ICC Briefing on Outcomes of COP28 and Looking towards Baku
Wednesday, 6 March 2024

Introduction:

- Despite strong criticism over the country's legitimacy to lead UN climate negotiations, the UAE COP28 Presidency achieved the adoption by almost 200 countries of the "UAE Consensus", including an historic agreement on the first global Stocktake (GST).
- From a business perspective, the totality of the agreements sends an important signal of intent to the international community to increase the pace and scale of efforts to keep 1.5°C within reach. It may not deliver on everything global business called for, but it provides a clear roadmap for policy change to speed mitigation and adaptation efforts, transform energy systems, and scale up the flow of climate finance to developing economies.
- What matters now is action and implementation. The coming two years will be critical in terms of delivery on the commitments. At COP29, governments are asked to establish a new post-2025 climate finance goal and conclude important work on Article 6 on international carbon markets. At COP30, they must come prepared with new Nationally Determined Contributions (NDCs).

1. COP28: "UAE Consensus" laid out a clear roadmap for keeping 1.5°C within reach

- COP28 saw not only adoption of transformative and historic set of negotiating decisions, but also un unprecedented mobilisation of key stakeholders, including business, through the COP28 Action Agenda, as well as the adoption of numerous pledges & commitments.
- On the negotiation side, the main decisions of the UAE Consensus are:
  - The **GST decision,** a key component of the UAE Consensus, sets out a clear pathway and ambitious actions needed to keep 1.5°C within reach.
    - It includes both actions needed for this critical decade and beyond.
    - It includes under 'Paragraph 28' urgent efforts that are needed in the next 6 years to triple the global renewable energy capacity, double energy efficiency improvements and transition away from fossil fuels in energy systems. This is consistent with the science and latest reports from IPCC and IEA.
    - It encourages Parties to come forward with "ambitious, economy-wide emission reduction targets, covering all greenhouse gases, sectors and categories and aligned with limiting global warming to 1.5 °C" in their next 2035 NDCs.
    - It recognises the need to significantly scale adaptation finance beyond doubling, to meet urgent and evolving needs.
    - It recognises the crucial role finance has to play in delivering higher ambition and supporting implementation of countries NDCs, and importance of the new post-2025 climate goal to be delivered at COP29.
  - The decision adopted on the very first day of COP28 to **operationalise new funding arrangements, including a fund, for responding to loss and damage**, promised at COP27, was the result of careful groundwork yield by

the UAE Presidency and contributed to create a positive mood and helped bring countries together.

    - Discussion was market by an important shift from previous liability conversation to one of global solidarity. This decision led to over 700 million US dollars of pledges from countries for the initial capitalisation of the new Fund.
    - The Fund will be hosted by the World Bank for an interim period of four years. The majority of the 26-person Board of the Fund is now constituted and will be tasked with enormous amount of technical work, *inter alia*, developing a business framework, an allocation system, ensure that the Fund can receive contributions, including alternative contributions, and making sure that the conditions for the World Bank to host the Fund are met.
    - The Fund is expected to be fully operational by COP29 ideally or early 2025 at the latest.
  - The adoption of the **UAE Framework for Global Climate Resilience** – with the establishment for the first time of targets for both specific sectors and the iterative adaptation cycle.
  - The decision on the **Mitigation Work Programme**, which was established at COP26, that will focus on opportunities and barriers to closing the 2030 ambition and implementation gap.
  - The agreement on the **Just Transition Work Programme**, that includes a five-year programme and aims to drive ambitious, equitable implementation across all pillars of the Paris Agreement and facilitate countries' just transitions to a low-emissions and climate-resilient future.
- As a complement to the negotiating outcomes, the COP28 Action Agenda saw over 190 announcements, pledges worth over $85 billion in funding for climate action as well as **several important declarations**, including the first-ever declarations on food systems transformation and health, and declarations on renewable energy and efficiency, as well as initiatives to accelerate decarbonisation of heavy emitting industries. The Energy Transition Commission estimates that the totality of these commitments could lead to between 9–17 GtCO2e of mitigation by 2030.
- The COP28 Presidency also explored innovative approaches in terms of stakeholder engagement, such as the establishment of the first-ever Business & Philanthropy Climate Forum, the COP28 Trade Day and the appointment of a Youth Climate Champion, to be taken forward to Baku and Belem.
- **Lessons learned**:
  - There is no one size fits all solution for countries and one size approach for incoming Presidencies, as every country and Presidency has its own needs and approach. Understanding each other's perspectives and continue enhancing collective ambition and solidarity between Parties and non-Party stakeholders will be key to ensure we can deliver on our collective commitments in a global, just, and inclusive manner.
  - The climate action agenda needs to go hand in hand with development plans to allow countries to tackle the climate crisis, following a pathway that is sustainable and takes into account countries' national circumstances and that creates opportunities for growth and does not burdens development.

2. COP29: A litmus test for Parties to deliver on and implement the 'UAE Consensus'

- The NDCs process to be launched this year lays at the core of this. Countries are expected to **deliver strong NDCs between November 2024 and February 2025** – that are economy-wide, cover all greenhouse gases and are fully aligned with the 1.5°C temperature limit. These must also be **informed by the outcomes of the first Global Stocktake**.
- Countries must also deliver on the GST mandated '**1.5 Roadmap**', including on outcomes on mitigation. Countries national action as well as international efforts through different fora, such as the IEA (data, tracking progress support with regard to implementation of the GST energy section), IMO (measures to decarbonise of international shipping sector), but also the G7 and G20, are expected to send strong signals on NDCs, on the GST mitigation aspects as well as finance support for the most climate vulnerable.
- Important work is also needed under the UNFCCC and different processes agreed, including the Mitigation Work Programme, the Global Goal on Adaption, the Just Transition Work Programme to help with the implementation of the first GST.
- Finance will be the key enabler to unlocking action in the implementation phase of the UAE Consensus and will be a critical element of negotiations at COP29 in Baku, as well as other means of implementation, including Article 6 on cross-border emissions trading.
- The important piece of the climate finance landscape to be delivered at COP29 will be the **New Collective Quantified Goal** (NCQG) on climate financing, the successor of the 100 billion dollar goal. It is important that the goal is robust and ambitious and responds to the needs of developing countries.
    - The issue is incredibly complex, with many interrelated issues to be taken into consideration. Negotiations will require innovative thinking, a pragmatic and realistic approach from Parties, which will have to continue technical work but also discussions on political level to understand where to go and how to land an outcome in Baku.
    - From the perspective of some countries, the new goal will have to be multilayer (can be seen as an onion); there is a need to look at wide range of instruments, and consider all sources of finance (international and domestic flows, public and private and in all countries), going beyond what public budgets can provide and looking at both finance for mitigation but also adaptation (still lacking business case for adaptation & linked finance).
    - It is also critical to look at the bottlenecks in implementing the current $100 billion goal and key learnings for that process.
    - Parties will also need to take into account the evolving economic context and the limitations of public budgets, and how to create conducive environments for investments in mitigation and adaptation in this context.
    - Next steps for the negotiations is on identifying and defining options on all issues and elements (quantitative and qualitative), especially the most challenging ones (that have not yet been address in the work so far under the technical process).
- The transformation of financial flows both at national and international level to align with the Paris Agreement, and work under the so called Article 2.1 (c) of the Paris Agreement is seen by some countries as critical part of the discussions on NCQG.

- There is ultimately also a need to take into account the broader perspective on climate finance and look at what is going on outside of the UNFCCC process regarding the transformation of financial architecture.
    - Inputs from the global business community on this will be crucial in helping Parties understand how to attract the level of investment needed in all countries in order to transform our economies.
- Also important, after the lack of agreement at COP28, is the **full operationalisation of Article 6**, ensuring environmental robustness but also consistency with the Paris Agreement and the 'Article 6 Rulebook' agreed at COP26.
    - There are some encouraging signs with regards to implementation of carbon markets, even though not at the scale and pace needed to achieve the Paris goals. The GST outcome refers to the urgent need to accelerate implementation of Article 6, which sends a strong signal for Parties this year's work.
    - On Article 6.2, a functioning framework is in place that already allows for market-based cooperations between countries and countries are already using it (i.e. first transaction concluded between Switzerland and Thailand a few weeks in January).
    - On Article 6.4, Parties missed an opportunity to speed up the operationalisation of the UNFCCC crediting mechanism, also setting a high bar on environmental integrity, safeguards, and human rights.
    - All Parties will now need to engage, also on a political level, to resolve the few remaining differences. For this it will be important to stay true to what was agreed in Glasgow and Sharm, while also providing the needed assurance to countries and the private sector.
- Laying the groundwork for **timely and robust biennial transparency reports** due by end of 2024, will also be key for Parties to send an important message on functioning of the Paris Agreement process and process towards its implementation.
- The COP28 Presidency is already closely working with COP29 and COP30 Presidencies as part of the first-ever mandated "**COP Presidencies Troika**" in a COP decision, that is tasked to promote implementation of the 1.5 limit.
    - It is an opportunity for long term cooperation and the chance to build continuity between COPs and creative innovative and strategic partnerships underpinned by a multiyear agenda of activities.
    - The objective is also to help raise confidence in the COP process and encourage implementation of the Paris Agreement.
    - Next milestone for the 'Troika', after the launch in Dubai in February and further discussions in Tokyo, will be at the Copenhagen Climate Ministerial, 21-22 March. The UNFCCC business group will be represented at the Meeting and will have the opportunity to provide inputs on how the 'Troika' can guide the NDC process and ensure long-term collaboration.