

Last Call For 1.5 Degrees

















COP27 in Sharm El Sheikh schedules fund for loss and damage for departure while mitigation stays grounded

Wolfgang Obergassel
Christof Arens
Christiane Beuermann
Carsten Elsner
Lukas Hermwille
Nicolas Kreibich
Hermann E. Ott
Juliane Schell
Max Schulze-Steinen
Meike Spitzner



From 5 November to 20 November 2022, the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) was held in Sharm El Sheikh (Egypt). The Wuppertal Institute research team closely observed the climate change negotiations during the two-week conference and can now present their assessment of the conference outcomes. The Wuppertal Institute publishes an analytical report after each COP. All reports published since 2001 can be downloaded at: https://wupperinst.org/en/topics/climate/cop/

Publisher

Wuppertal Institut für Klima, Umwelt, Energie gGmbH Döppersberg 19 42103 Wuppertal www.wupperinst.org

Authors

Wuppertal Institute
Wolfgang Obergassel
Christof Arens
Christiane Beuermann
Carsten Elsner
Lukas Hermwille
Nicolas Kreibich
Juliane Schell
Max Schulze-Steinen
Meike Spitzner

ClientEarth Germany Hermann E. Ott

Contact

Wolfgang Obergassel

Research Unit Global Climate Governance, Division Energy, Transport and Climate Policy, Wuppertal Institute, wolfgang.obergassel@wupperinst.org, Tel. +49 202 2492-149

Picture credits front page

Photos by IISD/ENB | Mike Muzurakis

Version

November 2022

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Wuppertal Institute COP27 Report

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1 Introduction

The twenty-seventh Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) in Sharm El Sheikh finished one and a half days late, the final gavel came down on Sunday morning of 20 November 2022. The conference had taken place against the backdrop of another year of catastrophic extreme weather events, such as the flooding in Pakistan, floods and storms in Southern Africa, and historic droughts in the Horn of Africa, China and Europe. The most recent assessment report by the Intergovernmental Panel on Climate Change earlier had once again highlighted that these damages will continue to escalate in line with global warming increases.

In parallel, the Russian invasion of Ukraine had led to soaring food and energy prices. Transforming the global economy is urgently needed to effectively combat these multiple crises. Yet, the world is still far off track. According to the IPCC assessment report, global emissions need to peak before 2025 and be reduced to about 30Gt CO2-eq. by 2030 to maintain higher than 50% of limiting warming to 1.5°C with no or limited overshoot. However, 2030 emissions implied by current policies amount to 57Gt CO2-eq.¹

At the end of COP26 in Glasgow, the UK presidency had claimed that the conference had managed to "keep 1.5 alive", inter alia by calling on countries to strengthen their climate action pledges, the so-called nationally determined contributions (NDCs). However, in practice only 24 countries had updated their NDCs by the start of COP27. And according to UNEP's annual Emissions Gap report, these updates reduced projected 2030 emissions only by less than 1%. Current policies would lead to 2.8°C of warming, unconditional pledges 2.6°C and conditional pledges 2.4°C.² The UNFCCC NDC synthesis report similarly projects that current NDCs would lead to warming of around 2.5°C by the end of the century.³

A key question in Sharm El Sheikh was therefore whether the conference would be able to take further steps to close the emissions gap. Another key question was international support for developing countries in general and funding to deal with loss and damage caused by climate change in particular. Developing countries demanded the establishment of a dedicated facility to address this issue as one of their priorities.

¹ IPCC (2022): Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.

² United Nations Environment Programme (2022). Emissions Gap Report 2022: The Closing Window — Climate crisis calls for rapid transformation of societies. Nairobi. https://www.unep.org/emissions-gap-report-2022.

³ UNFCCC (2022): Nationally determined contributions under the Paris Agreement, Synthesis report by the secretariat, FCCC/PA/CMA/2022/4, 26 October 2022.

On site, this COP felt like being at a completely overcrowded airport during the holiday season: the crowds of people were at times unbearable, there was security personnel and surveillance everywhere, the food was overpriced or out of reach, the venue was disorienting, and things just didn't move forward. A record number of agenda items could not be finished during the first week and thus spilled over into the second.

In the end, the conference did make history by scheduling a loss and damage fund for departure. However, whether it will actually take off remains to be seen. Mitigation however, was grounded, there was hardly any progress. If mitigation ambition and implementation are not dramatically ramped up in the near future, staying within the 1.5°C limit will slip out of reach for good.

2 Strengthening Mitigation Ambition and Implementation

2.1 Overall Level of Ambition - The Cover Decision

In addition to the outcomes of the many specific agenda items, the annual climate conferences usually also yield a "cover decision" capturing the most important outcomes and potentially also providing a home for issues that did not have dedicated agenda items. The cover decision is thus an opportunity for the COP presidency to put an overall framing and messaging on the outcomes of the conference. At COP26 in 2021, the UK presidency had managed to integrate the most recent scientific findings on the need for urgent action, in particular on the need to roughly half global emissions by 2030, into the cover decision. COP26 had also managed to break new ground by the inclusion of a call to phase down unabated coal power and to phase out inefficient fossil fuel subsidies. This was the first time the climate regime directly targeted fossil fuels, the main driver of climate change.

In Sharm El Sheikh, the question was whether it would be possible to go beyond Glasgow. Notably, India proposed to broaden the phase-down call from coal to all fossil fuels, which was ultimately supported by around 80 countries. Many countries also demanded a stronger commitment to the 1.5°C limit and a call to include a call for peaking global GHG emissions before 2025 in order to maintain chances to achieve the 1.5°C limit.

On Thursday of the second week, the EU proposed a package deal on mitigation and loss and damage. It proposed to establish a response fund for loss and damage for the most vulnerable countries with a "broad donor base", i.e. including countries beyond the traditional industrialised countries. As "the other side of the coin", the EU demanded an ambitious outcome on the mitigation work programme that would include a call on countries to phase down all fossil fuels, annual reports on the phase-down of unabated coal and phase-out of inefficient fossil fuel subsidies as agreed in Glasgow, and a request to parties to strengthen and revisit NDCs in 2023.

However, the Egyptian presidency apparently did not attach much importance to the cover decision. While the UK presidency had started consultations on its priorities already in summer 2021 and consulted on the cover decision from day one of the conference, the Egyptian presidency started consultations only on Saturday of the first week, at first produced only lists of potential topics and came out with its first complete draft only Friday of the second week, which was supposed to be the last day of the conference. The presidency never included the Indian proposal on fossil fuel phase-out in its proposals, not even in its compilation of parties' views.

Reports from behind closed doors indicate that Russia and Saudi Arabia had defined the call for phase-out of all fossil fuels as a red line.4

The decision finally adopted, named the "Sharm El Sheikh implementation plan", essentially repeats texts agreed in Glasgow on the 1.5°C limit, phasedown of coal and phase-out of inefficient fossil fuel subsidies. As in Glasgow, the decision "requests" all countries to revisit and strengthen their 2030 targets "as necessary" to align with the Paris temperature goal.5 A phrase calling for the expansion of renewable and "low-emission" energy caught much attention as observers mooted that this phrase might be used to justify expanded use of natural gas. However, the Glasgow Climate Pact had also already used the term "low-emission energy".6

Therefore, instead of strengthening the signal from Glasgow to accelerate emission reductions, the Sharm El Sheikh implementation plan barely held the line, effectively missing an opportunity to further strengthen global norms towards decarbonization and phasing out fossil fuel use.7

However, while weak on mitigation, the decision nonetheless includes a number of notable elements. For instance, the conference decided to establish a work programme on just transition, the details of which are to be agreed at next year's conference. As part of this work programme, a high-level ministerial round table on just transition is supposed to be convened at each session of the CMA, starting next year.8 International cooperation on just transition is already happening. A first "Just Energy Transition Partnership (JETP)" was announced already last year targeting South Africa and a second one for Indonesia was launched at the G20 summit in Bali in parallel to COP27. Other JETPs are currently being negotiated with India, Vietnam and Senegal. A Just Transition Work Programme makes sense to pool these experiences, extract lessons learned and develop good practice guidelines and tools, for instance on how to measure progress towards achieving a just transition.

The cover decision also marked an advance regarding financial issues, which is discussed further below.

⁴ Chandrasekhar, Aruna, Daisy Dunne, Josh Gabbatiss, Joe Goodman, Simon Evans and Zizhu Zhang (2022): COP27: Key outcomes agreed at the UN climate talks in Sharm el-Sheikh, 21 November 2022, https://www.carbonbrief.org/cop27-key-outcomes-agreed-at-the-un-climate-talks-in-sharm-elsheikh/?utm_campaign=Marketing&utm_medium=email&utm_source=Revue%20newsletter

⁵ Decision -/CMA.4, Sharm el-Sheikh Implementation Plan, Advance unedited version.

⁶ Chandrasekhar, Aruna, Daisy Dunne, Josh Gabbatiss, Joe Goodman, Simon Evans and Zizhu Zhang (2022): COP27: Key outcomes agreed at the UN climate talks in Sharm el-Sheikh, 21 November 2022, https://www.carbonbrief.org/cop27-key-outcomes-agreed-at-the-un-climate-talks-in-sharm-elsheikh/?utm_campaign=Marketing&utm_medium=email&utm_source=Revue%20newsletter

⁷ van Asselt, H., & Green, F. (n.d.). COP26 and the dynamics of anti-fossil fuel norms. WIREs Climate Change, n/a(n/a), e816. https://doi.org/10.1002/wcc.816

⁸ Decision -/CMA.4, Sharm el-Sheikh Implementation Plan, Advance unedited version, paras 52f.

2.2 High-Level Ministerial Roundtable and Work Programme to Enhance Mitigation Ambition and Implementation

To help speed up climate action, the Glasgow conference had established a work programme to enhance mitigation ambition and implementation and decided that starting this year each CMA session is to feature a high-level ministerial roundtable.

However, the first of these roundtables in Sharm El Sheikh yielded few new insights. Ministers were requested to respond to guiding questions on how to capitalise on opportunities and remove barriers to stronger action. However, many ministers reiterated the need to drastically increase ambition and implementation only in general terms, few went into specific details on how to do so. The Like-Minded Developing Countries (LMDCs)⁹ highlighted the historic responsibility of industrialised countries for creating the climate problem and accused them of having failed to implement their commitments and of now trying to shift the burden of solving the problem to developing countries.

Regarding the work programme, Sharm El Sheikh needed to define the details, in particular its principles, scope and timeline of work, and whether and how to translate its results into political CMA outputs. Developed countries as well as many developing countries were in favour of exploring mitigation sector by sector, in order to be able to better pinpoint opportunities, barriers and potential ways forward. However, in particular the LMDCs were opposed, citing concerns that the new work programme might be used to impose new commitments on developing countries. They in particular objected to language proposed by some developed countries to call on "major emitters with capabilities" to deliver "concrete actions", arguing that this would contravene the distinction between developed and developing countries set out in the Convention. Moreover, they were in favour of a short duration of one or two years, while most other parties were in favour of running the work programme until 2030. Finally, parties initially crowdsourced a long laundry list of 52 thematic areas the work programme might address.

The final outcome accommodates concerns about the imposition of new commitments noting that "the outcomes of the work programme will be non-prescriptive, non-punitive, facilitative, respectful of national sovereignty and national circumstances, take into account the nationally determined nature of nationally determined contributions and will not impose new targets or goals" 10. The scope of the work programme is supposed to be based on "broad thematic areas" and include all sectors covered in the 2006 IPCC GHG inventory guidelines as well as thematic

⁹ The LMDCs include among others China and India, Arab countries such as Algeria, Egypt and Saudi Arabia, left-leaning Latin American countries, such as Bolivia, Cuba, and Venezuela, and other countries such as Bangladesh, Indonesia, and Vietnam.

¹⁰ Decision -/CMA.4, Matters relating to the work programme for urgently scaling up mitigation ambition and implementation referred to in paragraph 27 of decision 1/CMA.3, Advance unedited version, para 2.

areas in the contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).¹¹ The work programme is supposed to continue until CMA 8 in 2026, "with a view to adopting a decision on the continuation of the work programme at that session"¹². It is furthermore supposed to comprise at least two "global dialogues" per year prior to the SB sessions. In addition, "investment-focused events" are supposed to be conducted on the margins of the global dialogues. The co-chairs of the work programme will have freedom to decide on the topics of the dialogues. The UNFCCC Secretariat will provide annual reports on the outcomes of the global dialogues, focusing on key findings, opportunities and barriers. Also each year, the co-chairs of the work programme will present this report at the annual high-level ministerial round tables on pre-2030 ambition and implementation and the Subsidiary Bodies are supposed to recommend respective draft CMA decisions.¹³

In summary, the decision will make it possible to have specific discussions. With the reference to the thematic areas of the IPCC WG3 report, it will be possible to discuss sectoral systems such as energy supply, industry, transport, buildings, urban systems, and agriculture and forestry. Focusing on this should allow countries to identify concrete and sector-specific challenges, barriers, but also opportunities for transformation, and thus hopefully find new levers and starting points for implementing mitigation activities. However, the conference was not able to agree to have the work programme follow up directly on the results of the Glasgow conference, e.g. by discussing concrete roadmaps and reporting structures for the phasedown of coal and phase-out of inefficient fossil fuel subsidies. Following up directly from Glasgow would have allowed for very specific discussions. With the broader outcome that was achieved in Sharm El Sheikh, it remains to be seen whether the work programme will indeed be able to tackle concrete questions of increasing ambition and implementation. More positively, coupling the "dialogues" with "investment-focused events" is an interesting attempt to translate discussion results into actual action.

2.3 Frontrunner Alliances and Non-Party Actors

The activities of frontrunner alliances, non-state and sub-national actors attracted less attention this year compared to last year's flurry of announcements and new targets. The British COP Presidency had prepared a series of "breakthroughs" with considerable diplomatic resources. Understandably, the Egyptian government did not have the same resources at its disposal.

¹¹ Ibid. para 4.

¹² ibid. para 5

¹³ Ibid. paras 8ff.

That said, there were a number of developments that may have attracted less media attention, but are important nonetheless. First, there were several announcements for the concrete implementation of the previously agreed goals. Under the "Breakthrough Agenda" member states presented an action plan for the next 12 months to implement the previously agreed breakthroughs in the power sector, transport, steel industry, low-emission hydrogen and sustainable agriculture. Other examples include the newly founded Africa Green Hydrogen Alliance¹⁵ or the new Climate Investment Funds (CIFs) Industry Transition Programme¹⁶, which for the first time provides large-scale funding for the implementation of transformation processes in developing countries. Also, two new breakthroughs were adopted on the built environment¹⁷ and the protection of mangroves¹⁸, albeit with much less public fanfare than last year's announcements.

Secondly, climate adaptation and resilience are increasingly taking centre stage; the so-called Race to Resilience has so far mostly been overshadowed by the Race to Zero. Perhaps the most salient announcement in this regard was the launch of the Global Shield¹⁹ Initiative jointly by the G7 and the V20 group of the 20 most vulnerable countries. Global Shield is an initiative providing pre-arranged insurance against climate risks to particularly risk-exposed countries.

And third, we observed a focus on accountability, transparency and metrics. This is particularly true for the large number of company net zero pledges many of which have been found to be not very credible. ²⁰ UN Secretary General Guterres found clear words for this: "Let's tell it like it is. Using bogus 'net-zero' pledges to cover up massive fossil fuel expansion is reprehensible. It is rank deception. This toxic cover-up could push our world over the climate cliff. The sham must end." ²¹ He said this at the launch of the Report of the High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities which provided key recommendations for more credible climate pledges by non-state actors. ²² Beyond that, other examples include the ISO's (International Standards

¹⁴ https://climatechampions.unfccc.int/system/breakthrough-agenda/

¹⁵ https://climatechampions.unfccc.int/africa-green-hydrogen-alliance/

¹⁶ https://www.cif.org/news/climate-investment-funds-takes-industry-decarbonization-challenge-new-program-500-million

 $^{^{17}\} https://globalabc.org/index.php/news/call-buildings-breakthrough-rallying-point$

¹⁸ https://climatechampions.unfccc.int/the-mangrove-breakthrough/

¹⁹ see https://www.worldbank.org/en/news/press-release/2022/11/14/world-bank-group-launches-global-shield-financing-facility-to-help-developing-countries-adapt-to-climate-change

https://ca1-nzt.edcdn.com/Net-Zero-Tracker/Net-Zero-Stocktake-Report-2022.pdf and https://newclimate.org/sites/default/files/2022-06/CorporateClimateResponsibilityMonitor2022.pdf

²¹Lo, Joe (2022): 'Toxic cover-up': UN blasts oil majors' fake net zero pledges, 8 November 2022, https://www.climatechangenews.com/2022/11/08/toxic-cover-up-un-blasts-oil-majors-fake-net-zero-pledges

²² https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

Organisation) Net Zero Guidelines²³, a standard for credible targets and measures for climate neutrality at the corporate level. In the context of the Race to Resilience, a framework for measuring the impact of measures by non-state actors was also introduced.²⁴

Overall, the COP27 provided for less ribbon cutting but delivered important substantive improvements in some aspects, particularly related to transparency and accountability of climate pledges. On the other hand, at the launch of most of the breakthroughs their members in most cases entailed the most progressive actors, many of which were already on track to meeting the targets. The hope was that over time other state and non-state actors would follow, thus unfolding the full potential of these initiatives. But much like with NDCs we saw relatively little new commitments in that regard. Overall, the global climate action agenda remains an important part of the COPs but can by no means save the day vis-a-vis insufficient NDCs.

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²³ https://www.iso.org/netzero

²⁴ https://climatechampions.unfccc.int/r2r-launches-accountability-and-transparency-tool/

3 Global Stocktake

The conference continued the Global Stocktake (GST) under the Paris Agreement, a process by which the international community takes stock of the sufficiency of its efforts to achieve the objectives of the Paris Agreement. The outcomes of the GST are supposed to inform countries' deliberations over subsequent NDCs and enhance international cooperation. The first GST is taking place from 2021 to 2023.

The first round of the Technical Dialogues (TD) for the first GST commenced at the intersessional meeting in June in Bonn. Especially the plenary sessions of the TD were still very much dominated by countries repeating previously stated positions. The co-facilitators of the TD also hosted a world café event that enabled more constructive dialogue among the participants.²⁵

During the second round of the TD in Sharm El Sheikh, the co-facilitators finally broke the mold and managed to facilitate a genuine conversation. This was achieved by a transparent and inclusive process, building and expanding on the world café method successfully introduced in the first TD and a wider range of thematic breakout groups during the more formal roundtable sessions. To achieve this, access to the roundtables was managed so that a balance of Party delegates and observers was maintained. Moreover, the TD was complemented with a creative space in which artists could present their perspectives on the GST as well as an (academic) poster session.

To further facilitate the process, Parties decided to invite submissions on how to organise the political consideration of outputs at COP28. Moreover, a series of additional events were mandated including a hybrid event in April for a first consultation and an in-person meeting in October to "develop elements for the consideration of outputs".²⁶

Overall the progress of the TD was applauded by both parties and observer organisations. According to one delegate, the process design was very effective in leveraging an extremely wide range of inputs. The inclusivity of the 2nd dialog implied also the participation by a wide range of non-state actors, such as lobbyists from the fossil fuel industry, which "were very visible and vocal". ²⁷ Consequently, this confers a great deal of power and responsibility to the co-facilitators who will provide a factual summary of each TD session as well as key emerging findings after the conclusion of the

²⁵ UNFCCC (2022): 'Summary report on the first meeting of the technical dialogue of the first global stocktake under the Paris Agreement' (2022), GST.TD.2022.SummaryReport.1, 10 October 2022, https://unfccc.int/sites/default/files/resource/GST%20TD1_1_sreport_26_09_2022_Final.pdf, accessed 23 November 2022.

²⁶ Matters relating to the global stocktake under the Paris Agreement, Draft conclusions proposed by the Chairs, FCCC/SB/2022/L.8, 11 November 2022.

²⁷ Carbon Brief (2022): COP27: Key outcomes agreed at the UN climate talks in Sharm el-Sheikh <'https://www.carbonbrief.org/cop27-key-outcomes-agreed-at-the-un-climate-talks-in-sharm-el-sheikh/?utm_campaign=Marketing&utm_medium=email&utm_source=Revue%20newsletter> accessed 23 November 2022.

final TD in June 2023. These emerging findings will form a key input to the political phase of the GST to be completed at COP28. Whether the GST can ultimately achieve its objective and leverage increased ambition in subsequent NDCs remains to be seen, but certainly, the smooth and inclusive implementation of the second TD was one of the success stories of COP27.

4 Cooperation under Article 6 of the Paris Agreement

The Glasgow summit in 2021 had brought about a breakthrough with regard to the voluntary cooperation of Parties under Article 6 of the Paris Agreement: with the adoption of the Article 6 rulebook at COP 26, the basis for international market-based climate action was laid. At Sharm El Sheikh, Parties discussed further details to operationalise the Glasgow decisions.

Cooperative approaches under Article 6.2

Article 6.2 allows Parties to trade Internationally Transferred Mitigation Outcomes (ITMOs) in order to achieve NDCs cooperatively. While some countries, like Switzerland and Ghana, are already establishing such forms of cooperation²⁸, the detailed rules of procedure remain unresolved and especially technical questions are open to debate. At COP27, Parties agreed on some reporting elements that are a precondition for transparent accounting and thus trading. Other topics remain controversial, like the option for Parties to declare certain information of the reporting to be confidential or the question whether it is technically feasible and politically favourable to allow Parties to revoke the authorization of ITMOs once they have been authorised for a specific use. These issues will be subject to future debates.

With regard to reporting, Parties made some progress by specifying the content of the reports that Parties participating in cooperative approaches under Article 6.2 must submit. In particular, an outline for the initial report was agreed, which Parties need to submit before engaging in a cooperative approach.²⁹ At the same time, COP27 has given Parties participating in cooperative approaches significant leeway in defining the confidentiality of information to be reported: Parties "may designate information...as confidential"³⁰, while an explanation for the need to keep the information confidential remains optional. There is no principle that limits the designation of information as confidential. This raises serious concerns about reduced transparency which may adversely impact the integrity of bilateral cooperation. While Parties requested SBSTA to continue working on this topic, the mandate is limited to developing modalities on how such confidential information is to be reviewed.

Important decisions have also been taken with regard to the Article 6 Technical Expert Review process, the scope of which has been limited considerably. The review is to be focused on checking the consistency of

²⁸ UNDP (2022): 'Ghana, Vanuatu, and Switzerland Launch World's First Projects under New Carbon Market Mechanism Set out in Article 6.2 of the Paris Agreement' accessed 22 November 2022.

²⁹ Decision 2/CMA.3. 'Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement' (2022). Advance Unedited Version, Annex V.

³⁰ Ibid, para 22./23. https://unfccc.int/sites/default/files/resource/A6.2_decision_1.pdf accessed 23 November 2022.

information submitted, while a review of the cooperative approach and its underlying activities against the requirements from the 6.2 guidance agreed in Glasgow will not be part of the review process. More generally, the review "shall be implemented in a facilitative, non-intrusive, non-punitive manner, respectful of national sovereignty and avoid placing undue burden on participating Parties".³¹

Article 6.4 Mechanism

Regarding the operationalization of the UNFCCC-supervised mechanism established by Article 6.4 of the Paris Agreement, Parties discussed various technical and procedural issues at COP 27, among them the rules of procedure for the Article 6.4 mechanism Supervisory Body, the eligibility of selected mitigation activity types, questions of host party reporting, the mechanism registry, and processes for implementing the use of certified emission reductions (CERs) towards first or first updated NDCs.

With the adoption of the Article 6 rulebook in Glasgow, Parties had agreed that all ITMOs and Article 6.4 emission reductions (A6.4ERs) that are authorised by the host Party require the application of Corresponding Adjustments (CAs) to avoid double counting of emission reductions. According to the rules, only these units can be used by Parties for NDC achievement and for fulfilling obligations under other international mitigation schemes, such as CORSIA.

While the spectrum of possible uses of authorised units was clearly defined, COP26 had not outlined the purposes for which non-authorised units could be used, despite the fact that Parties had agreed on rules that allow for non-authorised units to be issued under the Article 6.4 mechanism.³² The relevance and sensitivity of this question must further be seen in the context of an ongoing debate in the voluntary carbon market: stakeholders on this market are still divided on whether companies should be allowed to use such non-adjusted credits for their voluntary climate pledges (such as carbon neutrality) or whether offsetting claims should only be made on the basis of credits backed by corresponding adjustments.

In Sharm El Sheikh, non-adjusted units and the options of how these can be used became a key topic in the Article 6.4 negotiations. While initial draft text would have allowed for a broad scope of possible uses, the final Article 6.4 decision gives these units the name of "mitigation contribution A6.4ERs". These "may be used, inter alia, for results-based climate finance [...] for the purpose of contributing to the reduction of emission levels in the host Party" (Decision, Annex, para 29b).³³

³¹ Decision 2/CMA.3. 'Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement' (2022). Advance Unedited Version, Annex II, para 9.

³² Decision 3/CMA.3. Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, Annex, para 43.

³³ Decision -/CMA.4. Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, Advance Unedited Version, Annex I, para 29b.

With this terminology, the international level does not only provide some clarity regarding the possible use of non-authorised A6.4ERs but also sends a clear signal to the voluntary carbon market: non-adjusted units should not be used for offsetting purposes by

companies that wish to make carbon neutrality or similar climate-related claims. The decision supports the so-called "contribution claim model" which is being established as an alternative to the existing offsetting approach. Instead of using carbon credits to claim being carbon neutral, companies support climate action outside their value chain and transparently communicate on the support provided without 'netting-out' any residual emissions.

Another topic intensely discussed was the inclusion of mitigation activities that remove greenhouse gases from the atmosphere. COP26 had tasked the Art. 6 Supervisory Body to develop recommendations on the issue – however, the SB only came up with a very broad definition of removals that was adopted last minute at the SB meeting immediately before the COP. Throughout the year, SB members had held contentious discussions, with some members stressing that for certain technologies such as ocean fertilization the scientific basis and knowledge is too thin to consider them yet, while others pointed out that environmental integrity would be secured by the provisions of the Glasgow decisions anyhow. At Sharm El Sheikh, Parties basically echoed this discussion, with many Parties criticizing the vagueness of the removals definitions in the SB recommendations and underlining the need for safeguards and detailed risk assessment. Others signaled support for the SB's suggestions opining that a broad overarching framework is to be established first and further details could be established in concrete methodologies later. Finding no consensus, Parties decided to send back the issue to the Supervisory Body, which is to report back to CMA5³⁴.

Further issues deferred include work on developing methodologies for Art. 6.4 activities, which urgently need to be developed further as baseline-setting and additionality testing have to be adapted to the Paris Agreement architecture in order to safeguard environmental integrity. Other issues postponed relate to the debate on including activities that avoid the occurrence of emissions and / or classify as conservation enhancement activities. On the positive side, Parties adopted further guidance on a number of procedural matters, including on the transition of activities from the CDM to the Article 6.4 mechanism, processes for the use of CDM credits towards first or updated NDCs, on host Party reporting, the operation of the mechanism registry, as well as processes for

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³⁴ Decision -/CMA.4. Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement. Advance Unedited Version, para 20.

administrative and adaptation shares of proceeds, and for delivering an overall mitigation of global emissions (OMGE).

However, decisions on further responsibilities of the Supervisory Body and national arrangements in Article 6.4 host countries were postponed to CMA6, i.e. they will not be decided upon before the end of 2024, making the start of actual mitigation activities under Art. 6.4 in the near future all the more uncertain.

5 Finance

Although the "Sharm El Sheikh implementation plan" addresses the need for climate finance, this year's COP did not deliver on any new global commitments. Instead, the decision again expresses serious concern that not even the pledge by developed countries of mobilising USD 100 billion annually from 2020 has been achieved yet. Furthermore, while developed countries at COP26 in Glasgow pledged to double finance for adaptation, this year's decision only mentions a technical progress report on the adaptation goal which will be conducted by the Standing Committee on Finance. This falls behind expectations raised before the COP regarding the specification of how to fulfil the adaptation goal. Thus, apart from a few minor reassurances to deliver on the goals, climate finance rather stagnated at this COP in terms of concrete roadmaps with the notable exception of the fund for loss and damage.³⁵ This is especially disappointing for developing countries as the topic should have received much more attention at this "African COP".³⁶

One of the few positive aspects was the creation of a dedicated space (Sharm El Sheikh dialogue) for the discussion on "Article 2.1c" of the Paris agreement which calls for a general alignment of finance flows with low greenhouse gas emissions and climate-resilient development. This dialogue might also result in a more action-oriented climate finance agenda at COP28. Another interesting new part is that the cover decision goes beyond citing UN documents in terms of illustrating climate finance needs. One example is the World Energy Outlook by the International Energy Agency (IEA), which highlights the need for an investment of USD 4 trillion per year into renewable energy in order to reach the goal of net zero emissions by 2050.37 Furthermore, a UNEP report is cited which calls for an additional USD 4-6 trillion for the transformation into a low-carbon economy.38 The amount of overall global climate finance flows in 2019-2020 is estimated to be USD 803 billion which still falls far behind meeting the needs to keep the global temperature rise between 1.5 - 2 degrees as agreed in the Paris agreement.³⁹ However, the inclusion of all those reports and numbers in the final decision can be considered a small success in underlining the urgent need for action at future climate conferences.

³⁵ See the section on loss and damage for more information.

³⁶ CAN Europe (2022): 'COP27 rescued in overtime with an agreement to set up a fund to address climate loss and damage' https://caneurope.org/cop27-rescued-in-overtime-with-an-agreement-to-set-up-a-fund-to-address-climate-loss-and-damage/ accessed 23 November 2021.

³⁷ IEA (2022): 'World Energy Outlook' https://iea.blob.core.windows.net/assets/830fe099-5530-48f2-a7c1-11f35d510983/WorldEnergyOutlook2022.pdf accessed 23 November 2022.

³⁸ UNEP (2022): 'Emissions Gap Report' https://www.unep.org/resources/emissions-gap-report-2022 accessed 23 November 2022.

³⁹ UNFCCC (2022): 'Fifth Biennial Assessment and Overview of Climate Finance Flows Technical Report' https://unfccc.int/documents/619173 accessed 23 November 2022.

Furthermore, it was discussed that gender should play a more important role in climate finance.⁴⁰

Meanwhile, the new quantified goal on climate finance which is supposed to replace the USD 100 billion commitment from 2025 onwards, remains in the negotiating phase and it is mentioned that the deliberation process will conclude in 2024.41 In terms of the amount that is needed for climaterelated issues in emerging markets and developing countries other than China, a report released during COP27 by the Independent High-Level Expert Group on climate finance argued that an annual amount of USD 1 trillion per year is required by 2025 as well as USD 2.4 trillion by 2030. Furthermore, the report suggested that half of that sum should be provided domestically, leaving the other half to be provided internationally in the form of a strategic mix including public and private finance. In this regard, the report points out that it should not be about the mere amount of climate finance but the focus should rather be on taking specific country conditions and their debt situation when setting up a climate finance mix.⁴² This claim really puts the current goal of USD 100 billion in perspective and is most likely to become a very important topic at future COPs.⁴³

Another feature of last year's COP26 in Glasgow was the announcement of a Just Energy Transition Partnership (JETP) with South Africa in order to provide the financial means for a coal phase-out. However, the partnership has still to prove that it is able to deliver especially since criticism is rising that justice concerns can only be adequately addressed when finance is provided in the form of grants, which is currently the case with less than 3% of the promised money for the JETP with South Africa.⁴⁴ Building on these multilateral formats, other partnerships with Vietnam, Indonesia, India and Senegal are currently underway. For example, at the G20 summit in Bali which took place parallel at COP27, the JETP with Indonesia was announced with the promise to provide USD 20 billion from public and private sources for an accelerated energy transition over 10 years.⁴⁵ On the one hand, those partnerships have the potential to strengthen the credibility of developed countries in climate negotiations and make a decisive contribution to climate mitigation. On the other hand, the case of an energy partnership with Senegal illustrates that the gain in credibility

⁴⁰ For more information on this issue, please refer to the section on Gender-Responsiveness.

⁴¹ UNFCCC (2022): 'New collective quantified goal on climate finance. Draft decision -/CMA.4' https://unfccc.int/documents/621928 accessed 23 November 2022.

⁴² Independent High-Level Expert Group on Climate Finance (2022): 'Finance for climate action - Scaling up investment for climate and development' https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action.pdf accessed 23 November 2022.

⁴³ Pauw, P. W. et al. (2022): 'Post-2025 climate finance target: how much more and how much better?' https://www.tandfonline.com/doi/full/10.1080/14693062.2022.2114985 accessed 23 November 2022.

⁴⁴ Climate Home News (2022): 'South Africa approves \$8.5bn energy transition investment plan' https://www.climatechangenews.com/2022/10/20/south-africa-approves-8-5bn-energy-transition-investment-plan/> accessed 23 November 2022.

⁴⁵ Federal Foreign Office (2022): 'Team Germany on the conclusion of COP27' https://www.auswaertiges-amt.de/en/newsroom/news/team-germany-cop27/2564468 accessed 23 November 2022.

and mitigation might be rapidly gambled away through potential German and French investments in new gas fields.⁴⁶ This would also be a breach of the pledge to end overseas public investments in new fossil infrastructure which was made at COP26 in Glasgow and signed by Germany and France.⁴⁷

On a more positive note, the Sharm El Sheikh implementation plan also calls for reform in terms of the practices of Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs) regarding the scaling up of climate finance as well as taking into account the special needs of developing countries. As such, MDBs should draw from a number of instruments including the mobilisation of private capital while keeping financial burdens and indebtedness of certain countries in mind.⁴⁸ The background of this development is the so-called Bridgetown Initiative, a climate finance plan that was proposed by a group piloted by Barbadian Prime Minister Mia Mottley. The idea is here to assert influence on those institutions through the member states, for example within the board of development banks and financial institutions. The reform of those practices has the potential to redirect large finance flows for climaterelated purposes including the derisiking of investments and has to be seen in a wider global context with also being discussed at the G20 meeting in Bali.49

The COP also once again discussed the quality and definition of climate finance. Most developing countries which are already struggling with debt and thus have limited fiscal space for investment argue that climate finance should not be provided in the form of loans which would make the situation more severe and rather exclusively in the form of grants.⁵⁰

Against this backdrop, developed countries include loans as part of their climate finance pledges which makes up for the lion share of overall climate finance flows from developed to developing countries.⁵¹ However, also this COP did not deliver on a definition of climate finance and thus fell behind its initial branding as an "Implementation COP". May it be the rather

⁴⁶ IDDRI (2022): 'Just energy transition partnerships in the context of Africa-Europe relations: Reflections from South Africa, Nigeria and Senegal' https://www.iddri.org/en/publications-and-events/report/just-energy-transition-partnerships-context-africa-europe-relations accessed 23 November 2022.

⁴⁷ UN Climate Change Conference UK (2021): 'Statement on international public support for the clean energy transition' (2021) https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/> accessed 24 November 2022.

⁴⁸ Bloomberg Green (2022): 'Biggest Win Yet at COP27? Calls to Reform Multilateral Lenders' https://www.bloomberg.com/news/articles/2022-11-18/biggest-win-yet-at-cop27-calls-to-reform-multilateral-lenders accessed 23 November 2022.

⁴⁹ E3G (2022): 'The Bridgetown Initiative, A climate and development plan for COP27' https://www.e3g.org/news/the-bridgetown-initiative-a-climate-and-development-plan-for-cop27/ accessed 23 November 2022.

⁵⁰ Carbon Brief (2022): 'COP27: Key outcomes agreed at the UN climate talks in Sharm el-Sheikh' accessed 23 November 2022.

⁵¹ Nature (2022): 'Why climate finance is a political hot potato — and what to do about it' https://www.nature.com/articles/d41586-022-03790-6 accessed 23 November 2022.

reluctant Egyptian COP presidency, an outdazzling of climate finance by loss and damage, a strategy of delay by developed countries, the deadlock between developed and emerging countries in terms of climate finance contributions, or just the unfortunate global setting with the war and a looming energy crisis, all of those factors had their fair share in this years failure on addressing climate finance needs.

6 Framework for the Global Goal on Adaptation

Already in Glasgow, Egypt's lead climate negotiator, Mohamed Nasr, had announced that "Resilience and adaptation will be at the core of it (COP27)"52. With the overall objectives of the Egyptian presidency to make COP27 the African COP and being an accelerator for adaptation, during the World Leaders Summit on November 8th, the Sharm-El-Sheikh Adaptation Agenda⁵³ was launched in partnership with the UN Climate Change High-Level Champions, and the Marrakech Partnership. The agenda consists of 30 adaptation outcomes with actions in 5 "impact systems" (food and agriculture, water and nature, coastal and oceans, human settlements, and infrastructure) and enabling solutions (planning and finance). An African perspective is provided on these outcomes. The post-COP27 aim is to start off a process led by the High-Level Champions to refine and expand the outcome targets with inputs from state and non-state actors. The COP 27 Presidency would then report back to COP 28 on the progress achieved in implementing the Sharm-El-Sheikh Adaptation Agenda. The COP27 cover decision welcomes the Agenda and emphasises the need to follow up on it.54

While the aim was to continue the COP26 momentum of Glasgow where adaptation got more attention than ever, with the conference's focus on loss and damage (see next section), adaptation never really made it into the spotlight in Sharm El Sheikh - despite the emotionally discussed shortfalls in adaptation funds which fueled a lack of trust from developing countries towards big industrialised emitters. Just a few days before the delegates gathered in Egypt, UNEP published their annual Adaptation Gap Report. Titling 'Too little, Too slow - climate adaptation failure puts world at risk', the report evaluates the progress of planning, financing and implementing adaptation actions. And even though most of the UNFCCC parties have some adaptation plans, strategies, laws or policies, these appear not to translate into action. Discussions on National Adaptation Plans (NAPs) also early on stated shared concern about the low number of new NAPs submitted55. A need to facilitate access to adequate finance by developing countries covering the whole NAP process was highlighted. According to UNEP, the monetary flows from developed countries to developing countries for climate change adaptation must be scaled up five to ten

⁵² Climate Change News (2021): Egypt to host next climate summit, putting a spotlight on resilience. https://www.climatechangenews.com/2021/11/12/egypt-host-next-climate-summit-putting-spotlight-resilience/

⁵³ UNFCCC (2022): Sharm-El-Sheikh Adaptation Agenda. The global transformations towards adaptive and resilient development. https://climatechampions.unfccc.int/wp-content/uploads/2022/11/SeS-Adaptation-Agenda Complete-Report-COP27 FINAL-1.pdf

⁵⁴ Schmidt, Jake; Thwaites, Joe; Guy, Brendan; Kwatra, Sameer; Herrera, Carolina; Shukla,Shruti; Lin, Alvin and Jennifer Skene (2022): Forward Progress at COP27 in Egypt and the Path Ahead. NRDC Expert Blog. November 21, 2022. https://www.nrdc.org/experts/jake-schmidt/forward-progress-cop27-egypt-and-path-ahead

⁵⁵ Earth Negotiations Bulletin (2022): ENB COP27 Daily Report 8.11.2022. https://enb.iisd.org/sharm-el-sheikh-climate-change-conference-cop27-daily-report-8nov2022

times⁵⁶. In absolute numbers that means a lack of 160 - 340bn USD by 2030 and further 315 - 565bn USD until 2050. The fact that developed countries did not manage to support developing countries with the promised 100bn USD from 2020 (see previous section) contributed to the atmosphere of mistrust mentioned above. Moreover, COP26 had seen record pledges to the Adaptation Fund (358 Mio USD). South Africa on behalf of the African Group criticised that "...developed countries 'used and abused' the UNFCCC platform to make pledges in Glasgow and 'lied to the global public' and '365 days later they come and give excuses about budgetary cycle' to justify why their pledges were not fulfilled".57 The Adaptation Fund attracted USD 230 million in new pledges and contributions and several governments announced to increase their adaptation finance for vulnerable countries. However, this was seen as "incremental progress" by some experts.58 The Glasgow Climate Pact had urged developed countries to double their adaptation finance from 2019 levels by 2025.⁵⁹ New pledges by far not reached the amount needed for doubling (i.e. 20 bn USD).60 The G77 and China request to have a specific agenda item at COP 27 to discuss how this could be implemented was denied. In the ralley from the draft to the final wording of the Sharm-el Sheikh cover decision, the call for a roadmap on doubling adaptation funds was removed, instead there is now only a request to the Standing Committee on Finance (SCF) to prepare a report on this. 61 But the mandate of the SCF was criticised as being vague.62

A major agenda item was to take stock of the progress regarding the Global Goal on Adaptation. Under Article 7 of the Paris Agreement, the Parties agreed on "establish[ing] the global goal on adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change"63. This aspirational goal is different from its mitigation counterpart, the Paris Agreement's temperature goal, as there were and still "are no global metrics that can meaningfully capture what enhanced adaptation means across all contexts and ecosystems"64. A significant step forward to formulating the global goal on adaptation more concretely was the launch of the two-year Glasgow—Sharm El Sheikh work programme

⁵⁶ United Nations Environment Programme (2022). Adaptation Gap Report 2022: Too Little, Too Slow – Climate adaptation failure puts world at risk. Nairobi. https://www.unep.org/adaptation-gap-report-2022

⁵⁷ Chandrasekhar et al. (2022).

⁵⁸ Schmidt et al. (2022).

⁵⁹ Decisions 1/CP.26 paragraph 11, and 1/CMA.3 paragraph 18 on adaptation finance.

⁶⁰ Ibid.

⁶¹ Decision -/CMA.4, Sharm el-Sheikh Implementation Plan, Advance unedited version.

⁶² Ibid, para 42.

⁶³ Decision 1/CP.21 Adoption of the Paris Agreement

⁶⁴Beauchamp, Emilie (2022): IISD deep dive. How to Raise the GlaSS on the Global Goal on Adaptation at COP 27: Four foundations to build upon. https://www.iisd.org/articles/deep-dive/glass-global-goal-adaptation-cop-27

(GlaSS)⁶⁵ at COP 26 in Glasgow. This programme shall help parties to identify how a Paris-conforming adaptation goal needs to look like. The work programme includes consultations on what kind of indicators, methodologies, data and metrics are suitable to use. The two-year work programme is carried out jointly by SBI and SBSTA, with input from the current and incoming COP chairs, the Adaptation Committee (AC), IPCC Working Group II, and others. The expected outcome of the two-year process is a draft decision for consideration and adoption at COP28 in 2023.

To prepare COP 27 in Egypt, an unofficial launch and three workshops were conducted under the work programme. The several outcomes were welcomed by the parties during COP₂₇⁶⁶. Nonetheless, and just as many discussions were complicated at this COP, the negotiations on the global goal on adaptation were reported to be tenacious and (purposely) delayed by some parties - for example with time being wasted for discussing whether to work from a PDF or Word document⁶⁷. Negotiations continued until the final hours of the COP and some experts believed the issue did not get the attention it deserved, "just when it began getting momentum, money and talent are now going to loss and damage."68 However, the parties finally agreed on a structured framework. The framework describes how the global goal for adaptation will be formulated and how the process towards this goal will be tracked⁶⁹. Among various dimensions (e.g., impact, vulnerability, implementation, finance and capacity-building), fields where climate change is causing crucial impacts will be in the centre of the global goal of adaptation. These fields (referred to as themes) cover water, food and agriculture, cities, settlements and key infrastructure, health, poverty and livelihoods, terrestrial and freshwater ecosystems as well as oceans and coastal ecosystems⁷⁰. Furthermore the framework describes that the adaptation in these themes shall happen in a countrydriven, gender-responsive, participatory and fully transparent manner, guided by the best available science as well as, when appropriate, traditional knowledge and knowledge by indigenous groups⁷¹. With this, the framework takes the sixth assessment report of the IPCC into account⁷² and after the complicated negotiations, the countries were generally

65 FCCC/PA/CMA/2021/10/Add.3 - Decision 7/CMA.3 Glasgow—Sharm el-Sheikh work programme on the global goal on adaptation. https://unfccc.int/sites/default/files/resource/CMA2021 10 Add3 E.pdf

⁶⁶ UNFCCC (2022): 'Glasgow-Sharm el-Sheikh work programme on the global goal on adaptation referred to in decision 7/CMA.3' < https://unfccc.int/sites/default/files/resource/GGA_decision.pdf accessed 24 November 2022

⁶⁷ Chandrasekhar et al (2022).

⁶⁸ ENB COP27 Summary Report, 6–20 November 2022. https://enb.iisd.org/sharm-el-sheikh-climate-change-conference-cop27-summary

⁶⁹ para 8f

⁷⁰ para 10b

⁷¹ para 10c

⁷² IPCC (2022). Climate Change 2022: Impacts, Adaption, and Vulnerability. Cambridge and New York.

pleased with the work done on the global goal on adaptation during COP27. The framework will be reviewed before the second Global Stocktake starting in 2025. Timing and implementation of the 2022 workshops and discussions were criticised during the discussions. The finally agreed framework for delivering the goal and tracking progress as well as the provisions for timing of the second year of the GlaSS was welcomed by experts, described as being in good shape and having many of the right elements.⁷³

⁷³ Chandrasekhar et al (2022).

7 Historical decision on Loss and Damage

Loss and Damage already entered the centre stage of the climate negotiations at COP26 with heated debates on funding.⁷⁴ And for the first time, the Glasgow Climate Pact included a subheading and entire section of text to Loss and Damage.⁷⁵ Hence, the handling of loss and damage due to climate change was expected to be a key topic in Sharm El Sheikh.

Developing countries, which are particularly affected by the negative impacts of climate change, had demanded the establishment of a dedicated financial facility. G-77 and China had requested that funding arrangements for loss and damage should be added to the COP27 agenda. Failure to agree would have burdened the conference from the start. Developed countries had originally been hesitant to engage on this topic, but increasing devastation caused by climate change and extreme weather events and their impacts in 2022 such as heavy flooding in Pakistan and a severe drought in East Africa underscored the need to engage constructively on this issue. Already in its opening statement Pakistan, for the G-77/CHINA, stressed that addressing Loss and Damage "is not charity; it is climate justice."

Again for the first time, Loss and Damage funding arrangements were included as separate items in the finally agreed COP27 agenda.⁷⁷ And the expectation was that this "important recognition of climate reality and the profound impacts on many communities around the world needs to be backed by action".⁷⁸ But already the consultations on the draft agenda, which had lasted 48 hours as COP President Shoukry noted⁷⁹, indicated that the unresolved 30-year history of contrasting views on Loss and Damage and related "suspicions" and demands between developed and developing countries was not over. Discussions were resolved by a changed item title with a footnote that "This item and the outcomes thereof are without prejudice to the consideration of similar issues in the future."⁸⁰ Shoukry also noted that the outcomes of this item did not involve liability or compensation, the item included the Glasgow Dialogue, and would launch a process with a view to adopting a conclusive decision no later than

Obergassel et al. (2021) Turning Point Glasgow? An Assessment of the Climate Conference COP 26. CCLR 4/2021, p. 271-281.

⁷⁵ UNEP (2021): "What does COP26 mean for adaptation" (United Nations Environment Programme 2021) https://www.unep.org/news-and-stories/story/what-does-cop26-mean-adaptation>.

⁷⁶ Earth Negotiations Bulletin (2022): ENB Daily report for 6 November 2022. https://enb.iisd.org/sharm-el-sheikh-climate-change-conference-cop27-daily-report-6nov2022.

TOP27 Agenda item 8. (f) https://unfccc.int/sites/default/files/resource/C0P_27_adopted_agenda_06112022.pdf

⁷⁸ Climate Action Network International (2022): As COP27 drags into the eleventh hour, worrying divergences remain on key issues. Press release 22. November 2022. https://climatenetwork.org/2022/11/22/as-cop27-drags-into-the-eleventh-hour-worrying-divergences-remain-on-key-issues/

⁷⁹ Earth Negotiations Bulletin (2022): ENB Daily report for 6 November 2022.

⁸⁰ There are only two footnotes to agenda items and the second footnote with very similar wording also relates to Loss and Damage, i.e item 7 on the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts.

2024.⁸¹ This was seen as a concession to reassure developed countries and echoing text accompanying the Paris Agreement.⁸²

The original contrasting views in the negotiations were on the one side the position of G77/China to have a finance facility or fund under the UN and established right straightforward at COP27 and on the other the position of developed countries to not agree on a fund at COP27 but further discuss a variety of funding options, align this with the two-year Glasgow Dialogue set up at COP26 and potentially culminating in a new facility in 2024. These differing views could not be resolved. Therefore the draft decision text contained these two opposing views as options. At the end of the first week of negotiations, the US climate envoy John Kerry reaffirmed that the US still completely rejected a Loss and Damage fund based on compensation. Other developed countries agreed to that although noting the urgency and offering sympathy.83 While the frustration level of developing countries was high, two days before the official close of the COP, EU Commissioner Timmermans announced that the EU was open to the idea of a new loss-and-damage finance facility but under the conditions that high-emitting countries (which meant China) would pay into it, that only most vulnerable countries would be eligible recipients, and in exchange for a strong outcome on mitigation.

The proposal caused waves and forced Parties to make a stand. The role of China being classified as developing country in the UNFCCC terminology and being now pushed to pay caused some sharp reaction. The proposal was also seen as an attempt to split the alliance of developing countries, G-77 and China, but this -if attempted- failed. However, the EU proposal revived the negotiation and the updated decision text then contained three new options plus the EU proposal.

Finally, after this hard political bargaining process, at the weekend COP-overshoot, a breakthrough and consensus was reached. The new loss-and-damage text on Saturday afternoon offered a compromise between demands of both the G-77 and developed countries, opening the fund up to all developing countries and leaving the door open to additional donors with a mention of the potential for a "wide variety of sources". ⁸⁴ Developing countries signalled their agreement and the lead negotiator for the African Group, Kaloga, said he was confident that a landing ground had been reached and this would be "...a very exciting moment...30 years of attempts to get recognition [of] loss and damage...this has all now been solved." ⁸⁵

⁸¹ Earth Negotiations Bulletin (2022): ENB Daily report for 6 November 2022.

⁸² Chandrasekhar et al (2022).

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ Decision -/CP.27 -/CMA.4 Advance version, para 3. https://unfccc.int/sites/default/files/resource/cma4_auv_8f.pdf

After some last minute discussions the text was finally approved⁸⁶, marking a historic moment in 30 years of climate negotiations.

Parallel to the negotiations on the facility / fund, additional Loss and Damage funding was announced by several governments and initiatives, ultimately amounting to more than 300 million USD, with a majority going to insurance programmes, early-warning systems for extreme weather and supporting the operation of the Santiago Network (see below). On the one hand a significant sum but on the other by far not enough compared to estimated needs. However, this was assessed to mark "a gear shift in attitudes to funding loss and damage, which for years had been a 'taboo' in climate finance".87 A large proportion of this additional funding (about 210 million Euro) was announced under the "global shield" initiative8889 of Germany and the G7 with the V20 group of climate-vulnerable nations. Its aim is to provide climate risk insurance and social protection schemes in developing countries. First recipients (pathfinder countries) include Bangladesh, Costa Rica, Fiji, Ghana, Pakistan, the Philippines and Senegal. V20 chair Ofori-Atta classified the initiative a "pathbreaking effort" and that "The Global Shield is long overdue. It has never been a question of who pays for loss and damage because we are paying for it".90 Criticism on the Global Shield focused on caution and warnings not to replace other funds and that the initiative was being hyped up and given disproportionate focus.91

The Global Shield initiative is part of the so-called "mosaic" of solutions that would be required to sufficiently fund loss and damage. ⁹² Another idea for additional funding was proposed by some AOSIS leaders and UN secretary-general Guterres, namely that non-state actors who cause the problems but benefit from it (oil-and-gas companies, banks, insurance companies) should play a role in funding for Loss and Damage. ⁹³

Somehow under the radar, COP27 succeeded in providing appropriate support for the Santiago Network established at COP25 in 2019. The vision of the Santiago Network is to catalyse the technical assistance of relevant organisations, bodies, networks and experts, for the implementation of relevant approaches for averting, minimising and addressing L&D at the local, national and regional level, in developing countries that are

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ BMZ (2022) V20 and G7 jointly launch Global Shield against Climate Risks at COP27. Press release 14 November 2022. https://www.bmz.de/en/news/press-releases/v20-g7-launch-global-shield-against-cllimate-risks-at-cop27-128244

⁸⁹ Earth Negotiations Bulletin (2022): ENB COP27 Summary Report (2022).

⁹⁰ BMZ 2022

⁹¹ Harjeet Singh (2022): Twitter message on 14 November 2022. https://twitter.com/harjeet11/status/1592056887977349126

⁹² Chandrasekhar et al (2022)

⁹³ Ibid.

particularly vulnerable to the adverse effects of climate change. The Network was lacking appropriate resources from the beginning and consisted merely of a website. Agreement was found to set up a Network secretariat and to create a real-world advisory board, including representatives from a cross-section of geographical regions, as well as organisations representing women, Indigenous people and youth.⁹⁴

⁹⁴ Draft decision -/CP.27: Santiago network for averting, minimizing and addressing loss and damage under the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts. Advance version

8 Gender-Responsiveness

COP27 took place at a time when women, feminists, and women's rights activists are advocating for gender-responsive and human rights-based climate action on a daily basis and putting a face on the climate movement. A key agenda item of COP27 was the mid-term review of the five-year UNFCCC Gender Action Plan (GAP), a UNFCCC framework designed to ensure serious, gender-responsive, and human rights-based climate mitigation and adaptation efforts are in place to keep the 1.5°C target within reach. For this reason, hundreds of advocates and technical experts on gender issues in climate policy came to the conference because there are weaknesses in the current GAP and implementation is lacking.

It was also planned to put a focus on funding gender-responsive and human rights-based climate change mitigation and adaptation efforts, which have long been borne primarily by women and indigenous peoples, and on providing adequate resources for National Focal Points on Gender and Climate Change - an important factor also in ensuring that the power to define climate policy at the national level becomes gender-democratic or remains less authoritarian-gender hierarchical and that NDCs are strengthened.

Just in time for COP27, the latest IPCC report was available, which includes a chapter on gender and climate justice and in which pathways for a just transition are identified - after all, a fundamental starting point for gender-transformative implementation of climate action. Furthermore, clear and substantiated demands to the COP27 had been elaborated, both by the United Nations, namely the presidency of UN WOMEN, and by climate policy-reflective gender policy organisations or gender-responsive climate policy organisations worldwide, coordinated in the UNFCCC-recognised "constituency Women & Gender".

The latter called for: "strengthening the leadership of grassroots and indigenous women in this process; that the gendered health impacts of climate change need to be better recognised and understood; [realizing] that the intersection of supply economics and just transition is critical to creating a dialogue that informs Parties' national plans and low-emission development strategies; and that agriculture and gender, including land rights, are constant intersections for effective climate action but are not incorporated into national planning, [. . that we at least recognise the increasing impact of loss and damage on the lives of women and girls in all their diversity, as well as [differentiated measures for] financing gender-responsive implementation [... and inclusion of] what that means in terms of implementation and direct access for women and grassroots women's groups."95

⁹⁵ Women and Gender Constituency (WGC) (2022): No Gender Justice in the Gender Action Plan (GAP). https://womengenderclimate.org/no-gender-justice-in-the-gender-action-plan-gap/

The Executive Director of UN WOMEN formulated "Three asks on gender equality to COP27 COP27". She noted that:

"[w]omen play transformative roles in climate change adaptation and mitigation and are at the forefront of environmental and climate justice movements spearheading innovative and effective approaches to promote sustainable energy transitions and agroecology that protect local ecosystems and are based on Indigenous knowledge. Yet damaging imbalances in decision-making processes persist at all levels, from national governments to intergovernmental climate negotiations." She therefore asked to

First, to "take special measures, including quotas, to increase women's and girls' full, equal, and meaningful participation and leadership at all levels of decision-making, and to address inequalities including in their access to and control of productive resources such as finance, technology, and land, especially women from poor and marginalised communities";

Second, to "support a just transition for women through an alternative development model. This model would expand gender-responsive public services, universal social protection, health and care systems, integrating measures both to generate a care economy and to prevent and eliminate violence against women and girls in climate policies and actions. It would also foster sustainable transport and infrastructure with guaranteed new and decent jobs. CSW66 [i.e. Agreed Conclusions of the UN Commission on the Status of Women] was clear: we must integrate a gender perspective in the design, funding, implementation, and monitoring and evaluation of all national climate plans, policies, and actions. It also urged its Member States and other stakeholders to expand gender-responsive finance, as does the UNFCCC's Gender Action Plan. Only an estimated 0.01 per cent of global official development assistance addresses both climate change and women's rights. Making the necessary structural measures requires intentional global investments that respond to the crises and support women's organizations, women's leadership, and programmes."

Third, that "global investments, especially for women and girls in developing countries, intentionally and directly amplify and foster women's skills, resilience and knowledge, ensure that women's organizations, including young women, are supported and protected, and include specific investment to remove critical barriers for women and put protections in place ("Our best counter-measure to the threat multiplier of climate change is the benefit multiplier of gender equality."⁹⁶

The result of the COP27 however is:

N WOMEN Executive director Sima Behous (2022): Three asks on gonder equality to

⁹⁶ UN WOMEN Executive director Sima Bahous (2022): Three asks on gender equality to COP27, https://www.unwomen.org/en/news-stories/op-ed/2022/11/op-ed-three-asks-on-gender-equality-to-cop27

Neither the results of the IPCC report regarding gender, nor the demands of the United Nations nor those of the organizations that had coordinated themselves in the Constituency Women & Gender were negotiated substantially at all.

No progress was made on the GAP.⁹⁷ Parties are only generally encouraged to increase the full, meaningful and equal participation of women in climate action and to ensure gender-responsive implementation and means of implementation, including by fully implementing the Lima Work Programme on Gender and its gender action plan.⁹⁸

No decisions were made to fund the important national focal points on gender and climate change worldwide.

Surprisingly positively, however, the cover decision acknowledges the human right to a clean, healthy and sustainable environment. ⁹⁹ This could pave the way for this right to be recognised in all areas of environmental policy - possibly also resulting in a civil climate right, in emancipative sufficiency rights. ¹⁰⁰

⁹⁷ Care International (2022): New fund but small funds: COP27 outcomes lag behind needs for gender-just climate actionhttps://www.care-international.org/news/new-fund-small-funds-cop27-outcomes-lag-behind-needsgender-just-climate-action

⁹⁸ ENB (2022): COP27 Summary Report.

⁹⁹ Decision -/CMA.4, Sharm el-Sheikh Implementation Plan, Advance unedited version.

Spitzner, Meike (2021): Für emanzipative Suffizienz-Perspektiven. Green New Deal statt nachhaltiger Bewältigung der Versorgungsökonomie-Krise und Verkehrsvermeidung? (A Plea for emancipative sufficiency policy perspectives. Green New Deal instead of sustainable overcoming of the Care economy crisis and instead of avoidance of generating transport needs?) In: Prokla 202 (51.Jg., Heft 1, März 2021): 95-114. https://www.prokla.de/index.php/PROKLA/article/view/1934.

9 Conclusions and Outlook

9.1 Summary of Key Results

COP27 made history by finally yielding to the long-standing demand of developing countries to establish a dedicated fund for loss and damage. However, it did little to prevent loss and damage from occurring in the first place by containing climate change. Regarding mitigation, the "Sharm El Sheikh implementation plan" hardly goes beyond the Glasgow Climate Pact. And while the conference did manage to agree on a work programme to enhance mitigation ambition and implementation that will allow for specific discussions along concrete sectoral systems, it could have been even more specific if it had built directly on the achievements of the Glasgow conference. It remains to be seen whether the work programme will indeed be able to tackle concrete questions of increasing ambition and implementation. Positively, coupling the "dialogues" with "investment-focused events" is an interesting attempt to translate discussion results into actual action.

However, it also needs to be noted that the 1.5°C limit will not be achieved by adopting COP decisions, but by strengthening and implementing NDCs. The COP can play a facilitative role, but what ultimately counts is action on the ground. And the countries who demanded a fossil fuel phase-out and other actions are fully free to write respective targets and actions into their NDCs and then implement them.

It also remains to be seen whether the Loss and Damage facility will indeed take off within one year. The workload for the coming year until COP28 is enormous. Paragraph 4 of the Loss and Damage funding decision provides to establish a "Transitional Committee" on the operationalization of the new funding arrangements. It has several tasks: (a) Establishing institutional arrangements, modalities, structure, governance and terms of reference for the new fund; (b) Defining the elements of the new funding arrangements, (c) Identifying and expanding sources of funding; (d) Ensuring coordination and complementarity with existing funding arrangements. The recommendations developed should be considered by COP28 in 2023.

The decision also decides that the second Glasgow Dialogue should focus on funding arrangements and the new Loss and Damage fund and will inform the transitional committee. It remains to be seen if the negotiation and bargaining process in the last days of COP27 may have some impact on the balance of negotiating powers. The EU credibility may have been strengthened by cracking the stalemate in negotiating the Loss and Damage Fund. This might open the door for new coalitions at future COPs but has also some potential for new conflict as the traditional roles as cemented in UNFCCC terminology have been openly addressed.

The Global Stocktake was one of the positive elements of the conference. The second Technical Dialogue enabled a genuine conversation beyond prepared and mostly well-known Party statements and in an inclusive manner that enabled a wide range of actors to participate meaningfully. The adopted meeting schedule to prepare the concluding political consideration of outputs of the GST seems appropriate to achieve an effective result at next year's COP in Dubai.

In terms of the role of frontrunner alliances and non-state and subnational actors, Sharm El Sheikh had much less salient outcomes than last year at COP26 in Glasgow. Yet, progress is being made notably in three directions: moving towards implementation with some of the pledges and initiatives launched last year, increasing focus on adaptation and resilience, and a push for metrics, transparency and accountability especially with respect to private sector commitments.

Regarding market-based cooperation under Article 6, Parties at Sharm El Sheikh struggled to find consensus on the enormous amount of technical and procedural issues that were on the agenda. Yet instead of focusing on the essentials, Parties once again got tangled up in technical details and lost precious negotiating time without achieving results on major issues such as removals or methodology development for Art. 6.4. On the other hand, the decision to introduce a new unit called "mitigation contribution A6.4ERs" sends a clear message to the voluntary carbon market at a time of increasing relevance of non-state climate action. This is particularly relevant given the rising concerns about corporate greenwashing, in particular in the context of companies' net zero targets and the role carbon credits may play therein. It remains to be seen how this signal from the international governance level will impact the largely unregulated voluntary carbon market.

This also holds true for the recommendations and guidelines to increase scrutiny and transparency of non-state climate action presented on the occasion of COP27, such as United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (HLEG) recommendations and the ISO Guidelines. It remains to be seen whether these recommendations will be taken into account by new market-based cooperation programmes, such as the "Energy Transition Accelerator" (ETA) announced by the US, which is to channel private investments to accelerate the deployment of renewable energy in developing countries. The relevance of these voluntary guidelines must also be seen against the backdrop of staggering progress in the operationalization of the Article 6.4 mechanism. Both SBSTA and the Supervisory Body have been tasked with an enormous amount of assignments, which will be difficult to comply with before COP28 next year. Together with the decision to defer further governance decisions to 2024, an easy start of Art. 6.4 activities after the Dubai COP seems less likely than ever.

Unfortunately, the issue of climate finance in terms of mitigation and adaptation was not sufficiently addressed with regard to future financial needs and associated commitments. Instead, discussions around the future climate finance goal are still ongoing and the cover decision only entails reaffirmations of previous commitments. However, COP27 still provided some promising aspects, for example the call for reform of MDBs and IFIs which has the potential to redirect a large amount of multilateral finance flows for climate-related purposes. Hereby, it is especially noteworthy that pressure for reform on those institutions should be built up by its member states. On another positive note, it was decided to start a dialogue on the alignment of global finance flows with low greenhouse gas emissions and climate-resilient development (Article 2.1c, Paris agreement). Meanwhile, the multilateral format of JETPs sounds promising but still has to prove if it is able to deliver on aspects of a just energy transition. Finally, the perennial discussion on a definition of what should be accounted for as climate finance was once again not resolved.

Resilience and adaptation were early announced to be at the core of COP27 - but adaptation actually did not take off during the COP. It appeared overtaken and eclipsed by the developments regarding Loss and Damage. Pledges for adaptation finance remained far below the Glasgow claim to double adaptation finance. The Glasgow Sharm El Sheikhh work programme on the global goal on adaptation is at halftime and timing and implementation of the workshops and discussions were criticised. The finally agreed framework for delivering the goal and tracking progress as well as the provisions for timing of the second year of the GlaSS were welcomed by experts, describing the framework as being in good shape and having many of the right elements. But the workload and issues to tackle by COP28 remain high.

Regarding gender, a key issue at COP27 was the mid-term review of the five-year UNFCCC Gender Action Plan (GAP). However, no progress was made and no agreement was reached for funding national focal points on gender and climate change. Parties are only generally encouraged to increase the full, meaningful and equal participation of women in climate action and to ensure gender-responsive implementation and means of implementation. Human rights have been an issue during the talks, with civil society protests outside the COP. The cover decision acknowledges that parties should, when taking action to address climate change, inter alia, respect, promote and consider their respective obligations on human rights, the right to a clean, healthy and sustainable environment, the right to health, and the rights of Indigenous Peoples.

9.2 Outlook

The lack of progress on mitigation in Sharm El Sheikh once again prompted questions whether these conferences have any use. However, without the UNFCCC process climate policy would probably be in even

worse shape. The annual conferences create political moments which put climate change on the political agenda and force decision-makers to account for their actions - or lack thereof. Moreover, in particular the Paris Agreement has provided key legitimacy for citisens and other actors to demand stronger action. In many countries, climate policy has become stronger not least due to protests by movements such as Fridays for Future - and these movements crucially base their demands on the Paris Agreement. Courts are also increasingly referring to the Paris Agreement in their judgements. And it can be observed that the projected rate of global warming has continuously decreased. While at the adoption of the Paris Agreement projected warming by 2100 stood at around 3.5°C, nowadays the projection is at around 2.5°C.

Nonetheless, progress has been too slow and Sharm El Sheikh missed the opportunity to accelerate mitigation ambition and implementation. COP27 was not the first COP that yielded few results. However, in terms of what should happen there arguably is no longer a distinction between "large" and "small" COPs. Each and every single COP needs to deliver as much as the process allows if there is to be any chance of still staying within the temperature limit set by the Paris Agreement.

COP27 illustrated the importance of the presidency, in particular in comparison to COP26. While the UK presidency of COP26 successfully drove an ambitious outcome, the Egyptian presidency in Sharm El Sheikh showed little interest in driving ambition.

How to do better next time? One of the main things the COP can do is send signals. Currently, the best way to get a strong signal from the COP seems to be to make bold proposals for the cover decision. At COP26, the UK from the get-go made clear it wanted the COP to "consign coal to history". And it was successful, with some watering-down, but nonetheless COP26 sent a clear signal on the end of coal. This year, India tried to broaden this to all fossil fuels and got a lot of support. It didn't make it into the cover discussion, but at least the issue was debated. If the presidency had not been with a fossil producer, it probably would have played out even better.

Next year, the presidency is with another fossil producer, so ambitious countries need to get their act together on their own. The new mitigation work programme and the GST need to be used to generate key inputs and coalitions for the cover decision.

The insufficient pace of the regime to tackle mitigation leads many to search for parallel arenas of cooperation. The underlying idea is to complement the universal approach of the UNFCCC institutions - hamstrung by the inability to agree on majority voting since 1994 - with smaller groups of more ambitious countries that want to speed ahead.

In this spirit, German Chancellor Olaf Scholz at COP27 renewed his plan to set up a "climate club" that he had floated at the G7 meeting in Elmau earlier this year. The strategy has its origins in an idea expressed by

economist William Nordhaus, who was convinced that voluntary commitments will not be sufficient to bring about the required change. Instead, more ambitious countries should form a club, which would set ambitious targets supported by climate-related trade tariffs that would apply to imports of non-members. Long-time observers of the UNFCCC process will wholeheartedly agree with the analysis that voluntary agreements are not sufficient when it comes to taking difficult economic decisions. ¹⁰¹ This is true for private actors as well as public actors. Experience shows that in the majority of cases, short-term economic and financial considerations will prevail.

It is questionable, however, whether the G7 is the adequate forum as the basis for such a club. France, Italy and Canada may want to participate, but with the US and Japan two of the countries most averse to stringent binding obligations will be difficult to convince. In June, Germany was not successful in getting the support of their counterparts. The German government may be advised to align its approach and look for club members outside of the G7 or G20. If such a club is envisaged to have any chance of flying, it must consist of members that are truly ambitious and agree on an institutional setting that will allow for dynamic decision-making, comparable to that of the Montreal Protocol on ozone depleting substances. This most effective environmental treaty ever has saved the world from catastrophe and continues to be a model of success.

Another approach that received some attention at COP27 was the initiative to conclude a Fossil Fuel Non-Proliferation Treaty. 102 Vanuatu paved the way earlier with an announcement to support such an agreement in the UN General Assembly, Tuvalu joined Vanuatu in Egypt. Maybe spurred by the disappointment that again fossil fuels at COP27 were not named specifically as one of the main drivers of climate change, such a treaty outside of the UNFCCC regime looks like a more adequate tool to tackle the roots of the problem by effectively and equitably phasing out fossil fuels, following the precedent of the Nuclear Non-Proliferation Treaty.

The initiative is based on three pillars: (1) non-proliferation, (2) fair phase-out and (3) just transition. So far, the proposal has been endorsed by the European Parliament, the Vatican and the World Health Organisation, and more than 70 cities. However, no major CO2 emitter has accepted Tuvalu's request for now. And as noted above, while more than 80 parties in their statements referred to the need for a phase-out of fossil fuels, the language did not make it into the final text.

It remains to be seen whether the Pacific Island nations will succeed in convincing other governments to enter into an agreement to phase out

¹⁰¹ Obergassel, Wolfgang, Christof Arens, Christiane Beuermann, Lukas Hermwille, Nicolas Kreibich, Hermann E. Ott, Meike Spitzner (2020): COP25 in Search of Lost Time for Action. An Assessment of COP25 in Madrid; in: Carbon & Climate Law Review, 14 (2020), 1, pp.3-17, at p.13. DOI: 10.21552/cclr/2020/1/4.

¹⁰² https://fossilfueltreaty.org/

fossil fuels. In the meantime, Pacific nations could take interim steps by concluding an agreement among themselves. They could, for example, create a regional fossil free zone treaty, which prohibits the extraction and transportation of fossil fuels throughout the territories and territorial waters of members. A second idea is to demand greater transparency and suggest a global registry of fossil fuels, where countries are obliged to disclose all information about existing and planned fossil infrastructure. These could be useful steps towards a more comprehensive agreement, but they might also be concrete elements of a Fossil Fuel NPT.

Vanuatu's initiative is just another sign of the growing unrest of extremely vulnerable island states with regard to the slow improvement of mitigation action. In order to legally underpin its claims for faster climate protection, Vanuatu has furthermore announced its intention to introduce a resolution to the UN General Assembly asking the International Court of Justice for an Advisory Opinion on climate change and human rights. President Vurobaravu repeated his intention in a passionate appeal to world leaders assembled at COP27.¹⁰⁴ Germany is among a core group of countries supporting this strategy. A comparable move had taken place at COP26 in Glasgow last year, when Antigua and Barbuda and Tuvalu announced that they had established a new international organisation entitled to request an Advisory Opinion from the International Tribunal on the Law of the Sea in Hamburg.¹⁰⁵

All these initiatives to take action outside of the UNFCCC are not meant to replace the regime, but to complement those universal efforts. While the 27 Conferences of the Parties since 1995 and the uncountable meetings in between have produced a significant deviation from the business-as-usual path, the limits of a consensus-based approach are becoming increasingly visible. Getting effective mitigation action off the ground may require more than just one vehicle.

¹⁰³ See Fergus Green and Harro van Asselt (2022):COP27 flinched on phasing out 'all fossil fuels'. What's next for the fight to keep them in the ground? In: The Conversation, published 21 November 2022.

https://theconversation.com/cop27-flinched-on-phasing-out-all-fossil-fuels-whats-next-for-the-fight-to-keep-them-in-the-ground-194941?utm_source=linkedin&utm_medium=bylinelinkedinbutton

¹⁰⁴https://www.sprep.org/news/vanuatu-implores-world-leaders-to-vote-for-international-court-of-justice-climate-resolution

Agreement for the Establishment of the Commission of Small Island States on Climate Change and International Law: https://commonwealthfoundation.com/wp-content/uploads/2021/12/Commission-of-Small-Island-Stateson-Climate-Change-and-International-Law.pdf