴ <https://www.climatechangenews.com/2023/05/02/cop28-boss-slams-rich-nations-dismal-100bn-finance-failure/>

¹⁵ <https://www.reuters.com/business/cop/cop-27-developing-countries-need-1-trillion-year-climate-finance-report-2022-11-08/>



28 negotiations. Developing countries not only want to see a higher figure but also want the money to be made available as grants or concessional finance rather than as debt with high interest rates that burden their economic growth.

Related to this issue, the roles of the World Bank, the IMF and other Multilateral Development Banks are also likely to be themes at the COP. A number of critics have accused the World Bank in particular of not using its funds to support a just energy transition but rather of charging excessive interest rates and prioritising commercial returns over environmental goals.¹⁶ Developing countries also argue that global and national multilateral development banks (MDBs) should be underwriting greater risks in order to allow private finance to participate in emerging markets at lower rates, and also that the IMF's Special Drawing Rights should be made more easily available. All these themes will certainly be another feature of the financing discussion in Dubai, and the COP President himself has called for action from the MDBs on this issue.¹⁷

Finally, the question of finance for adaptation will be highlighted by the likely adoption of a framework for achieving the Global Goal on Adaptation (GGA) established in the Paris Agreement. The GGA aims to establish resilience and reduce vulnerability to climate change, but the lack of progress to date has been highlighted in the Global Stocktake. The key to implementation will be financing. A level of \$40 billion per annum was agreed at COP 26,¹⁸ but the UN Environment Programme has estimated that this will need to increase to \$160-340 billion by 2030 so further negotiation is clearly needed and will be another difficult task at COP 28.¹⁹

4. The role of hydrocarbon producers and the fossil fuel phase out

The future of hydrocarbons and the role of oil producing countries was mentioned more at COP 27 than had been seen at previous COPs, and there was significant criticism of the perceived influence of oil industry lobby groups and companies.²⁰ Given the location of COP 28 in a major oil and gas producing nation and the role of the COP president Sultan Al Jaber as the CEO of UAE's national oil company ADNOC, similar concerns have been expressed about the conference in Dubai in 2023.²¹ However, an alternative viewpoint is that hydrocarbons will inevitably play a role in the global energy economy for the next 20-30 years, even if it is a declining one, and oil companies generate much of the cashflow that will be needed to invest in the energy transition if it is to be a success. Balancing the debate around the role of oil and gas companies in the climate debate and the future of hydrocarbons is undoubtedly difficult, and Sultan Al Jaber has already attempted to bridge the divide by calling on the oil and gas industry to commit to a Global Decarbonisation Alliance with net zero targets, a campaign to reduce methane emissions to zero and the elimination of routine flaring by 2030.²² He has also argued that the relationship between major hydrocarbon producing and consuming countries must be re-imagined. COP 28 will certainly be a forum for discussing how oil and gas demand, as well as supply, can be reduced in a rapid but economically efficient manner, and in a way that does not undermine the development of many countries in the Global South. As Al Jaber also stated "we cannot simply unplug the energy system of today...and we must not sacrifice economic development and a just energy transition."²³

Furthermore, the language around the future of hydrocarbons will be a key discussion point and could expose cracks in any potential consensus agreement. The EU, for example, has called for the complete

¹⁶ <https://www.foreignaffairs.com/united-states/world-bank-failing-climate-change>

¹⁷ <https://www.thenationalnews.com/climate/cop28/2023/11/02/dr-sultan-al-jaber-tells-banks-trillions-not-billions-needed-for-climate-finance/>

¹⁸ <https://www.iied.org/adaptation-finance-must-reach-pass-us40-billion-target>

¹⁹ <https://www.chathamhouse.org/2023/09/what-cop28-and-why-it-important?gclid=Cj0KCQjw->

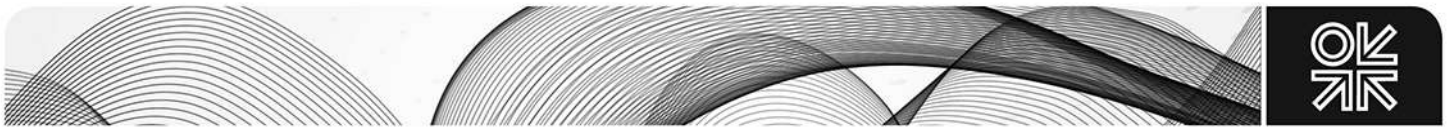
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²⁰ <https://www.reuters.com/business/cop/cop27-fossil-fuel-lobbyists-criticised-africa-energy-debate-simmers-2022-11-10/>

²¹ <https://www.nytimes.com/2023/06/14/climate/oil-fossil-fuel-climate-cop28.html>

²² <https://www.pri.newswire.com/in/news-releases/cop28-president-designate-rallies-oil-and-gas-industry-to-decarbonize-301944275.html>

²³ <https://enb.iisd.org/middle-east-north-africa-mena-climate-week-2023-summary>



phase out of unabated fossil fuels as rapidly as possible,²⁴ while others have preferred to focus on the phase down of fossil fuels in a debate that harks back to the conclusion of COP 27,²⁵ when the language in the final communique was changed at the last minute.²⁶ The question of whether abatement using CCUS is a positive or negative development will also be discussed. Although many governments, and even the UNFCCC,²⁷ now see carbon capture as a core part of the energy transition, many NGOs still regard it as an excuse for continued hydrocarbon production.²⁸ Furthermore, even the definition of abatement is a topic of debate, as different countries put different interpretations on the level of emissions reduction implied in the term “abated fossil fuels.” The IPCC defines it as “for example, capturing 90% or more carbon dioxide from power plants, or 50-80% of fugitive methane emissions from energy supply”²⁹ but many environmental NGOs see this as a semantic fig-leaf for the fossil fuel lobby. As a result, the debate at COP 28 on the future of hydrocarbons in the energy mix is likely to be heated.

5. Geopolitical issues – Israel, China, Russia, EU

Geopolitics will inevitably colour the negotiations at COP28, and three major areas of conflict stand out. The first, and perhaps most important, is the trade war and increasing political rivalry between China and the US. The role of these two countries, which are the world’s largest economies and the largest GHG emitters, in the COP negotiations cannot be understated. At both COP26 and 27 surprise announcements that the US representative John Kerry and his Chinese counterpart Xie Zhenhua had met and reached agreement on cooperation lifted the atmosphere at the conference and created a platform for more positive negotiations. In 2022, this was also catalysed by a meeting between Presidents Biden and Xi at the G20 meeting in Indonesia, and the two are planned to meet again this year in San Francisco on November 14th, suggesting that their two climate negotiators, who are coincidentally on friendly terms in any case, could have more positive interactions at COP28.³⁰ However, it remains the case that numerous differences of opinion remain, not least on the future of fossil fuels in the energy transition³¹ and whether China should be seen as the leader of the developing world or an emerging member of the developed world, and these could still undermine the goal of environmental collaboration.

Russia’s invasion of Ukraine cast a shadow over COP27 and will continue to do so this year. Russia has already stated that it will oppose any plans to phase out fossil fuels, meaning that unanimity on the issue will be impossible to achieve in the final communique.³² This will be important not only because Russia is a key oil and gas producer but also because it is supported in its stance by a number of key players in the Global South, not least in Africa, where a number of countries also want to produce their indigenous hydrocarbons and are not as opposed to Russia’s actions in Ukraine as many countries in Europe and the Global North. As a result, Russia’s position could catalyse strong opposition to any aggressive stance on the phase out of fossil fuels.

The third major area of conflict is the war between Israel and Hamas in Gaza. While not directly related to climate negotiations, the economic impact of the conflict could undermine the ability of countries to fund rapid transition while the political impact could lead to more calls for a “go-slow” on the transition away from fossil fuels.³³ A further escalation of the war, and a possible expansion into other areas of the Middle East could lead to significant political distraction away from the COP28 meeting.

²⁴ <https://www.reuters.com/business/environment/eu-agrees-push-fossil-fuel-phaseout-ahead-cop28-2023-03-09/>

²⁵ <https://www.euronews.com/green/2023/09/27/phase-out-or-phase-down-fight-over-fossil-fuels-heats-up-in-run-up-to-cop28>

²⁶ <https://www.ucl.ac.uk/news/2022/nov/opinion-cop27-flinched-phasing-out-all-fossil-fuels-whats-next>

²⁷ <https://www.ief.org/news/critical-role-for-ccus-highlighted-in-latest-ipcc-report-whats-next>

²⁸ <https://www.cleanenergywire.org/news/ngo-warns-against-broad-adoption-carbon-capture-and-storage-germany>

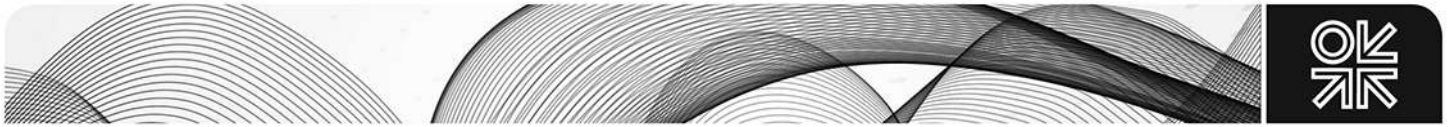
²⁹ <https://www.reuters.com/article/global-climate-cop28-idAFL8N3BP471#>

³⁰ <https://www.brookings.edu/articles/is-progress-possible-when-biden-and-xi-meet/>

³¹ <https://www.reuters.com/sustainability/climate-energy/china-climate-envoy-says-phasing-out-fossil-fuels-unrealistic-2023-09-22/#:~:text=At%20climate%20talks%20in%20Glasgow,like%20carbon%20capture%20and%20storage>

³² <https://www.ft.com/content/299c3ec6-cbbe-4970-a874-af53916e769d>

³³ <https://carnegieendowment.org/2023/10/18/how-israel-gaza-war-could-disrupt-middle-east-s-climate-progress-pub-90796>



Finally, the role of the EU should also be mentioned. Historically it has positioned itself as a leader in the climate debate, but its reaction to the energy crisis in 2022 has somewhat undermined its credibility as it increased its coal consumption and hunted for new gas supplies around the world. The European Commission has argued, not unjustifiably, that this was a short-term reaction to an existential crisis and that its long-term plan is to accelerate the energy transition and increase the use of renewables as part of its energy security and environmental strategy. However, it may find itself challenged for its alleged hypocrisy, especially by those countries who object to its introduction of environmental regulations such as the Carbon Border Adjustment Mechanism (CBAM) which will impact global trade and has already upset major exporters in the developing world.

6. Key technologies

Discussion about the role of key technologies will have an important place at COP28, albeit outside the formal negotiations. However, it will not be without controversy due to the debate over the abatement of fossil fuels. On a more traditional decarbonisation perspective the COP28 Presidency, IRENA and the Global Renewables Alliance launched a report at the Pre-COP meeting in October calling for a tripling of global renewable power capacity to 11,000GW by 2030, a doubling of annual energy efficiency improvements by the same date and a doubling of hydrogen production to 180 million tonnes per annum. These targets, as well as other more sector specific goals, will be at the heart of the COP negotiations.

However, the mention of hydrogen raises the debate about how it is generated – via electrolysis (green) or via reforming of methane (blue). The latter involves the need for carbon capture, utilisation and storage (CCUS), which is a highly controversial topic for many environmental lobby groups. While those in favour of this technology (who include the COP President and also the European Union) argue that it will be essential to reduce emissions in hard-to-decarbonise sectors and can form part of a “circular carbon economy strategy”,³⁴ others accuse it of being at the heart of the greenwashing debate and part of a fossil fuel lobby plan to prolong the production and consumption of oil and gas for as long as possible.³⁵ As a result, the debate on this topic is likely to be heated, with some hoping that the COP can help to enhance the credibility of, and financing for, CCUS and carbon removals while others fear that it will be used to provide false hope for a future technological solution while failing to address the current issues surrounding emissions from fossil fuels.³⁶

7. Multilateral agreements and political declarations

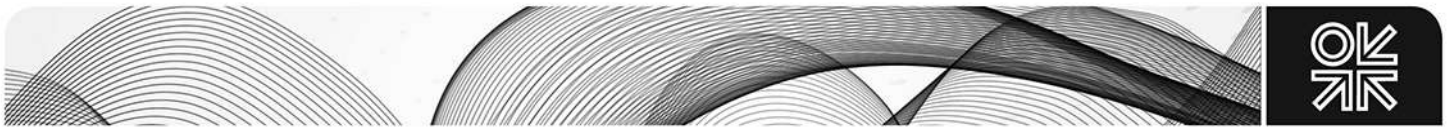
As mentioned above, agreement on a final communique outlining the decisions from any COP usually involve an attempt to reach unanimous agreement amongst all the delegate countries (although it is not essential), which can often lead to significant compromise and a lack of real purpose. One of the real successes of COP 26 in Glasgow was the much greater use of political declarations and multilateral agreements to allow countries to make pledges on specific topics without the need to secure universal agreement. Examples of this seen in Glasgow were the Net Zero Emissions Vehicle Pledge and the Deforestation Pledge, which both brought key issues to the attention of politicians and garnered support from important players.

Two of the most lasting themes, though, which will undoubtedly be discussed again at COP 28, were the Global Methane Pledge and the formation of Just Energy Transition Partnerships (JETPs). Methane is a critical greenhouse gas with has a global warming potential 80 times higher than CO₂, albeit the impact is for a shorter 20-year duration. It is particularly emitted via losses, leaks and flaring in the hydrocarbon sectors, and as a result has been a key focus for the oil and gas sector. Indeed, COP President Sultan Al Jaber has made it a focus of his call to action by the industry. On a broader level, though, more than 150 countries have now signed up to the Pledge, which aims to reduce global methane emissions by 30% by 2030, and it is expected that further discussion on implementing effective

³⁴ <https://www.ft.com/content/4a8610a7-d929-4989-a2da-9014412e23c2>

³⁵ <https://www.ft.com/content/c3ab4d6d-a7af-4462-8616-a8a47cf69e51>

³⁶ <https://www.greenpeace.org/international/story/54079/great-carbon-capture-scam/>



mitigation strategies will take place at COP28. The Clean Air Task Force (CATF) have been at the heart of this debate throughout the past decade, and they will be ensuring that the topic remains high on the agenda in Dubai.³⁷

The first JETP was signed in 2021 between a consortium of developed countries and South Africa to provide \$8.5 billion of finance to facilitate a move away from coal-fired power generation and towards renewables.³⁸ A second \$20 billion agreement was signed with Indonesia in 2022, again with the goal of accelerating the move away from coal as a source of electricity. As a result, Indonesia now has new goals to peak emissions from its power sector by 2030 and to achieve climate neutrality by 2050, 10 years ahead of the net zero target in the country's NDC. Despite these successes progress with both current JETPs has been slow³⁹ and there have been critical issues concerning how the finance is provided and how accessible it really is. Nevertheless, other countries, including Vietnam, India and Senegal have been mentioned as the next to sign agreements, and further announcements can be expected at COP28.⁴⁰ Furthermore, the two countries with existing agreements are likely to make announcements on their investment plans,⁴¹ providing a further boost to the concept of multilateral cooperation between developed and developing countries on specific issues.⁴²

8. The future of Carbon Markets

A key achievement at COP 26 was agreement amongst countries on the rulebook governing Article 6 of the Paris Agreement which will form the basis for the establishment of carbon markets. Article 6 sets out rules, namely Article 6.2 and Article 6.4, for countries and corporations to trade and account for internationally transferred mitigation outcomes (ITMOs), and activity in voluntary carbon markets has increased since Glasgow as a result. COP 27 was then set to be the venue where decisions would be made about further formalisation of how trading activity under both mechanisms would work in practice, as well as setting definitions regarding the quality of emission reductions and removals, including adopting rigorous measurement, reporting and verification approaches. A 60-page draft document on the issues was presented, but many questions were left unanswered.⁴³ Key decisions were instead pushed back to COP 28, 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.

Furthermore, not only were decisions on putting carbon markets into operation left unanswered, but since COP 27 the credibility of carbon offsets has been brought into question, in particular following an investigation by the Guardian newspaper in the UK which has alleged that billions of dollars of offsets have no environmental worth.⁴⁴ This has contributed to prices for carbon credits in the unregulated Voluntary Carbon Market (VCM) falling sharply – to as low as \$1/tCO₂ in November 2023⁴⁵ - as a number of major players have withdrawn from the market due to declining confidence in the whole concept of carbon credits.⁴⁶

In order to rectify this situation, in 2023, the Integrity Council for Voluntary Carbon Markets (IC-VCM) published its Core Carbon Principles (CCP) Assessment Framework to establish a quality benchmark for what are considered high integrity credits. Similarly, the Voluntary Carbon Markets Integrity Initiative

³⁷ <https://www.catf.us/2023/10/lead-cop28-country-methane-abatement-tool-helping-global-methane-pledge-ambition-action/#:~:text=%E2%80%9CThe%20Global%20Methane%20Pledge%20saw,at%20Clean%20Air%20Task%20Force.>

³⁸ <https://www.cgdev.org/publication/just-energy-transition-partnerships-early-successes-and-challenges-indonesia-and-south>

³⁹ <https://www.energymonitor.ai/just-transition/dont-write-off-the-jetp-just-energy-transition-partnership-just-yet/>

⁴⁰ <https://www.iisd.org/articles/insight/just-energy-transition-partnerships>

⁴¹ <https://www.africa-energy.com/news-centre/article/south-africa-unveil-jetp-plan-cop28>

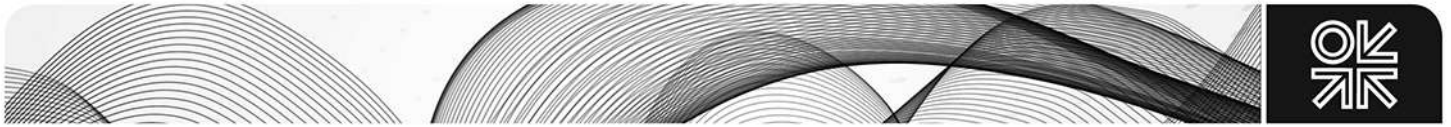
⁴² <https://www.bloomberg.com/news/articles/2023-08-23/details-of-indonesia-s-20-billion-climate-deal-to-come-before-cop28-in-dubai>

⁴³ <https://www.reuters.com/business/cop/un-carbon-market-talks-drag-beyond-cop27-deals-elusive-2022-11-17/>

⁴⁴ <https://www.theguardian.com/environment/2023/aug/24/carbon-credit-speculators-could-lose-billions-as-offsets-deemed-worthless-aoe>

⁴⁵ <https://carboncredits.com/carbon-prices-today/>

⁴⁶ <https://www.reuters.com/sustainability/carbon-credit-market-confidence-ebbs-big-names-retreat-2023-09-01/>



(VCM) published a code of practice to help guide buyers on how to use carbon offsets and what corporate claims can be made using those offsets.

In a further complication, however, one of the most contentious issues which remains to be resolved at COP 28 is that countries want to retain the right to revoke the authorisation of credits issued under Article 6.2 and 6.4. This would undermine 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 currently 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 further undermining the credibility of carbon markets. 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.

Addressing the issue of credibility in carbon markets is therefore one of the key themes for COP 28, as acknowledged by the COP's Director-General Majid al-Suwaidi. As he has recently stated "The carbon markets...have had a few years of lost time in a way. We need to get credibility in the market, and we think it is really important to have progress on carbon markets at COP 28."⁴⁷ There is clearly agreement on this amongst other participants as EU Commission President Ursula von der Leyen has called for a plan for an international carbon price to be discussed at the COP⁴⁸ and African leaders have proposed the Nairobi Declaration, which offers an alternative view that a global carbon tax should be applied to fossil fuel trade, maritime transport and aviation.⁴⁹ As a result, it is likely that COP28 will see not only a detailed discussion on how to put Articles 6.2 and 6.4 in the existing Paris Agreement into operation but also a broader debate about the credibility and viability of carbon offsets and proposals for alternative forms of carbon taxation

9. The outlook for hard-to-abate sectors

To date much of the focus in the energy transition has been on the power sector, with electrification combined with a switch to renewable energies such as wind and power being an obvious way to decarbonise large parts of the global economy. However, now that this process is well underway attention is turning to sectors such as steel, cement, fertilizers, chemicals, aviation and other forms of transport where it is harder to find decarbonisation solutions due to the specific needs of the sectors involved. For example, the high temperatures required in some industrial processes make a switch away from hydrocarbons more complex, while in aviation the energy density of jet fuel has proved hard to replicate with biofuels or liquid gases such as hydrogen. The organisers of COP28 have dedicated a day (5th December) to a series of dialogues with "heavy-emitting" industries (as they have now been redefined) on how best to develop technologies, regulations and policies for the decarbonisation of these key sectors. The discussions will involve both governments and the private sector and will focus on the cement, steel and aluminium industries.⁵⁰

There will also be a focus on the oil and gas industry as the COP presidency has called on the key producing companies and countries to reduce emissions in their value chains.⁵¹ A number of countries have already committed to reduce the emissions intensity of their output,⁵² and see it as one route to enhancing their competitive position in the energy transition.⁵³ Environmental lobby groups argue that it does nothing to reduce total emissions and only addresses Scope 1 and 2 emissions in the supply chain, avoiding Scope 3 emissions caused by the consumption of hydrocarbons.⁵⁴

⁴⁷ <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/091923-interview-cop28-director-general-says-progress-on-carbon-markets-needed-to-accelerate-climate-action>

⁴⁸ <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/090623-road-to-cop28-ecs-von-der-leyen-calls-for-global-carbon-price-proposal>

⁴⁹ <https://www.weforum.org/agenda/2023/09/africa-climate-nairobi-declaration-taxes/>

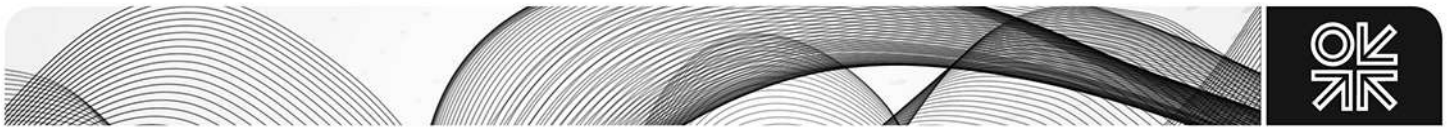
⁵⁰ <https://www.cop28.com/en/energy-and-industry/heavy-emitting-industry>

⁵¹ <https://www.reuters.com/business/sustainable-business/big-oils-climate-targets-2023-03-21/>

⁵² <https://www.argusmedia.com/en/news/2474723-uaes-adnoc-updates-emissions-target-ahead-of-cop-28>

⁵³ <https://www.spglobal.com/commodityinsights/en/market-insights/blogs/oil/100821-carbon-intensity-crude-oil>

⁵⁴ <https://www.lse.ac.uk/granthaminstitute/news/emissions-targets-in-the-oil-and-gas-sector-how-do-they-stack-up/>



A side event focussed specifically on the issues facing high emission sectors is being organised by OIES in partnership with colleagues from KAPSARC, IEEJ and the World Energy Council. It will consider the different regional, country-specific and sector-specific strategies being adopted to reduce emissions, identifying where progress is being made and where significant gaps remain. The event will be held on December 6th and access will be available both in Dubai and online.⁵⁵

10. The future of the COP process

At the end of COP27 there was significant criticism of the way that the Egyptian presidency handled the last-minute negotiations around the final communique, with many delegates accusing the organisers of a lack of transparency and a bias towards the views of neighbouring countries.⁵⁶ As a result, the executive secretary of UN Climate Change Simon Stiell promised to review the COP process and to make recommendations to the UAE organisers prior to COP28. It will be important to see whether these have been heeded.

Beyond this organisational issue, though, is the broader question of whether the COP process is fit for purpose. A number of developed countries have complained that the formal negotiations do not encourage rapid action and are not catalysing ambitious decarbonisation plans because they can become excessively bureaucratic and confrontational.⁵⁷ On the other hand, countries from the Global South have often objected that the meetings and agenda are dominated by the Global North and have on occasion walked out of the talks (for example at the Biodiversity COP15 in Montreal in December 2022). One of the key risks for COP28 is that if some of the issues raised above, in particular on climate finance and the Loss & Damage Fund, are not resolved to the satisfaction of developing countries, then they may decide that the threat of a boycott is their only option.

This would be a radical, although not impossible, outcome, although we would argue that even in its current form, the COP process 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.

However, it may be necessary to temper our expectations of the COP process overall. Finding unanimity among 197 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. As a result, although COPs can keep the issue of climate change high on the political agenda, it may be that we should expect real change on climate issues to 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.

⁵⁵ Please contact the author for further details

⁵⁶ <https://www.ft.com/content/7f4b8029-258a-4af5-9e72-abcd736468e1>

⁵⁷ <https://www.brookings.edu/articles/can-cop-keep-up-with-an-evolving-climate-effort/>

Conclusions

COP28 will pick up many of the issues left over from COP27, which in turn focused on a number of the issues raised at COP26. This underlines both that the COP process is a slow one, as unanimity is difficult to achieve, and that the issues being addressed are complex and hard to resolve. We should therefore be wary of setting expectations too high for the gathering in Dubai.

The key focus will be on the stark conclusions from the Global Stocktake and the need for political action to reduce emissions in order to “keep 1.5 alive”. Beyond this, the continuing debates about the levels of finance needed for the developing world and the methodologies for providing it will also be at the top of the agenda. Indeed, the debate on the operationalisation of the Loss & Damage Fund could become a red line for developing countries and a failure to address it adequately could lead to a breakdown in the talks overall.

One other important theme will be the role of hydrocarbons in the energy transition. It will be interesting to see if a middle ground can be found at COP28 between those advocating a realistic view of the role of oil and gas over the next three decades and those who regard the rapid phase out of fossil fuels as the only way to meet our climate targets. Even seasoned climate negotiators such as John Kerry are starting to acknowledge that oil and gas producers need to be included in the climate discussion,⁵⁸ although, as he points out, it will be vital for them to bring concrete decarbonisation plans to Dubai.

Kerry is also likely to be involved in the other theme critical to the success of COP28, namely relations between the US and China. If Presidents Xi and Biden do give a green light to negotiations between the Chinese and US delegations at COP28 then it may be that initiatives led by Kerry and his counterpart Xie Zhenhua could provide the positive foundation on which a successful event can be held. The risk of other geopolitical issues spoiling the party of course remains, but history would suggest that if the two biggest players can be seen to collaborate then this sets an example that others are willing to follow.

⁵⁸ <https://www.ft.com/content/42e67fee-5102-46cd-b11a-e343c40862e2>