

ecbi

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KEY OUTCOMES FROM COP27

INTRODUCTION

Although COP27 failed to advance on ambition to curb emissions and move the needle closer to the 1.5°C goal, it did go beyond what many had anticipated, particularly with respect to the historic (and unexpected) decision on establishing a fund and funding arrangements to respond to loss and damage for those most vulnerable to the impacts of climate change. Not even on the agenda at the start of the COP, a breakthrough was reached during the final hours of the conference, which had already passed its scheduled concluding time. This decision turned out to be the biggest success story of the Sharm el-Sheikh COP. Much work remains before the fund is operationalised, including determining funding sources and response tools, and populating the fund itself, but a major hurdle was overcome.

Other significant outcomes at COP27 included agreement on institutional arrangements to operationalise the Santiago Network for Loss and Damage, which will catalyse technical assistance to developing countries that are particularly vulnerable to the adverse effects of climate change. A decision was also taken to establish a work programme on a just transition and, for the first time, a call was made to reform the multilateral development banks (MDBs) and international financial institutions, so they are aligned with the Paris Agreement and Article 2.1 (c) on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Progress was also made on the two-year work programme on the Global Goal on Adaptation, as well as on the mitigation work programme. Technical discussions

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under the Global Stocktake continued, with the final technical dialogue to take place in Bonn in June 2023 and the political phase set to wrap-up at COP28 in Dubai.

Another noteworthy outcome at COP27 was the inclusion for the first time of reference to nature-based solutions, which was inserted in the cover decision text, although an explicit link between nature and climate is not made. In addition, the first ministerial meeting on urbanization and climate change convened, in recognition of the fact that cities and subregions drive climate action on the ground. With respect to Article 6 of the Paris Agreement, outcomes included: provision of operational guidance for scaling up cooperative approaches under Article 6.2; enabling operationalisation of the Article 6.4 market mechanism; and specifying modalities for the work programme under the Article 6.8 framework for non-market approaches.

Despite these outcomes, COP27 continued a somewhat dismal pattern on ambition for curbing emissions, failing to advance appreciably on the 1.5°C goal. Calls for a dramatic and urgent increase in mitigation ambition and curbing emissions were not heeded, at least not in terms of concrete outcomes. As many participants observed, the 1.5°C warming threshold continues to be at dire risk of being breached. COP27 did little to put minds at ease on this all-important front. Additionally, there was little in the way of major progress on financing, the loss and damage fund notwithstanding. With key milestones such as the Global Stocktake approaching, these are issues future COPs will need to address and, hopefully, correct.

ecbi has been producing COP outcome documents since COP24 in 2018 to highlight some of the most salient issues addressed at the COPs and related decisions taken. As usual, ecbi's latest assessment was conducted by authors closely involved in the UNFCCC process. Our COP27 report focuses on some of the key outcomes related to loss and damage, finance, mitigation, and adaptation. It includes insights and observations from the authors, as well as statements made by negotiators and other relevant stakeholders. Finally, the report looks ahead to what needs to happen before Dubai to ensure COP28 builds on decisions taken at COP27 and leads to a successful outcome in 2023.



"I said in Glasgow that the pulse of 1.5 degrees was weak. Unfortunately, it remains on life support. And all of us need to look ourselves in the mirror, and consider if we have fully risen to that challenge over the past two weeks."

ALOK SHARMA
COP26 PRESIDENT, UK

OVERALL AMBITION

When it comes to overall ambition, COP27 was not a success. Mitigation seemed lost throughout the two weeks, despite efforts to realize a programme of work that could rapidly reduce emissions. This left many stakeholders disappointed, including countries that had pushed most fervently for an ambitious programme, such as members of the **High Ambition Coalition**, Cartagena Dialogue, small island developing states (SIDS), least developed countries (LDCs), and some developed countries. Regrettably, the outcome was weaker than these countries had demanded. By the end of COP27, the goal of limiting global temperature rise to 1.5°C seemed "on life support". Scientists continued to remind delegates that "every fraction of a degree matters", but the need to peak emissions by 2025 was not recognized in the final overarching COP and CMA decisions.

On the pledging front, COP27 was relatively quiet. Countries were encouraged to bring more ambitious nationally determined contributions (NDCs) to Sharm el-Sheikh. However, most recognized that this was unlikely, particularly given the many crises (COVID, Ukraine, inflation, and more) that countries face. Only 30 NDCs were

submitted before COP27, according to the [Climate Action Tracker](#). Of these, the [World Resources Institute](#) assesses that only Australia's new pledge is more ambitious than its previous one. In sum, the total emissions level of [all NDCs expected in 2030](#) is only 0.3% below the 2019 level, which may be an improvement, but is still not in line with keeping global temperature rise below 2°C, let alone 1.5°C. As with the Glasgow outcome, the CMA cover decision again requests Parties to revisit and strengthen their NDCs before the end of 2024.



“What we have in front of us...does not bring enough added efforts from major emitters to increase and accelerate their emissions cuts. It does not address the yawning gap between climate science, and our climate policies. The EU came here to get strong language agreed and we are disappointed we didn't achieve this.”

FRANS TIMMERMANS
EUROPEAN COMMISSION
VICE-PRESIDENT

Countries were not the only actors facing increased scrutiny over their record in fulfilling pledges. Many sectoral pledges were made on forests, coal, and methane, to name a few, at COP26 in 2022. A year on, the [New Climate Institute](#) assessed 12 of these sectoral pledges and found they have had little effect because too few countries signed on, and the signatories had already included such actions in their NDCs. Perhaps because of this record, COP27 did not feature a similarly large-scale and public push for additional private-sector or sectoral pledges.

Just Transition Breakthrough

One significant breakthrough, however, came in the form of an agreement to establish a work programme on a just transition, detailed in the [Sharm El-Sheikh Implementation Plan](#). A just transition is vital to ensuring climate action can protect and improve livelihoods and social equity. The CMA will consider a decision on the form of this work programme after negotiations take place in 2023. In addition, a high-level ministerial roundtable on just transition will convene at COP28.

Domestic policy as well as global investment implications come into play as well. There were several references to the [2022 Just Energy Transition Partnership \(JETP\)](#), comprised of the UK, EU, US, and South Africa, as a potential model for global cooperation. The [12-month review](#) of the JETP reveals some progress; however, it also explains that most of the financing to date has been in the form of loans rather than grants.

Mitigation Work Programme

The Glasgow Climate Pact established the work programme for urgently scaling up mitigation ambition and implementation and acknowledges that limiting warming to 1.5°C requires a 45% reduction in global CO₂ emissions by 2030 relative to 2010 levels. In Sharm El-Sheikh, negotiators were expected to elaborate the details and define how work will proceed under this work programme. The intersessional discussions on this issue, particularly during the June Subsidiary Body meetings, were contentious. Ultimately, the work was left to CMA4 in Sharm El-Sheikh, which reaffirmed the work programme's aim to urgently scale up mitigation ambition and implementation “in this critical decade”, that is to 2030. The CMA4 decision adds that the work programme's efforts should complement the Global Stocktake, due to conclude at the end of 2023.

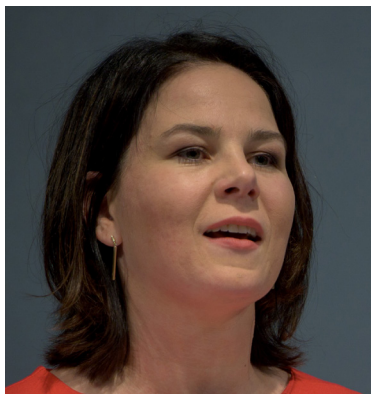
Some of the tensions in the negotiations are not new to the mitigation discussions, including debates over which countries should be responsible for doing more. Some developed countries sought to specify that major emitters should take more ambitious action this decade. However, the Like-minded Group of Developing Countries opposed this, stressing that the work programme cannot reinterpret the Paris Agreement or introduce new categories of actors.

To the dismay of many, the decision does not include the term “major emitters”. It also clarifies that the work programme’s outcomes will be “non-prescriptive, non-punitive, facilitative, respectful of national sovereignty and national circumstances, take into account the nationally determined nature of NDCs, and not impose new targets or goals”.

On the work programme’s scope, there was considerable debate about whether or how to refer to sectoral approaches or targets. India was most vocal in its opposition to references to phasing down coal, although other developing countries also raised concerns over focussing on coal. Instead, India called for phasing down all fossil fuels, to avoid singling out something so vital to the economies of many developing countries. The EU and other developed countries ultimately supported India’s call.

Thus, despite the growing refrain to phase down all fossil fuels, the final decision is silent on specific sectors or actions. Instead, it references the sectors in the [2006 IPCC Guidelines for National GHG Inventories](#), which are broad: energy; industrial processes and product use; waste; and agriculture, forestry and other land use. The thematic areas of the IPCC AR6 Report are also referenced, including buildings and transport, among other sources. In addition, the work programme will consider enabling conditions, technologies, just transitions, and cross-cutting issues.

How will the work programme proceed, what will the outcomes be, and when can we expect them? These were hotly debated questions. The CMA ultimately agreed that the work programme will continue until 2026, when a decision that could extend the work programme is expected to be taken. This agreement represented a compromise between those who wanted the work programme to last until 2030 and those who preferred a 2025 end date.



“It is more than frustrating to see overdue steps on mitigation and the phase-out of fossil energies being stonewalled by a number of large emitters and oil producers”.

ANNALENA BAERBOCK
GERMAN FOREIGN MINISTER

In the interim, a draft decision, prepared by the Subsidiary Body Chairs, will be tabled at each subsequent CMA meeting until 2026 to reflect progress, key findings, and opportunities of and barriers to implementation of the work programme. Notably, the decisions will not relate to implementing mitigation actions, but rather to the series of events and reports of the work programme.

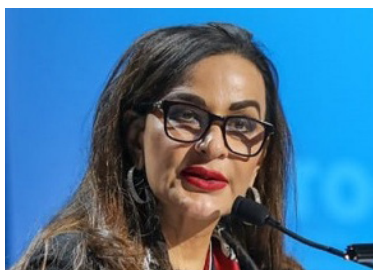
This was a weaker outcome than many had hoped for. In the closing plenary, many developed countries, most prominently the UK, EU, and Germany, voiced their disappointment. Each underscored that “major emitters” must act. Or, as Germany’s Foreign Minister rather pointedly underlined, “large emitters” were “stonewalling” overdue steps on mitigation and phasing out fossil fuels.

SIDS and LDCs also joined the chorus of those expressing disappointment. For example, Aminath Shauna, Minister of Environment, Climate Change and Technology, Maldives, proclaimed that “We have failed on mitigation....We absolutely need to keep 1.5 alive. We have to ensure increased ambition to peak emissions by 2025. We have to phase out fossil fuels”.



“We have failed on mitigation.... We absolutely need to keep 1.5 alive. We have to ensure increased ambition to peak emissions by 2025. We have to phase out fossil fuels”.

AMINATH SHAUNA
MINISTER OF ENVIRONMENT,
CLIMATE CHANGE AND
TECHNOLOGY, MALDIVES



“We have struggled for 30 years on this path, and today in Sharm el-Sheikh, this journey has achieved its first positive milestone... It is a downpayment and investment in climate justice”.

SHERRY REHMAN
PAKISTAN CLIMATE
CHANGE MINISTER

What Now?

Some could be forgiven for thinking the work programme may be nothing more than a series of “talk shops”. Two global dialogues will take place each year until 2026, held prior to the intersessional Subsidiary Body meetings and the COPs. Topics have not yet been determined, as countries are still submitting their suggestions. The work programme Co-Chairs will make the final decision on dialogue topics.

The work programme will also go beyond conversations on the margins of UNFCCC meetings. For example, dialogues will coincide with the Regional Climate Weeks. The High-Level Champions have been asked to hold investment-related events on the margins of these dialogues. This is a relatively unique instance where the Champions’ work is likely to be brought into the negotiation outcomes.

The Secretariat will prepare reports of the dialogues, which will be compiled into an annual report for the CMA’s consideration. But how these reports will be used by Parties remains to be seen. Given the contentious discussions in Egypt, it is unlikely that discussions on the Secretariat’s reports or the Co-Chairs discussions will be easy.

NEW LOSS AND DAMAGE RESPONSE FINANCE ARRANGEMENTS

The Road to Sharm el-Sheikh

It was finance that truly took over the talks in Sharm el-Sheikh, with the discussions on finance arrangements for loss and damage most prominent. To the surprise of many, not only was the issue included on the CMA agenda following lengthy negotiations, but a decision was taken to establish a fund, as well as funding arrangements, and a transitional committee to make recommendations on how to operationalise both the new funding arrangements and the fund at COP28.

Prior to this and as mentioned in a recent [OCP blog post](#), the issue of responding to loss and damage in financial terms had met strong resistance by some Parties from the very beginning of loss and damage deliberations in the multilateral climate change negotiations, mainly for fear of liability and compensation demands given the anthropogenic nature of climate change. Climate change impacts are not “acts of God”; they are man-made and, as such, imposed by people who consequently are responsible for them.

One of the earliest, if not the earliest, proposal, on how to address this issue was to establish an International Insurance Pool (IIP). Tabled in 1991 by the Alliance of Small Island States (AOSIS) during the negotiations leading up to the adoption of the UNFCCC itself, the proposal identified five main issues which remain fundamental for and can be translated to any approach to respond to loss and damage financially, namely:

- methods of funding;
- classification of types of loss to be covered;
- criteria for establishing entitlements to claim against the IIP;
- methods of evaluating loss resulting from sea level rise; and
- limitations on the amount of compensation payable.

“We finally have a framework that starts to say that in terms of the losses and damages that are currently being experienced by climate vulnerable countries like the Pacific and small island states, they do not need to bear the whole responsibility through no fault of their own.”

SIOBHAN MCDONNELL
PACIFIC NEGOTIATOR ON
LOSS AND DAMAGE



“We are proud of what we were able to deliver ... on a long-awaited decision on loss and damage, and we look forward to the structure and the governance and the architecture of the fund ...”.

**COP27 PRESIDENT
SAMEH SHOUKRY**
EGYPTIAN FOREIGN MINISTER

Yet many years would pass before the issue of loss and damage was formally addressed under the UNFCCC. The first milestone was the establishment of the **Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts** (WIM) at COP19 in 2013. However, the WIM is about “enhancing understanding of risk management, collecting and sharing of relevant data and information, fostering dialogue, providing technical support, facilitating the mobilisation of expertise and enhancement of support to strengthen existing approaches and facilitate additional approaches to address loss and damage”. No finance to address, let alone respond to, L&D was mentioned.

In Madrid in 2019, the COP established, as part of the WIM, the Santiago Network to catalyse the technical assistance for averting, minimizing and addressing loss and damage. Given the WIM’s mandate, it was not surprising that the Santiago Network’s functions adopted in Glasgow are about “catalysing” and “facilitating”. But, again, finance was not addressed.

In Glasgow in 2021, developing countries called for establishing a “Glasgow Loss and Damage Facility under the Financial Mechanism ..., [the provision of] new financial support under Article 9 of the Paris Agreement, in addition to adaptation and mitigation finance, to developing countries to address loss and damage ... [and for] the Subsidiary Bodies to jointly undertake work in 2022, with the aim of providing recommendations to COP27 on its operationalisation” (TWN, 19 November 2021). However, in the end, Parties only managed to agree on establishing a Glasgow Dialogue between Parties, relevant organizations, and stakeholders to discuss arrangements for funding activities to avert, minimize and address loss and damage (Glasgow Climate Pact). As such, the chances for achieving some form of loss and damage response finance arrangements in the near future appeared bleak.

However, proponents of a fund or facility persisted and by October there were signs progress was possible. One indication came on 7 September 2022 at an ecbi event, during which Michai Robertson, AOSIS lead finance negotiator from Antigua and Barbuda, gave a presentation on **Funding Arrangements for Addressing Loss and Damage** to participants attending the 2022 **ecbi Oxford Seminar**. Following Robertson’s presentation, developing country and European participants discussed the idea of a Pilot Fund for L&D as a potential “common comfort zone/landing ground” for the ongoing L&D negotiations. An ecbi Concept Note, **Elements of Pilot Loss and Damage Response Fund**, written by the ecbi Director with contributions from Diann Black-Layne (Antigua and Barbuda) and Kishan Kumarsingh (Trinidad and Tobago), subsequently reflected these emerging ideas and sought to contribute to the direction of the discussions in the negotiations, including with respect to funding sources and types of loss and damage responses the fund would focus on.

What Happened in Sharm el-Sheikh and What Was the Reaction?

The fact that the mood had changed on the road from Glasgow to Sharm el-Sheikh revealed itself on day one of the Conference, when COP27 President and Egyptian Foreign Minister Sameh Shoukry announced the addition of loss and damage finance to the agenda: “The agenda has been adopted ... after Herculean consultations over the last 48 hours, [we] are delighted to have adopted for the first time an agenda item on the most important issue of loss and damage [finance], an issue that is recognized by the vast majority of the international community as a very fundamental issue, one that



“I am of the view that, at the individual level, if you charge people who travel an environmental levy of \$1, it is not prohibitive, imagine how much money could be raised if each airline ticket is increased by a dollar – or each cruise ship passenger, each cargo ship, if every barrel of oil is charged – it is not inflationary, but it can be used to fund loss and damage. On the loss and damage fund being proposed, there can also be creative ways to fund it – like I said, taxing at the individual level. We have to appreciate that, when we are in an airplane, we are polluting the air. It is not just organizational, but as individuals, we have to carry that burden too”.

GASTON BROWNE
PRIME MINISTER, ANTIGUA
AND BARBUDA

has to be addressed” ([Al Ahram, 7 November 2022](#)). Agreement to include this on the agenda at all was itself viewed as a victory by developing countries.

However, although L&D finance was now on the COP27 agenda, achieving a successful outcome was still not guaranteed, let alone the momentous outcome that was eventually reached two days after the Conference was initially scheduled to conclude. In the end, though, the decision to establish new “funding arrangements for responding to loss and damage associated with the adverse effects of climate change” (COP27/CMA4), was taken. It has been widely hailed as an historic decision and recognized as the principal outcome of COP27. In a nutshell, the decision establishes:

- **new funding arrangements** for assisting particularly vulnerable developing countries in responding to loss and damage;
- a **loss and damage response fund**; and
- a **transitional committee** on the operationalization of the new funding arrangements.

European countries played a pivotal role among the developed countries in bringing about this outcome, establishing unilateral loss and damage response funds in Glasgow and in the lead up to Sharm el-Sheikh. Acknowledging this, Mia Mottley, Prime Minister of Barbados, saluted Denmark, Belgium and Scotland for “their own modest ways of trying to accept the precepts and principles of loss and damages, as critical and morally just”. In addition and crucially in the COP27 endgame, the EU launched its own proposal for an L&D fund ([Guardian, 18 November 22](#)), which clearly tilted the balance in favour of establishing such a fund under the Convention.

The subsequent establishment of a loss and damage response fund and its historic nature was recognized in many news articles following the decision, including in:

- **The Guardian:** Cop27 agrees historic ‘loss and damage’ fund for climate impact in developing countries
- **Al Jazeera:** Historic ‘loss and damage’ fund adopted at COP27 climate summit
- **Time:** Historic Deal Struck at COP27 to Create Loss and Damage Fund for Poor Nations (re-published on DNYUZ)

In addition, a [letter of appreciation](#) from Chilean Environment Minister, Maisa Rojas Corradi, who co-facilitated the negotiations, confirms that support from ecbi “was very important to leading in those complex negotiations, which in the end, had excellent results”.

What Now?

The decision to establish a full loss and damage response fund was agreed does not mean that the piloting of innovative funding sources and response tools is no longer relevant. For example, in the absence of functioning innovative funding sources, the fund will either be what has been referred to as an empty ‘placebo fund’, or it will haemorrhage funding from the other funds of the Financial Mechanism, particularly the Green Climate Fund.

For these reasons, the [most recent OCP/ecbi Note](#) on this topic and [ecbi’s recent submission to COP28/CMA5](#) advocate for establishing piloting arrangements as part of the new funding arrangements, particularly to pilot a possible *Share of Proceeds (SOP)* from the Voluntary Carbon Market (VCM) to support developing countries in adapting and/



“...for loss and damage to work we believe that it can’t be only an issue of asking State parties to do the right thing although they must, but we believe that the non-state actors, the stakeholders, the oil and gas companies and those who facilitate them, need to be brought into a special convocation between now and COP28”.

MIA MOTTLEY
PRIME MINISTER, BARBADOS

or responding to adverse climate impacts. For more on this idea, see [Safeguarding Social Integrity in the Voluntary Carbon Market](#). While originally proposed for adaptation, given the recent COP27 decision, the SOP could serve a dual purpose, funding both adaptation and responses to loss and damage, and there has been some interest in this possibility. The idea seems to be gaining traction. For example, the former Pakistani Minister for Climate Change recently sent an [open letter to the Board of the Integrity Council for the Voluntary Carbon Market \(IC-VCM\)](#) calling for the proposed SOP as a Core Carbon Principle (CCP) of the VCM to also include an L&D response component.

With the transitional committee set to hold its first meeting in March 2023, the first steps are being taken to operationalise the fund that was agreed in Sharm El-Sheikh. However, it remains to be seen how much progress will be made before COP28 and how long until the fund is able to begin provide financial assistance to help the most vulnerable countries respond to loss and damage from the impacts of climate change.

THE SANTIAGO NETWORK OF THE WARSAW INTERNATIONAL MECHANISM FOR LOSS AND DAMAGE

Another important outcome of COP27 was finally reaching agreement on the Santiago Network’s institutional arrangements. Following establishment of the WIM in 2013 and inclusion of an article in the Paris Agreement (Article 8) that recognizes the importance of averting, minimizing, and addressing loss and damage associated with the adverse effects of climate change, COP25 agreed to establish the Santiago Network (decision 2/CMA.2, para. 43), to catalyse technical assistance relevant to loss and damage for vulnerable developing countries. COP26 decided: on the Network’s functions, which aim to connect vulnerable countries seeking technical assistance with the organisations, bodies, networks, and experts best suited to deliver such assistance (decision 19/CMA.3); and that the Santiago Network should be provided with funds to support technical assistance for implementing relevant approaches to avert, minimize, and address loss and damage (decision 1/CMA.3 – the Glasgow Climate Pact, para. 67).

However, COP26 failed to agree on the Network’s institutional arrangements, including modalities for managing the technical assistance funds and terms of reference for the host of the Network’s secretariat. Instead, a decision was taken on a process to develop the institutional arrangements, including the convening of a technical workshop to advance this work, in May 2022 in Copenhagen. While discussions on the institutional matters were productive, they did not translate into progress at the subsequent Subsidiary Body sessions in June 2022. One of the sticking points was whether to establish an advisory board for the Network.

The main goal at COP27 was to build on the Copenhagen workshop to ensure a successful outcome on the unresolved institutional matters, which would be essential to advance on operationalising the Network. Despite the lack of progress on the institutional arrangements at the Subsidiary Body sessions, Parties seemed determined to make progress when negotiations began at COP27.

The [breakthrough on the Santiago Network](#) came on 16 November when a decision was reached following more than 20 hours of negotiations over many late nights. Thus, expectations on advancing operationalisation of the Santiago Network were met.

However, as climate negotiators and observers of the UNFCCC process know well, the devil is in the details. The “details” in this case related to, *inter alia*:

- governance arrangements and whether an advisory board should be established or whether the WIM Executive Committee should take on the role;
- the connection between the Network and the national level, and whether the connection should be through national loss and damage contact points, or through other national-level actors; and
- needs assessments, funding arrangements, reporting modalities, and cross-cutting issues, such as human rights.

What Was Agreed on the Santiago Network at COP27?

First, the COP agreed on three core elements of the Santiago Network’s structure, namely:

- a secretariat to support the Network;
- an advisory board to provide oversight of the secretariat; and
- a network of member organisations, bodies, networks, and experts that covers a range of topics relevant to loss and damage.

Second, agreement was reached on the roles and responsibilities of the secretariat and the advisory board, composition of the 17-member advisory board, and structure of the secretariat, to be set up with a director and a small staff.

Third, the selection of a host for the secretariat would be made through a call for proposals, and an evaluation panel of eight members will shortlist up to three proposals for the June 2023 sessions to consider and for COP28 to decide. Also agreed was a set of criteria for selecting the host related to technical capability, management and governance, financial management, vision, and management plan.

Other agreed to arrangements included modalities for reporting on the Network’s activities, commissioning a review of the Network’s performance in 2024, and designating the secretariat to develop guidelines for managing the technical assistance funds so they support particularly vulnerable communities.

Parties and non-Party stakeholders alike welcomed the COP27 outcome. While prior to agreement accusations were made that the Santiago Network was being held hostage until progress was made on wider loss and damage funding issues, these concerns were swept aside when the decision was gavelled through.

Despite this, representatives of Indigenous Peoples, local communities, and human rights advocates expressed some disappointment, fearing that their stakeholder groups would not be well represented on the advisory board, and that human rights concerns are not sufficiently referred to in the decision. Other than that, reaction to the decision seemed to be overwhelmingly one of relief with light at the end of the tunnel for the Santiago Network’s work to begin.

Could the process have been shorter and more efficient? Certainly, time was lost due to COVID-19. However, the COP Presidency consultations, intersessional work, submissions of Parties’ views, long negotiation sessions, and informal consultations over several years remind us that UNFCCC decision making is like a “slow moving train”. Because of the urgent need to operationalise the Santiago Network as soon as

possible, Parties were reminded that they should not let the perfect be the enemy of urgency. These are fine words, but often hard to practice in the negotiations.

Next Steps to Make COP28 a Success

The road towards COP28 includes the selection process for the host of the Santiago Network secretariat. With the call for proposals, the shortlisting by the evaluation panel, and a draft decision on the host expected in June 2023, things should be ready for a decision at COP28. With the 17 advisory board members to be elected at COP28, the remaining, but potentially challenging, issue is funding the Network's work. The good news is that several donors have already pledged funds to support the Santiago Network. For example, EU member states have pledged more than EUR 25 million, with Denmark being the first country to do so on the last day of COP26.

However, for the Santiago Network to effectively deliver on its mandate, more funding is needed, primarily to finance technical assistance—the Network's *raison d'être*. Funds for running the secretariat are also necessary or the Network will not be able to function. Funding must be sustainable in the sense that short-term and unpredictable funding will hamper the Network's work. As with other UNFCCC bodies, this could be a challenge since no alternative to funding based on voluntary contributions exists.

If the Network were to become operational at COP28, four years will have passed since the decision to establish it. On the surface, getting the Santiago Network up and running should not be so difficult. However, it will likely take longer. COP28 will only be the kick-off for the Network's operationalisation, with the host of the secretariat requiring time to hire a director and staff, and constitution of the advisory board (following the election of its members at COP28), which will then have to develop rules of procedure and operational guidelines. But the groundwork has been laid and the foundation built. The most important steps were taken in Sharm El-Sheikh, and what needs to be done to get the Network up and running is clear.

OTHER FINANCE-RELATED ISSUES

In addition to the and damage negotiations and the subsequent decision on funding arrangements, almost twenty other dedicated finance items were on the agendas of the various governing and subsidiary bodies.

Three themes were prevalent in the finance discussions:

- the scale of climate finance;
- the quality of climate finance; and
- the role of the broader international finance architecture.

Scale of Climate Finance

Unsurprisingly, the provision on the **scale of climate finance** remained a key sticking point in the negotiations. For one, there was the lingering issue of developed countries' commitment to jointly mobilize USD 100 billion per year by 2020 to address the needs of developing countries, a commitment formalized at COP16 and extended to 2025 at COP21. As the first COP to convene following the 2020 deadline, COP26 brought a reckoning with respect to unmet promises, noting, “with serious concern” and “deep regret”, the gap in relation to the fulfilment of the 100 billion goal. However, COP27 did

not brighten the picture in this regard. Reports—be it from the UNFCCC’s **Standing Committee on Finance** (SCF) or the **Organisation for Economic Cooperation and Development** (OECD)—concurred that developed countries are still falling short on their commitment, with the OECD estimating that USD 83.3 billion was provided and mobilized in 2020, which albeit represents a 4% increase from 2019.

In Egypt, developing countries voiced their frustration regarding this performance and pushed for accountability. Rather than “welcoming” the Global Environment Facility (GEF)’s eighth replenishment, they wanted to “express disappointment” with its progression, and in negotiations related to the Adaptation Fund, they called for identifying the amount of, and countries with, outstanding pledges. While developed countries reconfirmed the **expectation they would meet the USD 100 billion commitment in 2023**, it remains to be seen whether this will actually be the case—which is why **COP27** requested the SCF to prepare biennial reports on progress towards the USD 100 billion for consideration at COP29, COP31, and COP33. Noting with concern the growing gap between developing country needs and support provided and mobilized for implementation of their NDCs and other climate commitments, **the COP** also urged developed countries to provide enhanced support and encouraged other Parties to provide support voluntarily.

Discussions on the USD 100 billion commitment also loomed large in the negotiations on the **new collective quantified goal on climate finance** (NCQG). The decision to set a new goal prior to 2025 “from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries” goes back to COP21 and, in Glasgow, the CMA established an **ad hoc work programme** to that effect. At CMA4, the NCQG was discussed in three different formats:

- the fourth technical expert dialogue (TED) in a series of 12 events focused on access to climate finance, which are scheduled to meet until 2024;
- a high-level ministerial dialogue had dignitaries set out expectations on both the NCQG’s substance and the process towards defining it; and
- in the negotiations, delegates exchanged views on the goal itself and discussed options for streamlining the TED process and the ministerial dialogues.

As reflected in the CMA decision, many saw room for improvement, especially with respect to providing clarity on the TED themes and enhancing the inclusion of stakeholders, such as multilateral development banks (MDBs) and the private sector. In terms of substance, some Parties tabled concrete quantitative expectations of what the goal ought to be, with developing countries referencing finance needs in the trillions of dollars. Interestingly, however, the negotiations were not only centred on the scale of the goal (“the quantum”). Parties also discussed a host of other issues, including: the definition of sub-goals; balance between mitigation and adaptation; reference to loss and damage; channels and financial instruments to be used; and more qualitative elements. In 2023, four more TEDs will convene, and another ministerial will take place at COP28.

Quality of Climate Finance

What is true for negotiations on the NCQG also holds true across other finance items. Delegates are not merely looking at the aggregate scale of climate finance, but also at how figures add up, how finance is accessed and delivered, whether funding instruments are fit for purpose, what sort of finance is provided, and other questions related to the quality of climate finance. A recurrent point in this regard is the lack of a **common definition of climate finance** within the UNFCCC. These discussions have been

ongoing for years, with developing countries generally favouring such a definition and developed countries often arguing that current operational definitions suffice. In its first biennial assessment and overview of climate finance flows in 2014, the SCF reviewed operational definitions in use and has since compiled updates in subsequent biennial assessments. COP25/CMA2 invited submissions on this matter to feed into the fourth biennial assessment, followed by COP26/CMA3, which invited another round of submissions and requested the SCF to continue its work on definitions with a view to provide input for consideration by COP27/CMA4. The [SCF's report](#) includes an overview of definitions in use both within and outside the Convention and the Paris Agreement and identifies common features and differences between them. Discussions on this in Sharm el-Sheikh mirrored the usual fault lines, but COP27 ultimately requested the SCF to prepare a report for COP28 on clustering types of climate finance definitions. However, as things stand, the biggest improvement in terms of transparency of support might result from the assessment of the first biennial transparency reports (BTRs) under the Paris Agreement's Enhanced Transparency Framework to be submitted by the end of 2024, rather than from the discussions on a common definition.



“As LDCs we are looking for grants, and grants are not coming from private finance.”

MADELEINE DIOUF SARR
HEAD OF THE CLIMATE
CHANGE DIVISION, MINISTRY
OF ENVIRONMENT AND
SUSTAINABLE DEVELOPMENT,
SENEGAL

Discussions on other aspects that determine quality, such as accessibility, predictability, and timely disbursement of finance, surfaced across agenda items. In relation to the provision of **support for developing country reporting** under the Enhanced Transparency Framework, CMA4, for example, requested the GEF to improve working with its implementing agencies to expedite project preparation and submission processes for BTRs. Regarding the Adaptation Fund, CMP17 noted with concern ongoing sustainability, adequacy, and predictability issues given the current prices of certified emission reductions generated under the Kyoto Protocol's Clean Development Mechanism (CDM)—a challenge compounded by uncertainties related to when the share of proceeds from the Paris Agreement Article 6 mechanisms will materialize.

Perhaps the biggest issue in terms of the quality of climate finance is that of **grant-based funding and concessional loans**, which refers to loans on more favourable terms than regular market loans (for example, in terms of interest rates or extended repayment schedules). Developing countries, and especially AOSIS and the LDCs, have long underscored the need for more grant-based funding, especially to support non-revenue generating measures as is often the case for adaptation. At COP27, the Maldives highlighted its view that “non-concessional loans are not climate finance” and developing countries throughout the conference underscored the importance of increasing the share of climate finance provided as grants. This ties back to the question of the definition of climate finance, the role of public and private finance, and, more broadly, the international finance architecture.

International Finance Architecture

COP27 marked a pronounced shift from previous discussions in terms of putting climate finance in the broader context of the international financial system. As the COP27 [cover decision](#) highlights, this system needs transforming with regard to “its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors” to reach net zero emissions by 2050.

For one, many developing countries, including members of the Independent Alliance of Latin America and the Caribbean (AILAC), emphasized that **debt relief** is crucial to help create fiscal space for countries to undertake climate action. During the [Sharm El-Sheikh Climate Implementation Summit](#), Colombian President Gustavo Petro even



“[There] must be a commitment to unlocking concessional funding for climate vulnerable countries. There is no way that developing countries can fight this battle without access to concessional funding”.

MIA MOTTLEY
PRIME MINISTER, BARBADOS

specifically called for the International Monetary Fund to start a debt swap programme to support adaptation action. While the idea of debt relief did not ultimately make it into the conference’s outcome documents, it is worth mentioning that the COP’s cover decision does refer to the debt burden and increasing indebtedness both in relation to loss and damage and to finance needs.

Another issue that prominently featured in several leaders’ statements—both from developing and developed countries—resulted in quite a big breakthrough: **reforming multilateral development banks** (MDBs). In its cover decision, the COP calls on MDB shareholders to reform MDB practices, align and scale up funding, and ensure simplified access. It also encourages MDBs to deploy “a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burden” and calls on them to contribute to significantly increasing climate ambition. The latest catalyst for reform may have come in light of climate denialist statements, including those made by former World Bank President David Malpass a few weeks before the conference, causing an uproar (Malpass has since resigned). As Mia Mottley emphasised in her statement to the COP: “Institutions crafted in the mid-20th century cannot be effective in the third decade of the 21st century. They do not describe 21st-century issues. Climate justice was not an issue then [when the World Bank was set up]”.

A final noteworthy development of the finance discussions at COP27 was the increased attention to the objective of **making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development**, as specified in Article 2.1(c) of the Paris Agreement. While proposals by the European Union and by the Environmental Integrity Group to feature this issue as a dedicated item on the CMA agenda were not accepted, delegates did discuss the matter in the context of other agenda items, including the mitigation work programme, the NCQG, and especially the SCF, which had prepared two reports on the issue. Some developing countries emphasized that Article 2.1(c) should be contextualized with the Paris Agreement’s provision on finance (Article 9)—which, among other things, specifies that developed country Parties shall provide financial resources to assist developing country Parties and encourages other Parties to provide or continue to provide such support voluntarily—and the principle of common but differentiated responsibilities and respective capabilities. Ultimately, the CMA requested the SCF to continue its work on the issue and, most notably, launched the Sharm El-Sheikh dialogue to enhance understanding of the scope of Article 2.1(c) and its complementarity with Article 9. Two workshops are expected to convene under this dialogue in 2023.

A WORK PROGRAMME TO CONCLUDE OPERATIONALISATION OF THE GGA OR A WORK PROGRAMME TO LAUNCH FURTHER WORK?

Another issue that garnered significant attention at COP27 was the Glasgow-Sharm el-Sheikh work programme on the Global Goal on Adaptation (GlaSS), which was established in Glasgow. Adaptation has lacked a concrete goal that galvanizes action in the context of the 1.5°C temperature limit; something akin to the goal of peaking or net zero emissions in the context of mitigation.

The GGA was first raised in 2013 by the African Group in the form of a submission to the Ad Hoc Working Group on the Durban Platform (ADP), proposing a link between

levels of climate impacts and costs with the temperature goal. The Paris Agreement took a step further towards a concrete goal by establishing the GGA for enhancing adaptive capacity, strengthening resilience, and reducing vulnerability to climate change. As much as the Paris Agreement did advance towards a GGA, however, gaps were recognized in terms of both understanding and specificity. Hence, the launch of the two-year GlaSS at CMA3 to enhance understanding of the GGA, with a view to strengthening adaptation action and support.

Implementation of the GlaSS began immediately following CMA3, with four workshops per year. The Secretariat will prepare a final report on the workshops, and a draft decision will be forwarded for consideration and adoption by CMA5 in Dubai in 2023.

Movement Towards the GGA at COP27?

Despite this, the GlaSS has thus far lacked focus. COP27, therefore, represented an opportunity to bring more clarity to the work programme and take stock of progress made under it following the four workshops that convened during 2022. With discussions still in their first year, it was critical to find a conceptual convergence on what would be contained in the work programme's outcome, which is expected to be adopted at COP28. However, the decision adopted at COP27 demonstrated continued divergence among Parties with respect to a clearly defined goal and its elements. As adaptation expresses itself locally and is more qualitative in nature than mitigation, there are significant challenges when attempting to define a global goal.

At COP27, differences persisted between developing and developed countries. Developing countries took an approach that included determining the elements for which goals will be defined, as well as sectors and context. The African Group and other developing countries sought to put global goals and high-level targets on the table through a 'framework' along the lines of the Sustainable Development Goals and the Sendai Framework. However, developed countries appeared more interested in process, preferring to talk about a 'structured approach' similar to the process used for National Adaptation Plans and which prioritises the national perspective. The [COP27 decision on the GGA work programme](#) somewhat clumsily tried to reconcile these two approaches, with agreement to "initiate the development of a framework" for the GGA to be "undertaken through a structured approach", with the aim of enhancing understanding of the goal itself and how to measure progress towards achieving it. This sets the stage for differences in interpretation of the decision language by the proponents of the divergent approaches.

Other areas where positions diverged related to target setting and how to deal with finance for adaptation. With respect to the latter, key differences related to whether adaptation finance should be included as a separate element for which goals/targets will be set, with developing countries keen on target setting for adaptation finance and developed countries viewing it as a cross-cutting issue applicable to all elements.

Despite the differences, there was significant convergence among Parties. This is reflected in the final decision, especially with respect to:

- some of the elements that could be considered, including impacts, risks and vulnerability, planning, implementation of actions, means of implementation, and support for developing countries;



“We made progress on the GGA and established a framework to guide the achievement of the goal as well as the review of overall progress in achieving it and enhancing adaptation action and support”.

COLLINS NZOVU
MINISTER OF GREEN
ECONOMY AND
ENVIRONMENT, ZAMBIA,
REPRESENTING THE AFRICAN
GROUP OF NEGOTIATORS

- sectors/themes relevant to the elements, primarily based on those identified by the IPCC; and
- some of the cross-cutting issues, such as the role of science, Indigenous knowledge, gender, equity, scale, and adaptation approaches, among others.

These areas of convergence reflect to a great extent the ideas contained in the October 2022 [ecbi Discussion Note: A Conceptual Analysis of the GGA](#), including the importance of metrics for tracking progress as part of the Global Stocktake. The ecbi Discussion Note could be useful for the 2023 discussions under the GlaSS to close the conceptual gap with respect to concretely defining the goal and setting targets for each of the elements.

The Road Ahead and Ensuring Success at COP28

At COP27 “progress on adaptation fell far short of what is needed to address accelerating and severe impacts” ([WRI, 8 December](#)). There was scant movement on the part of developed countries towards doubling adaptation finance from 2019 levels by 2025, a commitment made as part of the COP26 Glasgow Climate Pact. It is hard to see how the 2025 timeline will be met without an implementation roadmap for the goal.

The four workshops planned under the GlaSS for 2023 provide an opportunity to further build on areas of convergence, particularly with respect to the elements as a starting point, such as targets for risk and vulnerability, planning, implementation of actions, means of implementation, and monitoring and evaluation. These are issues that might be taken up during the **first workshop** of 2023.

The other workshops could:

- focus on implications of the target-setting process on specific adaptation sectors and themes, particularly regarding risk and vulnerability (**second workshop**);
- focus on technical aspects of indicators, and metrics for each of the goals and targets (**third workshop**); and
- reflect on discussions of the previous three workshops, including implications for adaptation communications, BTRs, and the Global Stocktake (**fourth workshop**).

Although a concretised goal for adaptation remained elusive with only a framework established for its formulation, there is potential for progress on the GGA ahead of COP28. It is, however, not plausible that the work programme will address all the technical issues related to the decision to be adopted at COP28. The minimum outcome for COP28 could likely, therefore, include an agreement on the goal and targets. It could also offer some guidance on further technical work on indicators and metrics, as well as how the communication, reporting, and assessment processes under the Paris Agreement will support achievement of the GGA.

CONCLUSION

Held on African soil, COP27 was touted as one that would focus on adaptation, finance, and Africa. Indeed, several Africa-related and African-led initiatives were announced during the COP, such as commitments to build local capacity and make grants and loans available for restoring land in Africa (WRI, 8 December 2022). One question that arose before and during COP27 was whether it would be an implementation COP, primarily, or an African COP, or both. COP27 did begin the process of working on implementation, and future COPs will need to continue advancing the idea that part of their role will be to review and support implementation of the Paris Agreement. Establishing the loss and damage fund could certainly be viewed as a success for Africa. However, African countries and developing countries more broadly were surely disappointed with respect to finance and progress on adaptation, given that 2023 will mark a significant deadline for the GGA.

As the global climate change negotiations are shifting to implementation mode, the institutions and process of the negotiations will have to adapt and become fit for purpose. Given the increasing number of people attending COPs, including non-state actors, and the expanding number of agenda items negotiators face, addressing the issue of how to make COPs more manageable and fit for purpose with respect to implementation of the Paris Agreement will be critical going forward. Various suggestions to rethink the structure of the complex COP and CMA agendas have been gaining traction. For example, ecbi's publication [Quo Vadis COP](#) proposes reducing COP size to deal with technical matters related to implementation. Political issues could then be considered in already-established processes outside the COPs. Some of these ideas have been echoed in various news articles, including in a Financial Times opinion piece, [The COP jamboree desperately needs a reboot](#).

COP27 will forever be remembered as the “loss and damage COP”, where, on this issue, the needs of and calls by the most vulnerable were heard and responded to. However, progress made in the lead up to COP28, including by the Transitional Committee, will determine whether the decision taken in Sharm El-Sheikh will be operationalized in Dubai. But increased ambition is also critical. As UN Secretary-General Antonio Guterres put it, “A fund for loss and damage is essential – but it’s not an answer if the climate crisis washes a small island state off the map – or turns an entire African country to desert. The world still needs a giant leap on climate ambition”.

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