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COP28 Outcome: The Battle has Been Joined

By: Mritiunjoy Mohanty,Runa Sarkar

The COP28 Climate Conference was a milestone in that it agreed to phase out fossil fuels though this particular deal has many shortcomings. Corporate capital had a huge imprint on the meeting and climate finance was ignored. That said there has been movement forward and COP29 will see more battles.

The 28th Conference of the Parties (COP28) of the UN Framework Convention on Climate Change, held in Dubai in December 2023, will be seen as a turning point in the contentious history of climate negotiations despite serious disappointment about the lack of engagement with climate finance.

It was the best attended COP ever, with 65,000 core participants significantly outstripping the 36,000 at COP27 and 26,000 at Paris COP15. Outside of governmental delegations which contributed the bulk of participants, national and global private corporate sectors particularly from energy, banking and finance were very well represented ('Biggest-ever UN climate summit as UAE host swells guest lists', Kenza Bryan, *Financial Times*, 16 December 2023) and had come ready to do battle. It was also an indicator of private corporate capital's serious engagement with the issue of impending regulatory change as anthropomorphic climate disruptions forced themselves on the agenda of governments.

It is important to bear in mind that this extensive engagement, particularly for oil and gas industry began with COP27. As Matt McGrath, the BBC's environment correspondent had noted "One key takeaway from COP27 was the presence and power of fossil fuel-be they delegates or countries. Attendees connected to the oil and gas industry were everywhere … The crammed pavilions felt at times like a fossil fuel trade fair."

Beginning of the end

It is in this light that we should read the COP28 agreement to transition away from all fossil fuels as an energy source. And even though the phrasing was loose and imprecise, the direction of travel was clear. As Simon Stiell, UN Climate Change Executive Secretary, noted at the closing of COP28 "We needed a global green light signalling it is all systems go on renewables, climate justice, and resilience. On this front, COP28 delivered some genuine strides forward." and "Whilst we didn't turn the page on the fossil fuel era in Dubai, this outcome is the beginning of the end." (See also the accompanying article "COP28: A Historic yet Flawed Outcome on Phasing Out Fossil Fuels " by Harjeet Singh.)

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Stiell's observation about the "beginning of the end" is particularly apt. In prior COP negotiations, the United States (US) and its developed countries allies had used the fact that coal, the preferred fossil fuel energy source of developing countries, was also the most polluting to keep discussions squarely centred around the phase out and phase down of coal, deflecting discussions away from their own substantial contributions to global warming and climate change, not just historical but also current. In this context, it is worth keeping in mind that at COP27 the powerful fossil fuel lobby had been able to scupper an agreement on the inclusion of all fossil fuels and keep the focus narrowly on coal.

A 2023 report published by Oil Change International notes that "five global north governments stand out as the biggest climate hypocrites and most egregious Planet Wreckers: the United States, Canada, Australia, Norway, and the United Kingdom. Despite having the greatest economic means to rapidly phase out production, they are responsible for a majority (51 percent) of planned expansion from new oil and gas fields through 2050". So COP 28 and the agreement to transition away from all fossil fuels was effective pushback by developing countries and their partners-in the face of very stiff resistance from northern governments, oil and gas energy producers and corporate lobbyists-bringing a modicum of balance to the conversations around climate-change related energy transitions.

Renewable energy

Equally, in this context, the agreement reached at Dubai to triple renewable energy capacity to 11,000 Gigawatts by 2030 and double energy efficiency improvements from 2% to 4% annually is noteworthy. Global renewable energy capacity tripled over 12 years between 2010 and 2022. To reach the Dubai 2030 target it would now have to triple over eight years, starting from a higher base. According to Bloomberg NEF this goal was "hard but achievable". This is largely because the cost of generating solar and wind energy has dropped drastically and battery storage technology has improved significantly, making reliable and cost-effective renewable energy a viable proposition. As a result, Bloomberg NEF also notes that direct government subsidies are no longer the main drivers of renewable energy adoption. ("COP28: the new climate commitments that really count", Pilita Clark and Jamie Smyth, Financial Times, 16 December 2023).

The big stumbling blocks now are in connecting renewable energy units to conventional power grids: environmental permitting requirements and under-investment in grid infrastructure and technology. Therefore, as the push for renewable energy gathers steam, the next flashpoint is likely to become permitting requirements and unless due care is taken, given the balance of forces, the resolution of these disputes with local communities is likely to be socially inequitable.

On a slightly different note, even as technological improvements and falling costs drive solar scale, it is equally important to remember that rooftop solar and distributed renewable energy are important elements of a sustainable renewable energy mix, as the experience of Australia, China, EU and lately India suggests. And distributed renewable energy requires an entirely different public policy framework as compared with large-scale renewables, particularly when it comes to grid connectivity and storage. This too was conspicuous by its absence in Dubai.

Energy transitions

A less discussed though equally important outcome of COP 28 was an agreement that energy transitions should happen "in a just, orderly and equitable manner" and under the aegis the UN's new "Just Transition Work Programme", to outline "just transition pathways" ("Explainer: COP28 deal on fossil fuels gives impetus to 'just transition'", Megan Rowling, Reuters, 18 December 2023). This is important because it entrusted the UN not only with helping define just transition pathways but also recognised that these will be defined by specific natural and financial endowments as well as the level of development of each economy and therefore will be different for each. As UN Secretary-General Guterres noted in Dubai "Decarbonisation will create millions of decent new jobs, but governments must also ensure support, training and social protection for those who may be negatively impacted," and "At the same time, the needs of developing countries highly dependent on the production of fossil fuels must also be addressed".

This is why the skimpy discussion in COP 28 on financing climate and energy transitions for developing countries is so galling. Be that as it may, to give some teeth and institutional heft towards devising just orderly and equitable pathways for developing economies adversely affected by energy transitions, governments agreed to hold an annual ministerial meeting and as well as engage in biannual dialogues around these issues as a part of the UN climate talks.

For all the "genuine strides forward", it is sobering to keep in mind how far we remain from the COP15 Paris Agreement goal of 1.5-degree Celsius global warming target.

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As UN Climate Change's Stiell noted in his closing remarks, "We are currently headed for just under 3 degrees.". The International Energy Agency noted that even if all Dubai commitments are met "they would not be nearly enough to move the world onto a path to reaching international climate targets, in particular the goal of limiting global warming to 1.5 °C." Specifically, "This reduction in 2030 emissions represents only around 30% of the emissions gap that needs to be bridged to get the world on a pathway compatible with limiting global warming to 1.5 C (the IEA's Net Zero Emissions by 2050 Scenario)." Already, prior to the commencement of COP 28, UNEP in its Emissions Gap Report had noted that "Most concerningly, none of the G20 members are currently reducing emissions at a pace consistent with meeting their net-zero targets" (p xx). So very clearly we are in a difficult place and, even more worryingly, can only agree on taking, relatively speaking, baby steps to getting out of there.

Corporate imprint

If the big gain from COP28 is the focus on transitioning away from all fossil fuels as well on just transitions, this came at a huge price: the imprint of big corporates, who as we have already noted were very well represented in Dubai, on COP28 outcomes. Alongside the focus on renewables, oil majors pushed hard for and achieved the inclusion of carbon capture, utilisation and storage (CCS) technology as a central element in combating climate change. Besides being largely unproven and presently non-scalable, for many energy scientists and environmental activists corporate focus on CCUS is their get-out-of -jail-free card because it allows them the leeway of postponing difficult choices, thereby slowing down the transition, with potentially catastrophic climate consequences.

From our standpoint, it is also an unrelenting short-term focus on minimising the losses from stranded assets and thereby maximizing shareholder return and value at the expense of achieving the global good of a sustainable energy transition. Therefore, despite the focus on transitioning away from all fossil fuels, when we take the inclusion of CCUS alongside the lack of engagement with financing energy transitions of developing countries and the absence of a serious discussion of adaptation measures and loss and damage - it is clear whose interests won the day.

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Further, there is a concern that private finance may play an even greater role in determining where and how investments are made to address climate change. As Manish Kumar Shrivastava, Associate Director, TERI, has argued in its assessment, "Despite all announcements related to finance, the text may very well open way to privatization of global public policy on climate finance. This is different from private finance eventually playing an important role. It allows the private finance to set public agenda on sectors relevant to adaptation and health."

This brings us the last point that we would like to make in this assessment of COP 28 outcomes: focus on mitigation over adaptation. Seen in the longer run, the more deleterious outcome was the excessive focus on mitigation and abatement as coping strategies as opposed to climate adaptation and building resilience into economic systems. At COP28 the world behaved like the proverbial ostrich, burying its head in the sand, viewing climate change as an event to be dealt with in the future rather than acknowledging that it is already upon us.

Mitigation, because the underlying risks are somewhat better understood and the returns more privately appropriable, is easier to finance and hence the focus of financial markets. Adaptation equips economies with the ability to cope with the effects of climate change and makes them more resilient. As Clarke et al note, "Bangladesh, for example, has invested $10 billion over the past 35 years to reduce its vulnerability, mainly by improving infrastructure, managing flooding (such as by building oyster reefs to protect shorelines) and introducing climate-resilient crops".

Adaptation then makes economies more resilient by building appropriate infrastructure to cope with the impact of climate change as well as equipping the affected population with the means for alternate livelihoods, thereby reducing future loss-and-damage effects of climate change. The farther away we get from 1.5 degrees target, the greater the probability of catastrophic climate events and greater the need for addressing loss-and-damage impacts. The greater the focus on adaptation, the greater the resilience of economies in the face of climate change and the lower the need to provide for loss and damage. Adaptation, however, also has the character of a public good and, hence, is shunned by financial markets. As we have noted elsewhere, it requires finance at discounted rates. What would the appropriate rate of discount be and where would such discounted finance come from? Therefore, publicly owned development banks have been at the forefront of financing transition pathways in Brazil, China and EU, for example.

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Instead of taking a very narrow view of only compensating for current loss and damage, a more comprehensive approach would be to also minimize future loss and damage in which adaptation plays a key role. For example, today it is perfectly feasible both technologically and financially, to combine adaptation, mitigation and climate justice. For example, as Johnathan Rockford of Habitat Humanity International notes, "Affordable, safe, climate resilient housing is not only foundational to addressing global warming and achieving the UN SDG goals - it is also the lynchpin to building more equitable communities and strong healthy economies for generations to come."

Responding to climate change from the standpoint of adaptation and loss and damage would require a public policy approach that does not privilege markets as providing all the solutions. Rather, a more decentralised approach is required where states, markets and communities work in tandem to find solutions that are both workable and sustainable.

COP29 then has to deal with prickly issues such as mechanisms for generating and disbursing resources for the Loss and damage fund, detailing the financing expectations and targets for the global goal on adaptation, and assessing and facilitating the new collective quantified goals from member countries.

From COP28 to COP29

Nonetheless we see COP28 as being historic. At COP27, the efforts of the Global South led by the late Saleem ul Haq of Bangladesh finally saw loss and damage incorporated into global climate change efforts. At COP 28 a loss and damage fund was operationalised, temporary offices agreed (World Bank HQ) and loss and damage lived to fight another day. Even more important the Global North and the oil and gas lobby had to yield and accept transitioning away from all fossil fuels even as they ensured that no quantifiable milestones were set and CCS was included as a technology option. We therefore expect COP29 to be even more contentious, with no quarter being given. The battle, however, has been joined for a more equitable, democratic and sustainable response to climate change.

On to COP 29 then.

Mritiunjoy Mohanty and Runa Sarkar are members of the Economics faculty at IIM Calcutta. They are also co-editors of an Open Access volume 'The Role of Coal in a Sustainable Energy Mix for India: A Wide-Angle View' (Routledge 2023).