



Conference of Parties (COP) 28 – Insights and Takeaways

This document aims to deliver a thorough 360-degree overview of the Conference of Parties (COP) 28. It includes a detailed overview of COP28 including a comprehensive analysis highlighting crucial insights, discussion topics, important outcomes, and its impact on Environmental, Social, and Governance (ESG) factors, alongside organizational and government reputation.

COP28 – An Overview

The COP is the primary decision-making body within the United Nations Framework Convention on Climate Change (UNFCCC). The COP was established in 1994 to mitigate greenhouse gas emissions and safeguard the planet from the consequences of climate change. Nations that have formally ratified this Convention comprise the UNFCCC Conference of Parties (COP). These nations have been convening annually since 1995.

The primary aim of the Convention is to stabilize greenhouse gas concentrations at a level that prevents dangerous anthropogenic (human-induced) disruptions to environment and climate systems. Its goal is to attain this level within a feasible timeframe, allowing ecosystems to naturally adapt to climate shifts, thus, ensuring food security and fostering sustainable economic progress.

History

The inaugural global conference on climate change convened in Stockholm, Sweden in 1972, marking the onset of extensive international dialogues and agreements concerning environmental issues. These discussions led to the formation of the United Nations Framework Convention on Climate Change (UNFCCC) in Rio de Janeiro, Brazil, in 1992. Subsequently, the first UN Climate Change COP (COP1) took place in Berlin in 1995.

Relevance

The increase in global temperatures, currently at a 1.1-degree Celsius rise, stems from human activities, notably the combustion of fossil fuels such as oil, gas, and coal. Without intervention, these temperatures are projected to edge closer to the 1.5-degree Celsius mark. This trajectory aligns with assessments by the (Intergovernmental Panel on Climate Change) IPCC, a body of UN-affiliated climate experts.



A Decisive Moment for International Climate Action

Throughout COP28, significant progress was made within the Global Climate Action Agenda across multiple events. These discussions were pivotal in addressing crucial issues to boost global ambition and action.

As recognizing announcements, commitments, declarations, and the launch of collaborative climate initiatives is vital. COP28 also positively impacted the acceleration of multilateral efforts aligned with the Paris Agreement's goals, most notably as COP28 marked the conclusion of the first Global Stocktake¹.

Focus Areas and Key Discussion Points

The incoming leadership and participants had outlined its strategic focus on four pivotal areas:

- **Accelerating the transition to clean energy:** Reducing emissions before 2030 notably involves expediting the adoption of renewable energy sources to curtail greenhouse gas emissions. The objective is to triple global renewable energy generation capacity to at least 11,000 GW by 2030.
- **Overhauling climate finance:** Includes fulfilling past commitments while establishing a framework for a new agreement. The objective should be to double low-carbon hydrogen production to at least 180 million tons, particularly for hard-to-abate sectors.
- **Emphasizing nature, communities, and livelihoods:** Focus on reshaping agricultural systems by investing in technology and innovative water use to expedite food production. The food system contributes significantly to greenhouse gas emissions and energy consumption globally. Improving resilience to extreme weather and pandemics is crucial for community sustenance and growth.
- **Fostering inclusivity in COP participation:** Ensure comprehensive representation, ensuring the conference's outcomes benefit all. This includes a dedicated focus on nature and communities and efforts to formulate a new agreement aimed explicitly at developing nations.

Key Stakeholders and Participants

At COP28, global leaders were joined by various key stakeholders, including civil society, businesses, Indigenous Peoples, youth, philanthropic entities, and international organizations. These stakeholders were driven to close the gap towards the 2030 commitment. A significant turnout of 85,000 participants contributed ideas and solutions and fostered partnerships and coalitions.

¹ The Paris Agreement's periodic assessment, conducted every five years, aims to bolster intensified climate action. The recent Global Stocktake, the UAE Consensus, comprehensively addressed various climate concerns, particularly in energy, transportation, and environmental conservation. It conveyed crucial signals for these sectors and outlined guidance for the upcoming round of NDCs expected in 2025.



Five Key Outcomes from COP28

1. Global Alignment on Ending Fossil Fuels

COP28 marked a turning point in the fight against climate change, with nearly 200 nations agreeing for the first time on a statement urging a shift away from fossil fuels. This landmark agreement emphasizes the urgent transition required to achieve net-zero emissions by 2050.

UN Secretary-General António Guterres called it the "*start of the end for fossil fuels*," stressing the necessity of an equitable phaseout. Amnesty International echoed the significance, highlighting the need to prevent a climate catastrophe and human rights crisis by ending fossil fuel production.

However, challenges emerged as the final declaration needed an apparent reference to phasing out fossil fuels, causing tension between activists, vulnerable nations, and larger countries.

Despite this, COP28 signifies global alignment towards ending fossil fuels, symbolizing a collective commitment to a sustainable future. The agreement reflects a pivotal step in moving beyond the era of fossil fuels.

2. Increasing Climate Finance

Climate finance took centre stage with substantial pledges to funds like the Green Climate Fund (GCF), totalling a record USD 12.8 billion from 31 countries. Additional commitments were made to other funds, but they fall short of the support needed for clean energy transitions and adaptation efforts in developing nations, as stressed in the Global Stocktake.

While new pledges amounted to over USD 360 million, the reality is that trillions are required to aid developing countries adequately. The Global Stocktake urged more significant financial reform and the creation of fresh funding sources.

COP28 discussions also revolved around establishing a new collective goal for climate finance by 2024, building from a USD 100 billion yearly baseline. This new goal will shape national climate plans by 2025, considering the distinct needs of developing nations.

Despite positive pledges, COP28 highlights the pressing need for significant financial reform and innovative funding mechanisms to meet developing countries' vast climate financing requirements.

3. Operationalizing the Loss and Damage Fund

COP28 marked a significant achievement by launching the Loss and Damage Fund, designed to aid vulnerable nations affected by the impacts of climate change. Originating from COP19, the concept evolved through mechanisms like the Santiago Network and Glasgow Dialogue, culminating in COP27's agreement to establish the fund and a Transitional Committee.



At COP28, the fund materialized based on the Transitional Committee's suggestions. It includes an independent secretariat and a governing board and designates the World Bank as interim trustee for four years. Notably, the fund gained support from countries like the UAE and Germany, pledging USD 100 million each, with contributions also announced by the US, UK, and Japan. This fund addresses climate justice, recognizing that the most affected nations often bear minimal responsibility for climate change.

Its launch signifies progress in confronting the impacts of climate change. However, there's ongoing work ahead to address these challenges comprehensively. Most notably, Loss and Damage should be recognized as the third pillar of climate change (alongside mitigation and adaptation).

4. Requirement to Strengthen National Climate Commitments

COP28 stressed nations' need to bolster their climate commitments amidst escalating global impacts. Leaders were urged to triple renewable energy capacity by 2030, double energy efficiency, and shift investments from fossil fuels. These steps align with countries' human rights obligations in addressing climate change.

Developed nations, like the EU, were urged to meet the USD 100 billion annual climate finance goal by 2023 and consider surpassing this target post-2025 vital for aiding developing nations in their climate efforts.

India showcased its climate action approach at COP28, citing achievements like surpassing its emission intensity reduction target for 2030 a decade early, signalling enhanced commitment. The conference emphasized the urgency for countries to fortify their climate pledges collectively, fostering a sustainable and resilient future.

5. A Focus on Food and Farming

COP28 highlighted the critical role of food production, which is responsible for 26% of global greenhouse gas emissions. Despite growing emphasis on agriculture's significance for climate goals, the final declaration needed a focus on food and farming, drawing criticism.

The UN's agriculture arm introduced an ambitious plan to shift agrifood systems from emitting to absorbing carbon by 2050. The FAO outlined ten priority areas, aiming to move closer to 'Zero Hunger,' including livestock, soil, water, diets, and fisheries.

The Emirates Declaration, signed by over 130 countries, allocates more than USD 2.5 billion, notably with a USD 200 million commitment from the Bill and Melinda Gates Foundation for agricultural research.

Critics question the tangible outcomes of COP conferences, often criticized for talking without action. The effectiveness of this year's discussions and their impact on agricultural transformation still needs to be determined.



COP28 - A Key Driver of the ESG Agenda

Strengthening the ESG Mandate and its Adoption

COP28 advanced the ESG agenda by fostering communication channels between business leaders and policymakers to align ESG strategies with business as usual. Key takeaways include:

- **ESG as a Business Imperative:** COP28 stressed ESG's pivotal role in addressing the climate crisis, urging firms seeking partnerships to articulate their ESG strategies for achieving net-zero emissions.
- **Enabling Cohesion and Transparency:** Emphasizing unified and transparent ESG approaches with stakeholder engagement, the Middle East witnessed a surge in ESG adoption among regional organizations.
- **ESG Strategies:** Strong ESG strategies focusing on robust standards and metrics enhance investment decisions, enabling more accessible access to financing and boosting reputations.
- **Growing Regulation:** Globally, regulatory bodies are mandating climate-related disclosures and ESG assurances, aligning climate concerns with financial regulations, and amplifying the significance of ESG in business and regulatory landscapes.

Impact on Reputation

ESG has emerged as a pivotal force in shaping business strategies, placing responsible practices at the core of operations. It's elevated issues management, transformed stakeholder conversations, and evolved communication strategies. Prioritizing ESG aligns with responsible business conduct, not just for long-term profits and regulatory adherence but also for the benefit of stakeholders and society.

There's a call for collaboration among communication, legal, government relations, and investor relations for comprehensive ESG disclosures. This holistic approach considers data value, audience relevance, and reputation risk, aspects often overlooked separately. Chief Sustainability Officers need more resources to oversee this independently.

A successful ESG approach safeguards and enhances a company's reputation. Conversely, mishandling it can tarnish the brand and diminish stakeholder trust. A cohesive, transparent ESG strategy, garnering support from diverse stakeholders, becomes integral to a company's value creation and sustainability efforts.

Road Ahead

COP28 set the stage for implementing the Paris Agreement by advancing negotiations on the 'enhanced transparency framework.' UN Climate Change is crafting reporting and review tools showcased and tested during the conference. Additionally, COP28 confirmed Azerbaijan as the host for COP29 in November 2024 and Brazil as the host for COP30 in November 2025.



The following two years are crucial. COP29 demands governments establish a new climate finance goal, addressing the urgency of the climate crisis. Then, at COP30, nations must present revamped nationally determined contributions covering all greenhouse gases and aligned with the 1.5°C temperature limit. These steps are crucial for driving global climate action forward.

Future of ESG

Below are a few trends that will continue to remain prevalent in the short to medium term.

Building a Consensus on ESG Implementation: COP28 will hasten consensus-building on ESG implementation. Companies starting ESG integration in investment decisions will fare better economically and environmentally on the path to net-zero emissions.

ESG as a Strategic Value Creation Engine: ESG-minded entrepreneurs will continue to view it as a strategic value generator, identifying key business areas for ESG focus.

ESG Transformation: Transformation through ESG involves moving beyond isolated activities towards a comprehensive program that embeds ESG into the company's value creation, delivery, and capture systems.

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