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Research

Top 8 notable takeaways from COP27

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dbSustainability

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Overall, was COP27 a success or failure?

The answer likely depends on your expectations going into the conference. The event took place against a difficult geopolitical backdrop, rising inflation and an energy security crisis that some nations interpret as support for energy diversification strategies that align with fossil fuel growth.

COP27 negotiations concluded in Egypt on November 20th. This was two days later than expected as talks continued through the weekend in an effort to come to agreement on the creation of a loss and damage fund. For climate advocates and the Global South, the good news is that this fund was established. Critics will point to elusive details driving doubt regarding the fund's future operationalization. Furthermore, key decisions likely won't be made until next year.

While a loss and damage fund was established, progress on climate objectives could have resulted in more agreement on establishment of directives. That said, we believe the annual United Nations COP climate conference does help to hold governments and regulators accountable on a national stage (every year). We noticed several announcements heading into COP and during the conference that shouldn't go unnoticed.

In a recent dbSustainability report the team discuss top 8 takeaways from COP27:

1. A loss and damage fund established, but agreement was rushed and development will take time. Experts estimate USD 100B/ year will be needed by 2030 to help communities repair and rebuild from climate-related disasters. The commitments, set out below, falls short of this estimate.

Country	Finance pledged	Towards
Austria	€50M	To support UN's "Santiago Network",
Belgium	€50M	Climate related support for Mozambique
Scotland	€2.5M	Non-economic loss and damage of suffering countries.
Denmark	DKK100M	Fragile areas including the Sahel region in northwestern Africa.
Ireland	€10M	"Global Shield" initiative for 2023
Germany	€170M	"Global Shield" initiative for 2023

Source: Bloomberg Finance LP, UN, Reuters

2. There was limited progress in standard setting for voluntary carbon markets. Transparency is a concern.
3. Net Zero Asset Managers (NZAM) initiative revealed an uptick in commitments. This should lead to increasing sustainable fund launches, but disclosure and data must be available to execute.
4. There was more focus on biodiversity this year, but the real negotiations will take place at COP15 in December. Among the goals of the event is to: (1) agree upon targets, such as protecting a certain percentage of land and oceans, and (2) mobilize funding.
5. More than ever, regulators and standard setters are focused on global harmonization and partnership. The ISSB and EU (and CDP) are making an effort to have solidarity, but disclosure of metrics such as Scope 3 emissions will be harder to grow adoption globally.
6. The United States took bold action in announcing the Federal Supplier Climate Risks and Resilience Rule, but does it have legs? Trade groups have already highlighted concern over the proposal.
7. The First Movers Coalition gains support from companies such as General Motors, Rio Tinto and PepsiCo. This conceivably puts pressure on aluminium, concrete and cement companies to decarbonize this decade.
8. Fossil fuel producing countries and lobbyists did their best to block proposals to phase out fossil fuels. This could be a continued theme at COP28, which will be held in Dubai next year. That said, the success of next year's event will also hinge on the geopolitical backdrop.

Deutsche Bank Research clients can access the full report here.