# What you need to know about COP27:
## Three takeaways from the latest climate talks

### Introduction

**In early November 2022, global leaders representing governments, the private sector, and civil society gathered in Sharm El Sheikh, Egypt for the 27th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP27). While expectations were tempered entering the two weeks of the conference, the need for rapid progress continues to build.**

Underpinning the sense of urgency were sobering new findings that countries' current climate commitments (known as Nationally Determined Contributions, or NDCs), if fully implemented, would result in emission reductions of only 5-10% by 2030,[1] drastically short of the 43% decrease needed to limit global warming to 1.5°C.[2] Further coloring the talks were developed countries' continued shortfall in mobilizing the US$100 billion annually of new and additional climate financing they had previously committed to;[3] the Organisation for Economic Cooperation and Development (OECD) estimates that in 2020, all climate finance (including private capital) totaled only US$83 billion.[4]

Despite early fears that COP27 would be purely procedural, the outcome was something of a mixed bag, with notable breakthroughs tempered by lack of progress elsewhere. On balance, COP27 represents a missed opportunity to meet the moment in transitioning from negotiation to implementation of the Paris Agreement agenda.

Here are three key takeaways from this year's most important climate change talks.

## 1. A tale of two COPs: Creation of a "loss and damage" fund contrasted by failure to enhance ambition

COP27 will be remembered for the creation of the Loss and Damage Fund. A major achievement grounded in the unflagging efforts of developing and emerging economies, the Fund provides a prospective means to support vulnerable nations in responding to climate-related socio-economic impacts.[5] More broadly, the talks emphasized creating pathways to an equitable and just transition that accounts for energy poverty and security, socio-economic concerns, workforce implications, and other issues.[6] A dedicated work program on Action for Climate Empowerment was established to build upon and complement existing initiatives related to scaling up mitigation, ambition, and implementation.[7]

Juxtaposed against these (limited) advances were missed opportunities in critical areas. First, the COP27 Implementation Plan (the key outcome agreement of the conference) failed to call for a phase down of all fossil fuels, as proposed by India and supported by the US, EU, and more than 80 other nations.[8] That shortcoming was even more conspicuous given ongoing progress in parallel initiatives, such as the Beyond Oil & Gas Alliance, which expanded membership to 17 total governments (including national and subnational), or the Just Energy Transition Partnership, a multi-donor initiative to phase out coal in Indonesia.[9] Such efforts are illustrative of a broader global shift grounded in a rapid energy transition, regardless of the consensus decision adopted at this particular COP.

Second, developed countries continue to fail to mobilize climate finance commensurate with what is needed or even their own commitments. The persistent shortcomings in global climate finance are eroding confidence in existing approaches for deploying capital to enable the green transition. Multilateral and international financial institutions were called upon to explore reforms to enable funding scale up, simplify access, and define a vision, model, and framework that is fit for purpose.[10] In line with international calls,[11] more work is needed to develop the financial architecture to unlock the reservoir of climate finance.

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Finally, in the area of international carbon markets, COP27 made little progress in emphasizing the role of positive conservation co-benefits[12] or in integrating respect for human rights and sustainable development under Article 6 of the Paris Agreement.

Realizing the ambitions of the Paris Agreement requires an enduring commitment to 1.5°C as the goal, the creation of new institutional structures while reforming others, and continued calibration of Paris Agreement mechanisms to ensure they drive sustainable development outcomes.

## 2. Increased emphasis on private actors

Earlier drafts of the cover decision were explicit in highlighting the role of collaboration with private actors in advancing the Paris Agreement goals, before seeing the language watered down under the collective term "non-Party stakeholder." This shift highlights both the growing awareness among governmental negotiators of the important contributions of the private sector, but also the continued need for private actors to build trust and demonstrate authenticity in the official process. (That said, their crucial role was clearly understood in the corridors and plenary halls.) COP27 also underscored that a greater degree of alignment is needed across sectors and within supply chains to lead the needed transition, in particular in hard-to-abate sectors.

To that end, the UN High-Level Expert Group (HLEG) on the Net-Zero Emissions Commitments of Non-State Entities provided recommendations for a common framework to understand, evaluate, and advance engagement with the climate transformation by private actors (especially companies), allowing for continued refinement and ratcheting up of ambition. The Climate Champions also outlined ways for private actors to accelerate action to address loss and damage.[13] With a view to address both economic and non-economic losses, non-State actors are identified as integral to advancing ambition and accelerating finance flows to critical areas of need. Announcements such as data partnerships to minimize supply chains emissions,[14] philanthropic commitments to enable a just energy transition in low- and middle-income countries,[15] and the Biden-Harris plan to protect US government systems from climate-related risks[16] are emblematic of the breadth and depth of roles played by non-State entities in the green transition. Building partnerships with the private sector was also embedded in the policy priorities under last year's Glasgow work programme on Action for Climate Empowerment.[17]

Overall, non-State actors have more opportunities than ever to demonstrate leadership, forge coalitions, and share experiences that can help inform sectoral transformations.

## 3. The critical role of new and emerging technologies in the green transition

Scaling up of new and emerging technological solutions was central to the discussions. One such innovative pathway, green hydrogen, was a central topic across COP27. A crucial enabling technology for decarbonization, it can also drive sustainable development more broadly and can have a transformative economic impact on particular regions. Significant work is needed, however, to de-risk green hydrogen investments and mobilize sufficient financing to scale the highly capital-intensive infrastructure in jurisdictions with potentially misaligned legal and regulatory frameworks. Recently announced projects, such as the Germany and Namibia partnership for green hydrogen, hold the potential to leverage unique geographic advantages to generate cost-competitive green hydrogen, increasing supply, enhancing domestic energy access, and enabling broader sustainable development benefits, domestically and regionally.[18] Further exploration remains needed on the potential market size and required governance, financial, and regulatory reforms needed to actualize green hydrogen investments at scale.

Other announcements saw a coalition of ten leading organizations in maritime transport voice their support for the role of green hydrogen in shipping. The coalition committed to producing and deploying 5 million tons of green hydrogen by 2030 and growing rapidly to 90 million tons by 2040.[19] With notable signatories across the industry, the coalition calls on policy makers to support this ambitious agenda. Under the Clean Skies for Tomorrow and Sustainable Markets initiatives directed by the World Economic Forum, a Sustainable Aviation Fuel (SAF) Offtake Pocket Guide was launched to provide clarity for businesses on their role in the decarbonization of aviation, the importance of SAF, and how they might collaborate to signal demand and leadership while broader policy frameworks are developed.[20]

Actualizing green technology solutions that are often capital intensive at scale requires an increased understanding of the critical components necessary to unlock climate finance, align stakeholders and partners, and formulate pathways for sectoral transformation.

## Conclusion

In this crucial decade of action and implementation, COP27 has highlighted that private actors play an essential role in influencing broad systemic changes through adoption of coalition and value-chain approaches and formulating networks to enable green transition innovations to be effectively realized. As we look to COP28, our ambition must be high—and complemented by a solution-focused perspective focused on putting the Paris Agreement into practice.

# Endnotes


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## Authors

**Prof. Dr. Bernhard Lorentz**
**Global Consulting Sustainability & Climate Strategy leader**
**Founding Chair of the Deloitte Center for Sustainable Progress**
**Partner, Deloitte Germany**
blorentz@deloitte.de
+49 15114881437

**Dr. Pradeep Philip**
**Deloitte Economics Institute**
**Partner, Deloitte Australia**
pphilip@deloitte.com.au
+61 416214760

**Freedom-Kai Phillips**
**Deloitte Center for Sustainable Progress**
**Director, Deloitte Global**
fphillips@deloitte.ca
+1 647-529-6621



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