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A call for a phase-down of fossil fuels amid general controversies and conflicting perspectives on Article 6

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HIGHLIGHTS

The 28th Conference of the Parties to the UNFCCC (COP28) made history as the largest Conference of the Parties (COP) ever, with over 80,000 people accredited for attendance in the conference's Blue Zone and thousand others in its Green Zone. Negotiators and observers convened in Dubai, in the United Arab Emirates (UAE), from November 30th until December 13th, 2023, in an international context marked by doubts about the petrostate host's commitment to an ambitious outcome. The position of Sultan Ahmed Al-Jaber – the director of the Abu Dhabi National Oil Company (Adnoc), the state-owned oil company of the UAE – as President of the COP, as well as his statement that "*there is no science out there, or no scenario out there, that says the phase-out of fossil fuel is what's going to achieve [the 1.5°C temperature goal of the Paris Agreement]*", made a mere few days before the opening of COP28, did nothing to dispel concerns.[1] Despite those, COP28 delivered results on important agenda items:

- **After two difficult weeks of negotiations, the Conference of the Parties serving as meeting of the Parties of the Paris Agreement (CMA) adopted a decision on the Global Stocktake (GST).**[2] The most contentious issue related to the inclusion of a call for a fossil fuel phase-out, which oil and gas states strongly opposed and over 80 other Parties supported (including the European Union, USA, and many climate-vulnerable nations). In the end, the final text includes the first ever call for fossil fuels to be phased down (although not phased out) in order to achieve net zero by 2050, defeating the efforts of lobbyists and the Organisation of Petroleum Exporting Countries (OPEC)[3] to see fossil fuels excluded altogether. A call to "accelerate efforts" towards the phase-down of unabated coal power disappointed many, as were the references to the role that both carbon capture technologies and "transitional fuels" – i.e., gas – can play in the energy transition. The text also calls on Parties to triple renewable energy capacity globally and double energy efficiency by 2030, but does not set a baseline to assess progress towards those goals. Capturing the sentiment of many stakeholders, UNFCCC Executive Secretary Simon Stiell called the GST outcome a "*lifeline, not a finish line.*"[4]

- **The earliest success of COP28 came in the form of a decision adopted on its opening day, regarding the operationalisation of a loss and damage fund.**[5] While the Parties had agreed in principle to fund compensation for loss and damage associated with the adverse effects of climate change in a landmark decision made last year in Sharm el-Sheikh, the actual operationalisation of those funding arrangements had been left for COP28 to decide.[6] Following the work of an *ad hoc* Transitional Committee, which met several times throughout the year, Parties at COP28 were able to adopt the text of the decision very quickly, ruling on issues such as institutional arrangements, eligibility criteria, sources of funding, and available financial instruments. So far, over USD 700 million has been pledged to the loss and damage fund by developed countries, including the UAE, Italy, France, Germany, and the United Kingdom.[7]

- **COP28 also saw the adoption of the Global Goal on Adaptation framework, concluding the two-year Glasgow-Sharm el-Sheikh work programme.**[8] Enshrined in Article 7 of the Paris

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[1] Laura Paddison, Climate summit leader defends controversial comments that alarmed scientist and sent shockwaves through meeting (CNN, 5 December 2023) <https://edition.cnn.com/2023/12/03/climate/cop28-al-jaber-fossil-fuel-phase-out/index.html>.

[2] UNFCCC, Draft decision -/CMA.5, 13 December 2023.

[3] Yousef Saba and Maha El Dahan, OPEC head to OPEC+: reject COP28 language on fossil fuel phase-out (Reuters, 8 December 2023) <https://www.reuters.com/sustainability/climate-energy/opec-chief-urges-members-reject-any-cop28-deal-that-targets-fossil-fuels-2023-12-08/>.

[4] UNFCCC, "We didn't turn the page on the fossil fuel era, but this outcome is the beginning of the end": UN Climate Change Executive Secretary at COP 28 Closing (UNFCCC, 13 December 2023) <https://unfccc.int/news/we-didn-t-turn-the-page-on-the-fossil-fuel-era-but-this-outcome-is-the-beginning-of-the-end-un-0>.

[5] UNFCCC, Draft decision -/CP.28 -/CMA.5, 29 November 2023.

[6] UNFCCC, Decision 2/CP.27, 20 November 2022.

[7] Nina Lakhani, $700m pledged to loss and damage fund at COP28 covers less than 0.2% needed (The Guardian, 6 December 2023) <https://www.theguardian.com/environment/2023/dec/06/700m-pledged-to-loss-and-damage-fund-cop28-covers-less-than-02-percent-needed>.

[8] UNFCCC, Draft decision -/CMA.5, 13 December 2023.

Agreement, the Global Goal on Adaptation (GGA) is a collective commitment by the Parties to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change. To guide the achievement of the GGA, the framework agreed at COP28 urges Parties to pursue a number of specific targets, e.g., reducing water scarcity or attaining climate-resilient food and agricultural production. The decision text also recognises the importance of adaptation finance and calls on developed countries to at least double their collective provision of climate finance for adaptation to developing countries. A new two-year work programme is also debuted to develop the indicators for measuring progress achieved towards the targets set by the GGA framework.

- **However, not all agenda items resulted in agreements. Most importantly, COP28 saw negotiations on Articles 6.2 and 6.4 come to a deadlock, resulting in the CMA not adopting any decision on either this year.** In an atmosphere characterised by general mistrust, Parties disagreed on the treatment of carbon removals under Article 6.4, and a range of points under Article 6.2 – including issues related to the authorisation of cooperative approaches and Internationally Transferred Mitigation Outcomes (ITMOs). Some disagreements were grounded in substance, and can be explained by the large number and technical complexity of the issues to be resolved. However, the failure to reach agreement can also be ascribed to the process, particularly the lack of time for finding compromise, the focus of the COP28 presidency being absorbed by the GST negotiations, and a generally sour mood among key groups of Parties. As a result of the breakdown of negotiations, market participants expect a year of delay for the Article 6.4 mechanism to become operational, but little impact on the implementation of Article 6.2 cooperative approaches.

In the following, we provide a short overview of the main outcomes of COP28/CMA5, starting with the sobering account of Article 6 negotiations, followed by a summary of the agenda items that resulted in COP28 or CMA5 decisions.

General view at the UN Climate Change Conference COP28 at Expo City Dubai

ARTICLE 6 NEGOTIATIONS FAIL TO REACH CONSENSUS

While observers eagerly expect further operational guidance in relation to Article 6.2 (cooperative approaches) or Article 6.4 (centralised mechanism), COP28 failed to deliver. Even though negotiators agreed on a text in relation to Article 6.8, CMA5 did not produce decisions on either Article 6.2 or 6.4. The final draft decisions brought forward by the presidency on the very last day of the COP were rejected, leading to a non-outcome on both Articles. While Article 6.2 cooperative approaches can be implemented without further guidance, the lack of progress delays by a full year the operationalisation of the centralised system established by Article 6.4, dealing yet another blow to the credibility, and promise, of that mechanism.

Reactions ranged from disappointment to relief. IETA called for an end to the "*politicization of carbon markets*" and in a departure from normal neutrality, put the blame on the EU.[9] It regretted the missed opportunity to further operationalise Article 6 but welcomed the on-the-ground progress in the implementation of Party-driven Article 6.2. Commentators also mentionned the likelihood of a pivot towards Article 6.2 bilateral trade and the VCM.[10] For BeZero, the failure to reach consensus was both disappointing and surprising, considering that the Supervisory Body, which is made up of the very same country negotiators, had already agreed on the Article 6.4 recommendations submitted to the Parties.[11] In contrast, the market-sceptic NGO Carbon Market Watch described the failure in Dubai as avoiding a "*worst outcome*", i.e., a replication of the mistakes of the VCM; a member of the EU delegation also stated that "*no deal is better than a bad deal.*"[12]

Cooperative approaches under Article 6.2

In Dubai, Parties had to address a suite of technical issues related to Article 6.2, mandated from COP26 and COP27. While the text proposals released prior to COP28 offered a relatively concise package of options, the negotiating text quickly mushroomed after the interventions from Parties. After the first week of negotiations, the text forwarded to the CMA had grown to 40 pages. During the second week, the co-facilitators performed deep cuts in an effort to reduce complexity and introduce bridging options, reducing the text to only seven pages. Nevertheless, the final draft failed to gain consensus, and no decision was adopted on Article 6.2.[13]

The question of the scope and definition of cooperative approaches was one of the key points of contention. While this topic was not a formal mandate for the CMA to consider, the proposals prepared in advance of the COP had suggested a definition of cooperative approaches as "*a set of mutually agreed standards and procedures*" that govern the voluntary participation of Parties, including an agreed scope of activities and a link to underlying mechanisms, standards, or approaches. This resulted in a fierce debate on whether cooperative approaches have to involve two or more Parties (as argued by AOSIS) or could be implemented by just one Party. Many groups, including the Umbrella Group and the African Group of Negotiators, argued that requiring cooperative approaches to be bi- or multilateral would re-open agreed decisions. Negotiators stressed that unilateral cooperative approaches are possible under the existing Article 6.2 guidance adopted at COP26, as can be inferred from the very definition of

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9 IETA, IETA regrets article 6 failure, calls for ent to "politicization" of markets (13 December 2023) <https://www.ieta.org/ieta-regrets-article-6-failure-calls-for-end-to-politicisation-of-markets/>.

10 Roy Manuell, Analysis : UN Article 6 crediting faceses "severe" credibility threat, partis to pivot towards voluntary carbon and bilateral trade (Carbon Pulse, 14 December 2023) <https://carbon-pulse.com/245490/>.

11 Lily Ginsberg-Keig and Finn O'Muircheartaigh, After COP28 : what next for international carbon market? (BeZero, 13 December 2023) <https://bezerocarbon.com/insights/after-cop28-what-next-for-international-carbon-markets>.

12 Carbon Market Watch, Torn between countries demanding that Article 6 carbon markets be available with virtually no restrictions and countries insisting on upholding transparency, human rights, and climate ambition, negotiators at COP28 failed to break the deadlock. With all the unresolved problematic issues, the fact that they reached no deal was better than agreeing to a bad one that would torpedo the Paris Agreement. <https://carbonmarketwatch.org/2023/12/13/cop28-article-6-failure-avoids-a-worse-outcome/>.

13 UNFCCC, Draft text on CMA 5 agenda item 14(a), Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement, 12 December 2023.

ITMOs as well as from the recognition of authorisation of transfer towards Other International Mitigation Purposes (OIMP). In addition, the European Union, AOSIS, and AILAC expressed integrity concerns and advocated for additional safeguards in Article 6.2 guidance. However, groups like the Umbrella Group, LMDC, and AGN opposed this, pointing to the nature of Article 6.2 as a mechanism open to flexible, country-determined approaches, and arguing that challenging this understanding would require a renegotiation of the Article 6 Rulebook adopted at COP26.

On the topic of authorisation of ITMOs, discussions centered on the timing and revoking of such authorisations.[14] Additional clarifications were discussed on content and the revision of authorisations. Generally, countries that seek to host Article 6.2 activities are concerned with retaining flexibility regarding authorisations to ensure that NDC goals are not put at risk by early or ambitious authorisations. In contrast, countries that represent investors argue for early and strong authorisations that cannot be challenged by referring to a change of circumstances.

Disagreements also emerged over common nomenclatures. The European Union argued for more prescriptive rules, such as the adoption of mandatory templates for the authorisation of cooperative approaches. This stance was notably opposed by the USA, who favored flexible voluntary templates or the inclusion of specific guidelines in the Article 6.2 manual, to be updated regularly by the UNFCCC Secretariat.[15]

The final draft decision[16] sought to clarify the contentious issues, but failed to satisfy the Parties. It states that ITMOs can be transferred only after receiving authorisation under an authorised cooperative approach (para. 9), and that changes to this authorisation are possible but should not impact already transferred mitigation outcomes, unless agreed upon and publicly communicated by the involved Parties (para. 12). In addition, it requested the Secretariat to establish common nomenclatures for all specific information attributes pertaining to cooperative approaches referred to in Article 6.2 (para. 1).

Several other technical issues further slowed progress. One key debate involved the Article 6.2 international registry's role and whether it would only extract data from other registries, or also serve as a transactional registry – especially concerning interoperability with the Article 6.4 registry. The USA strongly opposed allowing transfers of Article 6.4 carbon credits within this system.

Centralised market mechanism under Article 6.4

While tangible progress was achieved on Article 6.4 at COP27, there remained a range of questions to be discussed by the CMA this year. Many stakeholders had hoped that COP28 would mark a step forward towards the operationalisation of the centralised mechanism modelled after the Kyoto Protocol's Clean Development Mechanism.

Unfortunately, a strong divergence on the treatment of emission removals impeded the adoption of a decision altogether. Parties disagreed on whether to adopt the recommendations made on removals by the Article 6.4 Supervisory Body, with many noting concerns in relation to, *inter alia*, the consequences of a failure to monitor removals, the definition of "reversal", and an absence of reference to social and environmental safeguards and human rights. The EU and the Coalition for Rainforest Nations (CfRN) notably opposed the adoption of the Supervisory Body's recommendations, with CfRN arguing that all projects and activities involving forests should apply the guidance of the Warsaw Framework on REDD+ and be jurisdictional in nature. The European Union stated that the current safeguards for nature-based removals lacked adequate protection against potential reversals. Other contentious issues in relation to removals included permanence, the categorisation of reversal risks, post-crediting period monitoring, and whether to include social and environmental safeguards in the removals guidance.

[14] IETA, COP28 Update : Day 10, 10 December <https://www.ieta.org/resources/cop28/cop28-update-day-10-10-december/>.

[15] Steve Zwick, COP28 Update : Progress Towards Agreement on Avoidance Under Article 6.4, but Backsliding in 6.2 (Ecosystem Marketplace, 9 December 2023) <https://www.ecosystemmarketplace.com/articles/cop28-update-new-article-6-4-text-is-simpler-more-nature-friendly/>.

[16] UNFCCC (n. 13).

Parties supported the Supervisory Body's recommendations on methodology development. They converged on a decision to apply the "*requirements for the development and assessment of methodologies*" developed by the Supervisory Body, and to allow it to continue its work on methodologies as planned. However, the lack of consensus on removals made a adoption of this agreement impossible.

Although the final draft[17] had proposed compromise language, it was not adopted, and the operationalisation of the Article 6.4 mechanism is now delayed by at least a year. The Supervisory Body's technical work on additionality, baselines, leakages, and reversal risks will continue until COP29, even though the failure to adopt its recommendations by the same negotiating blocks that are represented in the Supervisory Body seems like a difficult starting point for its work in 2024. Overall, the negotiations were held in an atmosphere of mistrust and disagreements were uncompromising, which makes it difficult to see how they can be overcome in the course of 2024.

Closing-Plenary-of the UN Climate Change Conference COP28 at Expo City Dubai

[17] UNFCCC, Draft text on CMA 5 agenda item 14(b), Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement, 12 December 2023.

FIRST GLOBAL STOCKTAKE: A LUKEWARM SUCCESS

The long-awaited, first Global Stocktake was the focus of the COP presidency, and of most observers in Dubai. Anchored in Article 14 of the Paris Agreement, which states that the CMA shall "periodically take stock of the implementation of this Agreement to assess the collective progress towards achieving the purpose of this Agreement and its long-term goals (referred to as the "global stocktake")" (Article 14.1), the Global Stocktake process involved an 18-month long technical assessment phase before reaching the Parties at COP28. The political process concluded late, in the morning of November 13th – hours after the COP was supposed to have ended – and culminated in the adoption by all 198 Parties of the decision on the outcome of the first global stocktake.[18]

Overview of key components

The text is divided in four main sections, and touches on the core elements of the international climate regime: mitigation and adaptation efforts, climate finance, and loss and damage. A first section includes references to the latest Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report (published in 2022)[19] and confirms that "Parties are not yet collectively on track towards achieving the purpose of the Paris Agreement and its long-term goals" (para. 2) and that "*the impacts of climate change will be much lower at the temperature increase of 1.5°C compared to 2°C and [that the CMA] resolves to pursue efforts to limit the temperature increase to 1.5°C*" (para. 4).

On mitigation, the decision notes that not only are Nationally Determined Contributions (NDCs) insufficiently ambitious in terms of emissions reductions targets (para. 21), but that there is also an implementation gap to address (para. 23). Indeed, the IPCC has determined that policies implemented by the end of 2020 are projected to result in higher global greenhouse gas (GHG) emissions than those implied by the Parties' NDCs. The text then calls on Parties to implement "*deep, rapid and sustained reductions*" in GHG emissions, "in line with 1.5°C pathways" (para. 28), notably through the following action items:

a. Tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030;

b. Accelerating efforts towards the phase-down of unabated coal power;

c. Accelerating efforts globally towards net zero emission energy systems, utilizing zero- and low-carbon fuels well before or by around mid-century;

d. Transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science;

e. Accelerating zero- and low-emission technologies, including, inter alia, renewables, nuclear, abatement and removal technologies such as carbon capture and utilisation and storage, particularly in hard-to-abate sectors, and low-carbon hydrogen production;

f. Accelerating and substantially reducing non-carbon-dioxide emissions globally, including in particular methane emissions by 2030;

g. Accelerating the reduction of emissions from road transport on a range of pathways, including through development of infrastructure and rapid deployment of zero and low-emission vehicles;

h. Phasing out inefficient fossil fuel subsidies that do not address energy poverty or just transitions, as soon as possible.

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18 UNFCCC (n. 2).

19 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 University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844.

Other interesting dispositions on mitigation include:

- the recognition that "*transitional fuels can play a role in facilitating the energy transition while ensuring energy security*" (para. 29);
- an emphasis on the "*importance of conserving, protecting and restoring nature and ecosystems towards achieving the Paris Agreement temperature goal, including through enhanced efforts towards halting and reversing deforestation and forest degradation by 2030, and other terrestrial and marine ecosystems acting as sinks and reservoirs of greenhouse gases and by conserving biodiversity, while ensuring social and environmental safeguards, in line with the Kunming-Montreal Global Biodiversity Framework*" (para. 33); and
- an encouragement for Parties to come forward in their next NDCs with "*ambitious, economy-wide emission reduction targets, covering all greenhouse gases, sectors and categories and aligned with limited global warming to 1.5°C, as informed by the latest science, in the light of different national circumstances*" (para. 39).

On adaptation, the decision touches on two other relevant topics that were the object of their own CMA decisions in Dubai: the GGA, and climate finance. The text recalls the importance of the GGA (para. 43) and recognises the existence of an adaptation finance gap, which impedes developing country Parties from implementing their national adaptation plans (para. 46). Further, paragraph 55 lists a number of integrated, multi-sectoral solutions that the CMA encourages the Parties to implement, such as:

- land-use management;
- sustainable agriculture;
- resilient food systems;
- nature-based solutions and ecosystem-based approaches; and
- protecting, conserving, and restoring nature and ecosystems, including forests, mountains, and other terrestrial and marine and coastal ecosystems.

The GST decision also touches on finance. It starts by highlighting the growing gap between the needs of developing country Parties and the funding mobilised to support them in the implementation of their NDCs, which are currently estimated at USD 5.8 – 5.9 trillion for the pre-2030 period (para. 67). It also recalls the adaptation finance needs of those developing nations, estimated at about USD 215 – 387 billion annually up until 2030, and the fact that about USD 4.3 trillion per year needs to be invested in clean energy until 2030, increasing thereafter to USD 5 trillion annually until 2050 – in order to reach net zero emissions (para. 68). Recognising the role of the private sector (para. 70), the decision still reiterates that developed country Parties should "*continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments, and channels […], through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties […]*" (para. 72).

Other interesting dispositions on adaptation include:

- a note that the CMA welcomes the pledges made by 31 contributors during the second replenishment of the Green Climate Fund, resulting in a nominal pledge of USD 12.833 billion to date (para. 78);
- explicit mentions of both the long-term finance goal of USD 100 billion and the New Collective Quantified Goal (NCQG); and
- a call to reform the multilateral financial architecture, *inter alia*, multilateral development banks (para. 95).

Heated negotiations led to some progress (with a few loopholes)

Negotiations about the GST were complicated – to say the least. During the first week of COP28, Parties disagreed on a range of issues, from the inclusion of references to human rights, gender equality and Indigenous Peoples' rights in the preamble, to the need to include finance-related considerations without assuming what the results of the negotiations would be on the long-term finance goal and the NCQG. To generate consensus, the UAE presidency started holding "*majlis*" (side meetings) during the second week of the COP.

During those discussions, the most contentious issue related to the inclusion of a call for fossil fuel phase-out in the GST decision. Many – developed and developing – countries embraced such a suggestion. The pushback from oil and gas states was strong, and they argued for a focus on GHG emissions as opposed to the sources of those emissions. Outrage erupted in the media when a letter sent by OPEC Secretary General Haitham Al Ghais to the group's members was leaked online, as the letter urged them to "*proactively reject any text or formula*" targeting fossil fuels.[20]

In the end, the Parties agreed on a wording calling for a phase-down, not a complete phase-out, of fossil fuels in energy systems by 2050. It is the first time such a statement is included in a COP decision, and it is notable that such statement carries the fingerprint of a major oil producing presidency. Nevertheless, many negotiators and observers have expressed their disappointment, calling the text insufficiently strong as it leaves open the door for further fossil fuel production and use until 2050.

Other limitations of the GST decision include a positively framed reference to "transitional fuels", meaning gas, as well as a call for the phase-down of unabated coal power – which does not signify progress as it repeats text included in a decision made in Glasgow, two years ago.[21] On energy transition, the text calls for a welcome tripling of renewable energy and doubling of energy efficiency by 2030, but fails to set a baseline against which to assess progress towards those objectives.

The decision also summarises the existing finance gaps, and stresses the importance of increasing finance flows to fund NDC achievement and adaptation plans. While the decision does not suggest anything substantial to remedy the current situation, it includes a call for a reform of the multilateral financial architecture. This can be read as a veiled reference to the Bridgetown initiative that highlights a path towards reforming the global financial system.[22]

Lastly, nature was mentioned a few times in the GST decision. Paragraph 33 recalls the objective to halt and reverse deforestation and forest degradation by 2030, and "resilient food systems" are mentioned as potential solutions to climate adaptation challenges. The following paragraph highlights the need for enhanced support, including finance, to achieve the 2030 forest-related goal, and also makes a mention of results-based payments. Further, paragraph 55 encourages "*implementation of integrated, multi-sectoral solutions, such as land-use management, sustainable agriculture, resilient food systems, nature-based solutions and ecosystem-based approaches, and protecting, conserving and restoring nature and ecosystems, including forests, mountains and other terrestrial and marine and coastal ecosystems.*" The following paragraph interestingly notes that ecosystem-based approaches can "*reduce a range of climate change risks and provide multiple co-benefits.*" In the section focused on adaptation, the GST decision also urges Parties to attain "*climate-resilient food and agricultural production and supply and distribution of food "and reduce" climate impacts on ecosystems and biodiversity and accelerating the use of ecosystem-based adaptation and nature-based solutions*" (para. 63).

Fossil fuel out human rights in action by cambiamo during the UN Climate Change Conference COP28

[20] Damian Carrington, OPEC rais against fossil fuel phase-out at COP28 in leakd leters (The Guardian, 8 December 2023) <https://www.theguardian.com/environment/2023/dec/08/opec-rails-against-fossil-fuel-phase-out-at-cop28-in-leaked-letters>.

[21] UNFCCC, Decision 1/CP.26, para. 20, 31 October 2021.

[22] Press release, With clock ticking for the SDGs, UN Chief and Barbados Prime Minister call for urgent action to transform broken global financial system (United Nations, 26 April 2023) < https://www.un.org/sustainabledevelopment/blog/2023/04/press-release-with-clock-ticking-for-the-sdgs-un-chief-and-barbados-prime-minister-call-for-urgent-action-to-transform-broken-global-financial-system/>.

FINANCE: CONTINUOUS CONTROVERSY

Climate finance negotiations and discussions are always contentious at COPs. To meet the temperature goal of the Paris Agreement, it will be critical to bridge the finance gap, notably to support the implementation of NDCs by many developing country Parties. Meeting the conditional components of developing Parties' NDCs would lower the global temperature by 0.4 degrees compared to a scenario in which only unconditional NDCs are implemented.[23] Developed countries continue to fall short of financing needs and wealthier developing countries are reluctant to pitch in – even though the engagement of countries such as Singapore (with Article 6), South Korea, or the UAE (see Box 1) is evidence that the small circle of contributors to public climate finance is growing.

The first key decision on climate finance relates to the long-term finance goal.[24] In 2009, developed country Parties pledged to mobilise USD 100 billion per year by 2020 to help lower-income countries fund mitigation and adaptation projects, a commitment that they have failed to achieve. According to recent OECD data, the USD 100 billion goal was not reached either in 2021.[25] Similarly to the decision made last year at COP27, the Dubai text recalls the commitment made in 2009, "notes with deep regret" that the goal was not met in 2021, and "*urges developed country Parties to fully deliver on the USD 100 billion per year goal urgently and through 2025 […].*"

From 2025 onwards, a New Collective Quantified Goal (NCQG) will replace the old long-term finance goal. The priority over the next two years is therefore for the Parties to agree on the operationalisation of that concept and decide on a quantum, the structure and objective of the NCQG, the source of funding, and the type of financial instruments that will be available to beneficiaries, among others. Defining a NCQC and backing it with concrete steps towards mobilising financing will require creativity and pragmatism, concepts that rarely characterise climate negotiations. Even though, Parties have been collaborating as part of an ad hoc work programme since COP26, paving the way for a future decision. The decision adopted in Dubai in regard to the NCQG states that the work programme will continue on in 2024, with the aim to develop a "*substantive framework for a draft negotiating text*" before COP29.[26]

Simon Stiell, Executive Secretary of the UNFCCC speaks to the media during the UN Climate Change Conference COP28

[23] UNEP, Nations must go further than current Paris pledges or face global warming of 2.5 – 2.9° C (2023) <https://www.unep.org/news-and-stories/press-release/nations-must-go-further-current-paris-pledges-or-face-global-warming#:~:text=Fully%20implementing%20efforts%20implied%20by,C%20above%20pre%2Dindustrial%20levels>.

[24] UNFCCC, Draft decision -/CP.28, 13 December 2023.

[25] OECD, Climate Finance and the USD 100 Billion Goal <https://www.oecd.org/climate-change/finance-usd-100-billion-goal/>.

[26] UNFCCC, Draft decision -/CMA.5, 12 December 2023.

BOX 1. SELECTED FINANCE PLEDGES MADE AT COP28.

- The UAE launched a Leaders' Declaration on a Global Climate Finance Framework aiming to scale climate finance and reframe climate investments as economic opportunities to fight against climate change. The Declaration aims to bridge the Global North and South trust gap, and has been signed so far by 13 countries (Barbados, Germany, France, Ireland, the Philippines, Colombia, Ghana, Kenya, India, Senegal, the UAE, the UK and the USA).
- The World Bank announced that it will increase climate funding to 45% of its total lending by 2025, up from a target of 35% (representing an increase of approximately USD 9 billion per year).
- The Development Bank of Latin America and the Carribean announced it will invest a total of USD 15 billion in climate change in Latin America by 2030. Those funds are expected to finance adaptation efforts (e.g., infrastructure improvements, food security, monitoring and prevention systems).
- Supported by France and Japan, the African Development Bank and the Inter-American Development Bank announced they intend to leverage IMF Special Drawing Rights for climate finance. The IMF deputy managing director confirmed that the necessary approvals will be submitted to the IMF executive board for its consideration in the next months.
- The World Bank's International Finance Corporation (IFC) and Allied Climate Partners (ACP) announced the launch of a new platform that aims to mobilise climate investment in emerging economies. ACP is a new philanthropic organisation that looks to identify bankable climate projects, funded by the likes of the Bezos Earth Fund, the Children's Investment Fund Foundation (CIFF), the Soros Economic Development Fund, and others. Current seed capital is USD 235 million, with a further USD 590 million expected from other donors (including the IFC).
- Pledges to the newly established Loss & Damage Fund reached close to USD 800 million. So far, the pledges include the following (approximate amounts):
  - France and Italy: USD 108 million each;
  - UAE and Germany: USD 100 million each;
  - The United Kingdom: USD 50 million;
  - Ireland and the European Union: USD 27 million each;
  - Norway: USD 25 million;
  - Spain: USD 22 million;
  - USA: USD 17.5 million;
  - Canada: USD 12 million.
- The Adaptation Fund mobilised over USD 192 million in new pledges at COP28, short of its 2023 goal of USD 300 million. Pledges included the following (approximate amounts):
  - Germany: USD 66 million;
  - Sweden: USD 22 million;
  - Austria: USD 22 million;
  - Spain: USD 22 million;
  - France: USD 11 million.
- The Least Developed Countries Fund and Special Climate Change Fund, both hosted by the Global Environment Facility (GEF), received pledges totaling USD 142 million at COP28.

GLOBAL GOAL ON ADAPTATION: ADOPTION OF THE GUIDING FRAMEWORK

Although adaptation often takes a backseat to other issues at COPs, COP28 adopted a framework to guide the achievement of the GGA established by Article 7.1 of the Paris Agreement. According to the Adaptation Gap Report published in 2023 by the United Nations Environment Programme, the overall progress on climate adaptation action in planning, financing, and implementing shows worrying signs of slowing down while financing needs of developing countries for adaptation are growing. Developing country finance needs are estimated to be 10 to 18 times higher than the international public finance flows, and the current adaptation finance gap is now estimated at USD194 – 366 billion per year.[27] It is in this dire context that the COP28 decision stresses "the urgency of accelerating the implementation of adaptation action and support […]" and thereby adopts the framework for the GGA.

BOX 2. OBJECTIVES OF THE GGA FRAMEWORK.

Paragraph 8 of the COP28 GGA Framework decision states that the CMA "[…] *decides that the framework for the global goal on adaptation should guide and strengthen efforts, including long-term transformational and incremental adaptation, towards reducing vulnerability and enhancing adaptive capacity and resilience, as well as the collective well-being of all people, the protection of livelihoods and economies, and the preservation and regeneration of nature, for current and future generations, in the context of the temperature goal referred to in Article 2 of the Paris Agreement, should be inclusive in terms of adaptation approaches, and should take into account the best available science and the worldviews and values of Indigenous Peoples, to support the achievement of the global goal on adaptation […]"*

In order to achieve this objective, the decision outlines a number of targets that Parties are urged to pursue by 2030. Examples of some of these targets include:

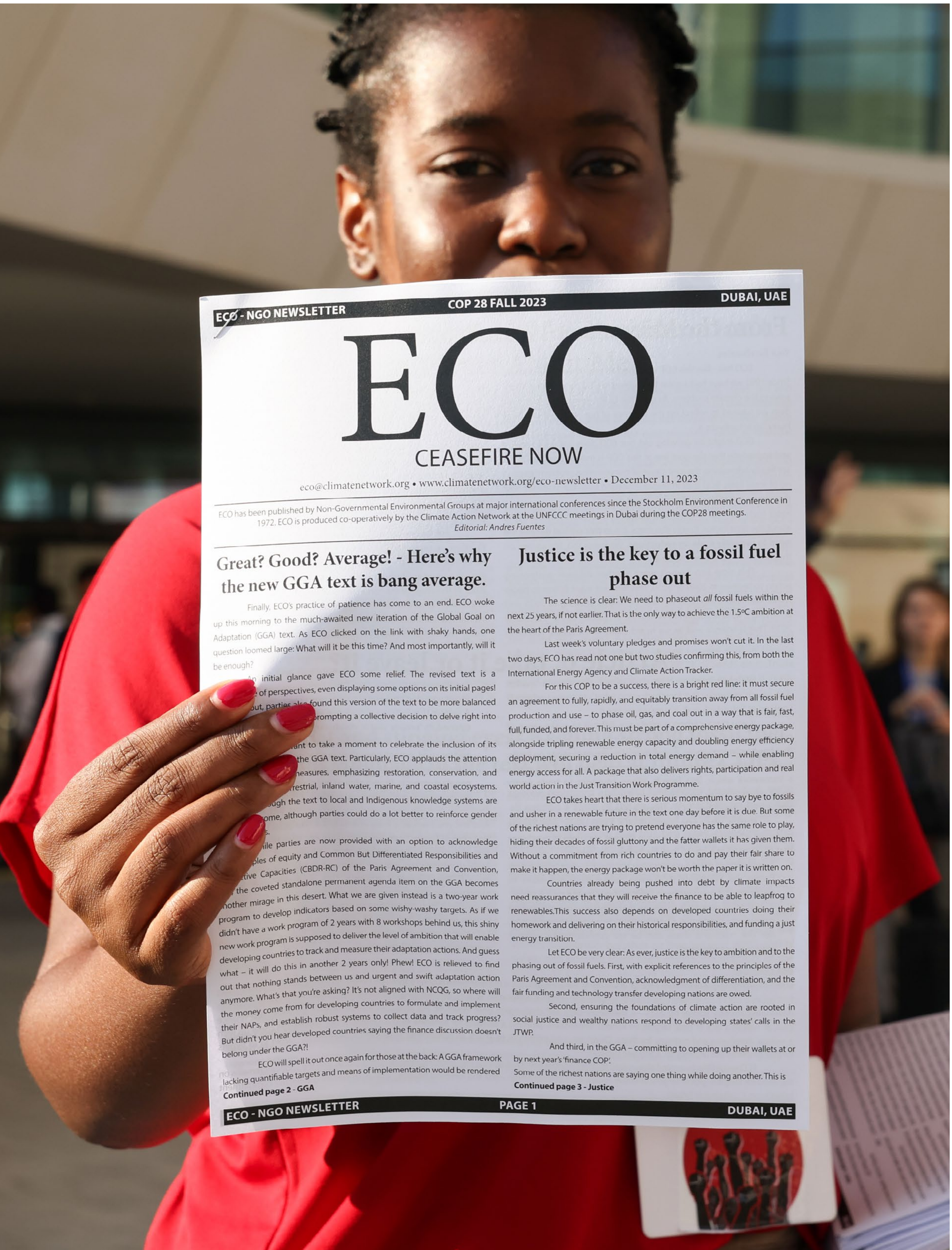
- Significantly reducing climate-induced water scarcity and enhancing climate resilience to water-related hazards;
- Attaining climate-resilient food and agricultural production and supply and distribution of food, as well as increasing sustainable and regenerative production and equitable access to adequate food and nutrition for all;
- Reducing climate impacts on ecosystems and biodiversity, and accelerating the use of ecosystem-based adaptation and nature-based solutions, including through their management, enhancement, restoration and conservation and the protection of terrestrial, inland water, mountain, marine and coastal ecosystems.

Paragraph 10 of the decision also lists a number of procedural targets. For instance, by 2030 all Parties should have conducted up-to-date assessments of climate hazards, climate change impacts and exposure to risks and vulnerabilities and have used the outcomes of these assessments to inform their formulation of national adaptation plans, policy instruments, and planning processes and/or strategies. By that date, all Parties should also have progressed in implementing their national adaptation plans, policies and strategies, and have designed, established and operationalised a system for monitoring, evaluation and learning for their national adaptation efforts.

Although the GGA framework represents significant progress in adaptation action, the decision lacks language regarding the means and time necessary to achieve the new targets. On funding, the text recognises the importance of adaptation finance and calls on developed countries to at least double their collective provision of climate

[27] United Nations Environment Programme (2023). *Adaptation Gap Report 2023: Underfinanced. Underprepared. Inadequate investment and planning on climate adaptation leaves world exposed.* < https://www.unep.org/resources/adaptation-gap-report-2023>

finance for adaptation to developing countries, but does not commit to closing the adaptation finance gap (only to *"seek"* to close it). It is worth noting that the decision does make one reference to the NCQG, suggesting that the GGA be considered in future negotiations on that new goal (para. 37).



Eco distribution at the UN Climate Change Conference COP28

OPERATIONALISATION OF THE LOSS AND DAMAGE FUND

In Dubai, a historic moment unfolded on the very first day of the COP with the adoption of the decision operationalising the fund for responding to loss and damage.[28] For the past thirty years, developing nations have persistently advocated for the establishment of a fund to address the financial burdens incurred by climate vulnerable countries, due to the escalating impact of extreme weather events, such as droughts, floods, and rising sea levels. While the Parties had agreed in principle to fund compensation for loss and damage associated with the adverse effects of climate change in a landmark decision adopted last year in Sharm el-Sheikh, the actual operationalisation of those funding arrangements had been left for COP28 to decide.[29]

The COP decided on the governance of the loss and damage fund. The fund will be governed and supervised by a board (para. 4), which will have legal personality (para. 15), and supported by a dedicated and independent secretariat (para. 3). Among the 26 members comprising the board, 14 will be from developing countries (Annex I, Section III.C). It has been decided that, as an interim measure, the World Bank will host the loss and damage fund for the next four years – though only if it can meet a number of conditions listed in the decision, e.g., only if it can ensure the full autonomy of the board of the fund (paras. 17 – 20). Following the four-year interim period, the World Bank might be invited by the CMA to continue to act as host and trustee for the loss and damage fund (para. 24). An interim secretariat is also to be formed by the secretariats of the UNFCCC and the Green Climate Fund, with the support of the United Nations Development Programme (para. 26).

Regarding the source of the funding, the decision invites developed countries to "*take the lead*" in providing financial resources for commencing the operationalisation of the fund (para. 13). As of December 2023, over USD 700 million had been pledged by developed nations, with Italy and France committing to the largest amounts (approximately USD 109 million each), closely followed by Germany and the UAE (USD 100 million each). Annex I to the decision also specifies that the fund is able to receive contributions "*from a wide variety of sources of funding, including grants and concessional loans from public, private and innovative sources*". Periodic replenishments will be made every four years, but the fund will also retain the flexibility to receive funding on an ongoing basis.

The fund will provide financing in the form of grants and highly concessional loans. Beneficiaries are "*developing countries that are particularly vulnerable to the adverse effects of climate change*". The fund may also make use of guarantees, direct budget support and policy-based finance, equity, risk-sharing mechanisms, or of other instruments as appropriate (Section VIII). Section IX outlines which criteria will be considered as part of the resource allocation system to be developed by the board of the fund.

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[28] UNFCCC (n. 5).

[29] UNFCCC (n. 6).

OUTSIDE THE NEGOTIATION ROOMS

While official discussions were often complicated, with most of them concluding only in overtime on December 13th, a flurry of announcements were made outside of the negotiation rooms during the two weeks of the COP. The scale and ambition of those announcements shows that the center of gravity of COPs is increasingly shifting from the negotiation space to the implementation space. It is therefore not surprising that only a smaller percentage of the more than 80,000 COP participants closely followed the COP/CMA negotiations. The following section highlights a few key initiatives that were made on food systems, forests, land and nature, and carbon markets, which Climate Focus will monitor in the months to come to assess their impact and whether they were worth being mentioned here.

Food systems

Almost 160 countries have signed a Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action. The Declaration aims to foster collaboration between signatories until 2030 to (i) scale-up adaptation efforts to reduce the vulnerability of all farmers, fisherfolk, and other food producers to the impacts of climate change, (ii) promote food security and nutrition, (iii) support workers in agriculture and food systems, (iv) strengthen the integrated management of water in agriculture and food systems to ensure sustainability and reduce adverse impacts on communities, and (v) conserving, protecting and restoring land and natural ecosystems, enhancing soil health, and biodiversity, and shifting from higher GHG-emitting practices to more sustainable production and consumption approaches.

A coalition led by Brazil, Cambodia, Norway, Rwanda and Sierre Leone, the Alliance of Champions for Food Systems Transformation (ACF), was launched to lead the way on transforming food systems. The ACF aims to reoriente policies, practices and investment priorities this decade to ensure access to affordable, nutritious and sustainable diets. All member countries notably pledged to update their NDCs, National Adaptation Plans (NAPs), Long-Term Low Emission Development Strategies (LT-LEDS), and National Biodiversity Strategies and Action Plans (NBSAPs) in line with these objectives by 2025.

The United Nations' Food and Agriculture Organisation (FAO) launched a global roadmap focusing on the transformation of food systems, with a focus on ending hunger while meeting the 1.5°C temperature goal of the Paris Agreement. The roadmap sets out a number of options to support these goals, from shifting diets in developed countries towards plant-based foods to sustainably boosting agriculture yields.

Another call to action for transforming food systems came from over 200 non-State actors. Aiming to align the global food system with the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and the 2030 Sustainable Development Agenda, these stakeholders call for global targets for food systems transformation to be set at COP29.

Forests, land, and nature-based announcements

Costa Rica and Ghana have finalised Emissions Reductions Purchase Agreements (ERPAs) with Emergent, a non-profit transactions platform that serves as the coordinator of the Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition. Through these landmark agreements, both countries will supply juridisctional REDD+ carbon credits to LEAF coalition buyers (e.g., Bayer, Capgemini, McKinsey, PwC, the Walmart Foundation) for potentially USD 60 million.

Colombia announced the Leadership Portfolio for Climate Action and Socio-Ecological Transition, a new climate investment portfolio in the country value at USD 32 billion. Opportunities include projects relying on sustainable tourism, renewable energy, and ecosystem protection and restoration – among others.

Brazil proposed the creation of a global facility to finance forest conservation, the "Tropical Forests Forever" fund. This initiative aims to raise USD 250 billion from public and private donors to finance the efforts of tropical countries in combating deforestation. Finance disbursement would be dependent on deforestation rates. Brazil also announced a pledge by its National Development Bank to contribute USD 204 million to help restore 60,000 km^2 of degraded or destroyed woodland in the Amazon by 2030.

Commitments were also made as part of the Forest & Climate Leaders' Partnership: the Democratic Republic of Congo, Ghana, the Republic of Congo, and Papua New Guinea all announced national forest initiatives totaling USD 242 million; the United Kingdom pledged an additional GBP 466 million to the Partnership (compared to what it had already promised in Glasgow); France announced it would contribute EUR 500 million over the next four years to support Papua New Guinea, the Democratic Republic of Congo, and the Republic of Congo; and Norway pledged USD 100 million to support Indonesia in its efforts against deforestation.

The EU signed a new Forest Partnership with Honduras, to support the protection and restoration of forests in the country, and the fight against deforestation. The new Partnership builds on the existing Voluntary Partnership Agreement on Forest Law Enforcement Governance and Trade (VPA-FLEGT), a timber trade agreement ratified in 2022. The announcement came a few days before Honduras launched a new initiative to protect the country's largest forest, the Moskitia.

The Forest Declaration Assessment and the World Resources Institute's Systems Change Lab launched the Glasgow Leaders' Declaration Dashboard, an online platform that monitors collective progress towards the 2030 goals to protect and restore forests and lands.

Carbon markets

A coalition of partners, led by the Inter-American Institute for Cooperation on Agriculture (IICA) and the Voluntary Carbon Market Integrity Initiative (VCMI), and of which Climate Focus is a member, have announced that they are developing a regional partnership to support Latin America and the Carribean's agriculture sector. The goal is to facilitate access to carbon market finance mobilised through voluntary and compliance markets.

The United Nations Development Programme (UNDP) launched a plan to improve integrity in carbon markets and increase access to carbon finance for developing countries. This initiative seeks to address concerns of double counting, human rights violations, and greenwashing that often plague carbon markets. UNDP will focus on integrity on both demand and supply sides of the market. The initiative builds on UNDP's Carbon Payments for Development (CP4D) Facility in partnership with the Government of Switzerland to support Article 6 readiness and ITMO agreements; UNDP's well-established forest carbon portfolio in partnership with the UN-REDD Programme, Green Climate Fund (GCF), Governors' Climate and Forests Task Force (GCFTF), Central African Forest Initiative (CAFI), Forests Carbon Partnership Facility (FCPF) and the LEAF Coalition; and the joint initiative with Climate Focus on Carbon Markets Access Strategies.

Leading philanthropies also focused on the integrity of carbon markets, through a joint statement endorsing high-integrity carbon finance, and efforts to support and improve high-integrity carbon markets. Signatories include, *inter alia*, CIFF, the Bezos Earth Fund, and the European Climate Foundation. Leading NGOs also published their own joint statement on the matter, calling for more frameworks and standards to follow the lead of the VCMI and the Integrity Council on Voluntary Carbon Markets (ICVCM). That statement was signed notably by Conservation International, Emergent, the Nature Conservancy, and the Wildlife Conservation Society (WCS).

CONCLUDING THOUGHTS

COP28 was noteworthy, not only for its successes (e.g., the loss and damage fund) or its failures (e.g., Article 6 negotiations), but because of its sheer size. The largest COP in history saw roughly 100,000 people flock to Dubai, to discuss progress and next steps on climate policy and action – an astonishing number, which the UAE accommodated easily, in a very well organised manner. If COPs keep growing as they have in recent years, one can only wonder how future host countries will be able to deal with a continued increase in participants. Not many cities have the infrastructure, capacities, and means to hold such large events, which raises the following questions: should COPs be scaled down? And, if so, what would that entail? Who should participate and who should be excluded?

The 29th COP will be held in Baku, Azerbaijan, from November 11 – 24, 2024. Just like the UAE, Azerbaijan is a petrostate, with oil and gas accounting for some 90 percent of its exports and between 30 and 50 percent of its annual GDP. In early January, the government announced it had appointed its environment minister, Mukhtar Babayev, as the president of COP29. Before entering national politics, Babayev worked for the State Oil Company of the Azerbaijan Republic for close to thirty years. The COP29 presidency will no doubt face the scrutiny of the media and observers in the months to come, with many – once again – worrying that a major gas exporter will not be inclined to strengthen the language of COP28 when it comes to fossil fuels. Azerbaijan will also face the challenge of rebuilding trust around Article 6 negotiations, and feel the pressure should it fail to do so: one more year of delay in the operationalisation of Article 6.4 might very well deal a fatal blow to that mechanism. Regardless of progress on Article 6, we hope to see future COPs lead to concrete, implementation-oriented outcomes that match action with scaled financing.

Great-Grandmother Mary Lyons, Ojibwe Elder from Minnesota speaks onstage during the People's Plenary by the COP28 Coalition and different constituencies at the UN Climate Change Conference COP28