



COP 28 Round-up:
Steps forward
More to do

What is COP28

COP28 was the 28th annual United Nations (UN) climate meeting, where more than 70,000 delegates including governments, business leaders, activists, experts, scientists and Indigenous Peoples gathered in Dubai (UAE) to limit and prepare for the future impacts of climate change. The summit took place in Dubai, in the United Arab Emirates (UAE).



Why business leaders need to pay attention

COP28 provides increasing clarity for businesses on the direction of travel to accelerate efforts to green the global economy, and an opportunity to put organisations on the front foot and get ahead of inevitable regulation. Our 'decade of action' will soon be up and we collectively risk having very little to show for it. As Simon Stiell, UN Climate Change Executive Secretary, said;

"Today, we find ourselves in a rather different position in humanity's climate action journey. We are taking baby steps. Stepping far too slowly from an unstable world that lacks resilience, to working out the best responses to the complex impacts we are facing. We must teach climate action to run."

Companies that ignore the environmental imperative risk seeing regulatory fines, damage to their brands and corporate reputation, investors divesting their stock, consumer backlash and difficulty in attracting and retaining the best talent.

COP stands for 'Conference of the Parties', where the 'parties' are the countries that signed up to the original UN climate agreement in 1992. COPs take place every year and are the world's only multilateral decision-making forum on climate change. It's where the world comes together to agree on ways to address the climate crisis, such as limiting global temperature rise to 1.5 degrees.

The key themes coming out of COP28

01 Transitioning away from fossil fuels

- COP28 ended with a deal (**'UAE Consensus'**) that saw perhaps the strongest commitment to address the use of fossil fuels – to accelerate the “transition away from using all fossil fuels in energy systems... in a just, orderly and equitable manner” this decade, in line with the science.
- The agreement includes the first “global stocktake” of how countries can accelerate action to meet the goals of the landmark Paris Agreement. Many are seeing this as the beginning of the end of the fossil fuel era. It's certainly going to make justification for fossil-fuel initiatives extremely hard to justify.
- Richer countries are expected to move away from coal, oil and gas more quickly but loopholes in the text might enable the production of coal, oil and gas to continue. Developing countries, whose economies are built on the use of fossil fuels, will find the transition much harder and have called for financial and technological support from more developed countries to help.

02 But not phasing out

- However, the term 'phase out' didn't make it, something many governments and businesses wanted. The deal also doesn't compel countries to take action, and no timescale is specified.
- As such there is mixed commentary on whether this really is the beginning of the end of the fossil fuels or the lack of directive for a fossil fuel 'phase-out' demonstrates continued resistance to the realities and need for transformative change to our energy systems.

*The We Mean Business coalition's **Fossil to Clean** campaign exemplified this message. With over 200 companies representing over \$1.5 trillion in revenue, they urged governments ahead of COP to ramp up clean energy and, most notably, to phase out fossil fuels.*

03 Focus on renewable and efficiency energy to accelerate investment and innovation

- There were global targets to triple the capacity of renewable energy like wind and solar power, and doubling the rate of energy efficiency improvements, both by 2030. These objectives should drive and scale up investment and innovation.
- Around COP there were positive pledges including an initiative called the coal transition accelerator, launched by France, Canada, the European Commission, Indonesia, Malaysia, Senegal, UK and US. As well Spain, Kenya and Samoa joining a small group of nations pledging to phase out all fossil fuels, known as the **Beyond Oil and Gas Alliance**.
- Australia and Norway joined the clean energy transition partnership (CETP), an initiative with the goal of ending international public finance for fossil fuels.
- Colombia became the first major oil exporter to sign the **fossil fuel non-proliferation treaty**.

“True, the path ahead is challenging, but history has shown us time and again that resilience and persistence can bring about monumental change... We must continue to advocate, innovate, and collaborate to drive the shift towards a sustainable and equitable global economy.”

Paul Polman, business leader, climate and equalities campaigner

04 The need and importance of a just transition recognised but must be strengthened

- The need for a just transition was more centrally recognised but human rights was not safeguarded. This was criticised by many civil society groups for not calling out human rights protection, particularly for communities most vulnerable to climate change.
- There was recognition that a just transition and the promotion of gender equality are intrinsically linked. COP28 Presidency launched the **Gender-Responsive Just Transitions & Climate Action Partnership**, which was endorsed by 68 Parties. The Partnership includes a package of commitments on finance, data and equal opportunities. This partnership is aiming to build upon progress made through the enhanced UN Climate Change Lima Work Programme and its Gender Action Plan.
- Much more needs to be done to improve women’s opportunities to participate in and shape the green economy, including strengthening inclusive decision-making.
- There was an important announcement on a new **‘COP28 UAE Declaration on Climate and Health’** (the Declaration) to accelerate actions to protect people’s health from growing climate impacts. The focus on government’s response to prepare healthcare systems to cope with climate-related health impacts will only increase.

“The science has spoken. It has confirmed that the moment is now to find a new road, wide enough for all of us.”

Dr Sultan al-Jaber, COP28 Presidency

05 Accelerating low- and zero-emission technologies but feasibility remains uncertain

- The agreement calls on countries to accelerate low- and zero-emission technologies like carbon capture and storage. Carbon capture has been highlighted for hard-to-abate sectors and low carbon hydrogen production.
- However, a major area of contention is around abatement. Does carbon capture allow fossil fuels to continue? What are the carbon capture requirements? Will it work for all large-scale projects? Will it ever be commercially viable without public subsidies? This all remains unclear.
- Fossil fuel prices continue to be volatile and carbon capture feasibility remains uncertain. In the meantime, renewables are up to nine times cheaper than fossil fuels. Challenges with grid connection, planning and other issues are ongoing but innovation around renewables, energy conservation, electrification, battery storage and other alternative fuels is booming.

06 Commitment to a Loss and Damage Fund but financial commitments fall short

- COP28 began with a historic and unexpected agreement on a **loss and damage fund** to help developing countries cope with the effects of climate change. Governments have collectively pledged an initial \$700 million including UAE, Germany, UK, Japan and USA.
- However the World Bank and other groups have said the fund, falls short of what's required to meet mitigation and adaptation goals. Many have said that public finance alone will never be sufficient and businesses may need to step up.



07 Sustainable food production and consumption recognised as central to making progress

- COP28 is the first of these annual climate conferences to recognise that what people grow and eat is a key factor in global warming.
- On 1st December, **the World Climate Action Summit** kicked off with the release of the **Emirates Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action**, signed by 134 parties. By 12th December, the declaration had garnered an additional 20 signatures and two further endorsements. It aims to scale up adaptation, promote food security and nutrition and improve integrated water management across food and farming. The new declaration adds to the general push on more sustainable production and consumption.
- There were methane reduction commitments from food and agriculture companies, and oil and gas sector, which included national oil companies for the first time, as well as food and agriculture companies. These steps have the potential to **reduce warming by 0.2°C**.
- The UN's Food and Agriculture Organization revealed their three-year programme to transform land use and food systems with the intention to eliminate global hunger while aligning to the 1.5°C pathway of the Paris Agreement.
- Several financial pledges accompanied the food-systems announcements, including **\$890m** to the research consortium **CGIAR**, **\$57m** from the **Bezos Earth Fund** for food systems transformation and approximately **\$47m from Norway** towards adaptation, largely for smallholder farmers.

Greener diets continue to take hold despite a recent slowdown. The growth rate in the market of plant-based foods is projected to rise approximately 10% annually. There was criticism of 'Big Meat' lobbying and exaggerating the environmental and nutritional benefits from meat.

08 Climate and Nature are inescapably linked, but gaps remain

- Many of the new initiatives and pledges announced on Nature Day were focused on how countries can better integrate actions to meet the goals of both the **Kunming-Montreal Global Biodiversity Framework (GBF)** and the Paris Agreement.
- For the first time the UAE Consensus includes a formal link to the Kunming-Montreal Global Biodiversity Framework and emphasises the importance of halting and reversing deforestation by 2030. And, in a first-of-its-kind initiative, the UAE COP28 presidency and China COP15 presidency released a **Joint Statement on Climate, Nature and People**.
- While this agreement does not do enough to fully recognise how the climate and nature crises are intertwined, it is supported by pledges made by a number of parties in parallel to the negotiations including the Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action.

*There is opportunity to get on track to keep 1.5°C alive while also getting to a nature-positive economy by 2030 – the beginning of nature-loss reversal. WWF's new report, **Breaking Silos**, calls for strengthening synergies between Nationally Determined Contributions (NDCs) and National Biodiversity Strategy and Action Plans (NBSAPs).*

09 Greater focus on the role of cities, states and regions

- COP28 saw a greater focus on the role of cities, states and regions, who are often more progressive than national governments but not formally recognised in international climate processes.
- The first ever Local Climate Action Summit (LCAS) for governors and mayors saw, for the first time, sub-national leaders from across the world participate in the formal COP agenda.
- During the Summit, more than 70 national governments endorsed support for the role of sub-national governments to contribute to NDCs and progress reviews through the newly established **Coalition for High Ambition Multilevel Partnership (CHAMP)**.



What does all this mean for businesses – whether to navigate or lead the change!

01 Set science-based (SBTI-validated) targets for climate and nature as part of long-term net zero plans.

Businesses need to understand risks, opportunities, dependencies and impacts to develop targets and transition/action plans to achieve them. The signal from regulators to business on the need to protect and restore nature is now crystal clear. Biodiversity COP16, which Colombia has offered to host in 2024, will further cement joint actions on climate and biodiversity. We'd recommend watching this closely.

02 Action to reduce carbon across international supply chains (Scope 3 and supplier engagement) needs to be accelerated.

The approach to suppliers is evolving. It requires identifying and engaging suppliers where there is greatest impact and influence, applying soft incentives such as awarding preferred supplier status or applying preferential payment terms, and hard support – in the form of finance. A first phase is supporting suppliers on carbon footprinting and target setting with the SBTI guidance for SMEs. This leads to accountability where suppliers take on the responsibility for hitting targets. The second phase is equally important – working in partnership with suppliers to co-invest in new cleantech and energy management practices. **Read more about this here.**

03 Building a Climate + Nature-resilient business should be central to the business strategy, including developing new business models.

Businesses need to accelerate efforts and understand the climate and nature risks and dependencies embedded in business, investment and sustainability strategies. For example, regenerative supply chains can deliver carbon savings and nature gains for businesses and communities. Especially with US-China cooperation (the two most polluting nations), the choice is becoming even more stark; have fossil fuel stranded assets or transition to cleantech opportunities.

04 Don't overlook the social issues impacting the business including implications for employees.

Preparing healthcare systems to cope with climate-related health impacts such as extreme heat, air pollution and infectious diseases was acknowledged for the first time at COP28. Businesses have a crucial role to play in understanding, planning and taking action in the communities in which they operate. They need to consider the implications for employees and people who make and buy their products.

05 Businesses have an important role to play in investing.

Supporting blended finance programmes, aligning public and private investments and developing other mechanisms to scale up towards the required investments needed. For example, businesses financing carbon reduction and adaptation across international value chains will unlock additional funds in the less wealthy parts of the world (where many of their source materials come from) while also contributing to business resilience.

06 Quality disclosure data is going to become even more crucial.

Expect continued pressure on businesses to expand, deepen and provide more specific data sets across the value chain to assess and accelerate action.

07 Leverage local markets knowledge to understand global implications.

As cities, states and regions continue to make progressive commitments and implementation legislation, businesses will need to have ongoing mechanisms to track more localised environmental and social actions, understand brand and business implications and take action.

08 Increase collaboration between private and public sectors.

The complexity of the challenge requires determined and radical collaborations between businesses, governments and civil society across all systems. Businesses should be looking outside their sector and to start-ups, academics and NGOs to accelerate progress.

If you would like to explore any areas or issues covered in the piece, then please contact us at info@salterbaxter.com

