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Let's talk about COP27

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Barely emerging from the Covid-19 pandemic, this year the world was turned upside-down into a new geopolitical reality by the first war in Europe in decades. Within this new reality and the ensuing global crisis, COP27 was seen by some as an "oasis of diplomacy", to quote US Secretary of Energy Jennifer Granholm – a space where countries could come together to act on the global challenge that is climate change. But while countries did come together in some landmark agreements, they left Sharm-el-Sheikh without much progress on actual action to mitigate climate change.

The Conference of Parties (COP) is the yearly gathering of parties to the UN Framework Convention on Climate Change (UNFCCC) and the world's biggest diplomatic effort on climate change. Its path to date has been anything but steady, with landmark commitments such as the Paris Agreement being followed by messy discussions on implementation – all this while scientific reports on the disastrous state of the climate have been increasing in urgency. Last year's COP26 in Glasgow set the tone for a "new normal" in which a few significant agreements were accompanied by a stark lack of practical commitments to implement them. Under this year's energy crisis and a related dash for fossil fuels, achieving practical commitments on mitigating climate change was ever-more challenging at COP27.

Against this background, COP27 in Sharm-el-Sheikh, Egypt, did bring a few pleasant surprises in terms of climate commitments. The big-ticket item was an unprecedented official agreement to establish a loss and damage response fund, which was reached at the end of COP27 and finally gave a concerted response to three decades of lobbying by climate-vulnerable countries. This lobbying had come up against unified opposition from developed countries – the debtors for significant climate damage – but some started to break ranks at COP26 and put forward individual commitments for loss and damage funding, for example Germany and Denmark. Building off these promises, and perhaps urged forward by the growing visibility of climate change effects in recent years, the COP27 agreement offers hope for alleviating the climate damage to the countries most exposed to it. Another important advance was on climate adaptation, which had taken a back seat in the last decade but saw progress on setting a global goal for climate adaptation, due to be adopted at COP28 next year. It does, however, currently lack a plan for doubling funding for climate adaptation by 2025, as had been agreed at the previous COP. Other positive outcomes on climate adaptation were reached on the sidelines of COP27, like the launch of the International Drought Resistance Alliance, led by Spain and Senegal.

While the importance of these agreements cannot be understated, their focus is adaptation and recovery from climate change. On the other hand, progress on *mitigating* climate change was timid in Sharm-el-Sheikh: many developed countries (responsible for the lion's share of current emissions) stressed their continued commitment to climate change mitigation despite Russia's invasion of Ukraine, rather than advancing or strengthening said commitment. Ironically, many developed countries are also caught up in a "dash for gas", ramping up new fossil gas production and trade deals to plug supply shortages. Key outcomes (or the lack thereof) on climate change mitigation included ambitions for emissions reductions, fossil fuels, industrial decarbonization, and climate financing.

Error, increased ambitions not found

The starting point for any climate mitigation effort is setting an ambition level. One of the most memorable things about the 2015 Paris Agreement (COP21) was countries agreeing on a target for how much the planet would be allowed to warm above pre-industrial temperature levels. But at COP27, countries didn't just broadly miss the chance to increase pre-existing ambitions, many also failed to deliver on them. The most notable example in this sense was that at COP26 parties agreed to revise and strengthen their previously submitted Nationally Determined Contributions (NDCs – action plans for how individual countries would contribute to achieving global climate targets). This was hailed as a breakthrough agreement at the time, and underlined as a crucial push for more ambitious climate action in the lead-up for COP27. But by the end of COP27, only 34 countries had submitted revised NDCs, of which very few were more ambitious than the previous iteration.

This sluggish pace of commitments on raising ambitions comes against a continued squeeze of how much greenhouse gases the world can emit while avoiding the worst effects of climate change. In April 2022, the landmark report of the Intergovernmental Panel on Climate Change (IPCC) bluntly stated that for any chance at keeping global temperature increases in line with the Paris Agreement, global emissions must peak before 2025. As a goal, this is particularly challenging on its own, never mind when considering that global emissions have recovered to record pre-pandemic levels – 40 billion tonnes of CO_2 in 2021. Strong leadership and collective action on peaking emissions is therefore more necessary than ever – but was mostly absent from COP27. In fact, a resolution to peak global emissions by 2025 was eventually removed from the final COP27 agreement, to the dismay of many. International alignment on peaking emissions remained mostly confined to bilateral agreements, such as Indonesia's Just Energy Transition Partnership, which includes a provision on peaking power sector emissions by 2030.

Little closure on fossil fuels

Any expectation that the commitment to phase down coal use, signed by UNFCCC parties at COP26, would be extended to other fossil fuels at COP27 (as requested by India, the EU, and others) would likely have been wishful thinking given the current energy crisis. And sure enough, the COP27 final agreement included no new resolutions on phasing down (or out) fossil fuels, nor any details on the pace of phasing down coal, failing to advance the long, drawn-out goodbye to the world's biggest climate culprit. For now, the language on fossil fuels remains broadly confined to a call to phase down unabated coal-fired power and phase out "inefficient" fossil fuel subsidies.

It is not just the official COP26 agreement on coal phase-down which felt the sting of the current energy crisis. The "Global Coal to Clean Power Transition" sideline agreement to move away from coal, reached by 46 nations including Germany and Poland last year, has been overshadowed by a scramble to resurrect national coal sectors to stopper the gap in supply of dispatchable power caused by Russia's actions. An agreement to end financing of fossil fuel projects abroad (the "Glasgow Statement"), signed by 39 countries and financial institutions including the G7 group, was already showing signs of backsliding in the summer of 2022, with loopholes added on the financing of liquefied natural gas (LNG) in response to the war on Ukraine, and signatory countries failing to deliver on their pledges.

Some agreements emerging from COP27 did light a small beacon of hope for the transition away from fossil fuels. The conference saw the launch of a Just Energy Transition partnership for Indonesia, following on a similar partnership with South Africa signed at COP26. The partnership, supported by the EU, US, and other developed countries, aims to mobilise $20 billion in financing for the energy transition of Indonesia, one of the world's most coal-dependent countries. The partnership is not just a win for weaning off fossil fuels, but also another push for private sector investment in clean energy, which will be key to deliver the energy transition at scale and pace.

Natural gas, the growing elephant in the room

Natural gas has been the talk of the town for the past year and deserved special attention in the context of COP27. As a fuel, it has had a question mark hanging over its climate implications for some time, now enhanced by the debate on its energy security implications. The scramble for gas of many energy-hungry economies, such as the EU, has created new opportunities for major gas producers such as Norway and the US, but also hope for some African countries to develop or expand their own fossil fuel sectors – at odds with commitments to reduce emissions.

But conversations around this were sparse at COP27, and the final official agreement did not include specific provisions on natural gas. It simply referred to a commitment to boost "low-emissions energy", a blanket term not differentiating between fossil and non-fossil sources. This language could be interpreted to include natural gas and may be used to justify investments in new natural gas production, which by virtue of the vague language used would be lumped together with renewable energy sources. Action around natural gas mostly took place on the sidelines: the Beyond Oil and Gas Alliance, an initiative spearheaded by Denmark and Costa Rica at COP26, welcomed new members and announced a small seed fund for developing countries to transition away from oil and gas.

Indeed, the dangerous implications of natural gas dependence might actually have grown in Egypt, as discussions on new gas infrastructure were muddled with those on cooperation for emissions reductions. The COP27 host country busied itself with talks on gas infrastructure on the conference sidelines and touted gas as the "perfect solution" for climate change and energy security – and Egypt as a "pivotal centre" for gas trading. It isn't far-fetched to imagine similar narratives at the next COP, due to take place in the United Arab Emirates - another major fossil fuel exporter.

Where did we go on industrial decarbonization?

COP26 marked the first COP which specifically discussed the well-known head-scratcher that is industrial decarbonization. It launched the Breakthrough Agenda, an agreement to increase availability of clean technologies, including for the steel sector (one of the world's major industrial emitters) and for hydrogen production (one of the most hyped solutions for the industrial transition). At COP27, progress was more fragmented and lacked firm leadership on the part of the UNFCCC parties. The First Movers Coalition, a private-sector initiative focused on advance purchasing of clean technologies to decarbonize heavy industry and long-distance transport, expanded its scope to include commitments on sourcing low-carbon cement and concrete. New targets were agreed for the Breakthrough Agenda, which also set out a long list of collaborative actions to speed up decarbonization of steel and hydrogen production. The Alliance for Industry Decarbonization, a group of thirteen energy and industrial companies, held their first meeting on the sidelines of COP27. With industrial decarbonization having long been a notable absentee from many government commitments, COP27 once again did not offer much in the way of coherent leadership.

The boring practicalities

After COP26, we wrote about the "boring" but crucial topics missing from high-level announcements – the practicalities of how climate action would be implemented, financed, monitored, evaluated and so on. COP27 refreshed the yawning gap between words and the practicalities of turning them into action. The key topic of money was mostly channelled to loss and damage financing – a significant and positive outcome, but much tempered by the lack of financing for climate change mitigation. Or, metaphorically speaking, channelled to treating the symptoms and less so to rooting out the disease rather. This all happened against the background of a continued failure of developed countries to deliver on their 2015 promise of $100 billion/year in climate financing for developing countries, meant to cover both mitigation and adaptation. By 2020, developed countries had provided and mobilized $83.3 billion in this financing, with the US pointed to as a major laggard last year. COP27 did little more than call on governments and banks to do more. And as the gap between where emissions need to be and where they are continues to widen as the years march on, investments needs will only increase.

Conclusion – see you next year

Saddening though it is to conclude our take on this year's COP with the same headline as last year, Sharm-el-Sheikh came nowhere near being a springboard for increased ambitions. Indeed, there are more reasons for optimism coming from outside of COP27 than from within it – for example, the US's Inflation Reduction Act is arguably the largest public investment in climate mitigation to date and has already sent ripples through the thinking behind financing in the EU. The US and China, two of the world's biggest emitters, overcame tensions over Taiwan to restart their climate talks at the G20 gathering. But the COP itself may have been too much of an "oasis of diplomacy" this time around – removed from realities such as the deadliness of large-scale fossil fuel dependence. Recognizing the need for loss and damage financing was indeed a big step forward. But without action to reduce that loss and damage, by mitigating climate change, the financing needs may be impossible to meet. And what then? We'll see next year in Dubai.