



INTERNATIONAL SUSTAINABLE
FINANCE CENTRE

Pre-COP27 briefing: Time for bold decisions

November 2022

Pre-COP27 briefing: **Time for bold decisions**

This short report is ISFC's summary ahead of the upcoming COP27 negotiations and debates. After an introductory analysis of last years' COP26 conference and its outcomes, the main goals for this year are presented, along with events focused on the development of the sustainable finance to look out for.

WHAT WAS THE RESULT OF COP26?

Last year, the United Nations Framework Convention on Climate Change's (UNFCCC) **Conference of the Parties COP26** took place in Glasgow from 31 October to 12 November 2021. The annual COP's main purpose is to review the current state of implementation and to further develop the Framework Convention, the Kyoto Protocol and the Paris Agreement. More specifically, for last year's COP26, 4 objectives were set:

- (1) to secure net zero and keep the 1.5 C target;
- (2) to protect communities and natural habitats;
- (3) to mobilise annually \$100bn for climate actions;
- (4) and to deliver on these goals.

Two significant documents from this conference were the **Glasgow Climate Pact**, a series of actions adopted by nations to tackle climate change - albeit legally not binding, and the finalised guidelines of the **Paris Agreement 'Rulebook'** which made progress on carbon markets and accounting.

One of the remarkable achievements was the establishment of the **Glasgow Financial Alliance for Net Zero (GFANZ)**, with \$130 trillion of private capital allocated to finance green transition. Since then, however, two pension funds quit the Mark Carney-led Alliance. Leading US banks have also allegedly threatened to leave over concerns about growing legal challenges of their fossil fuel assets linked to the UN Race to Zero restrictions on investment decisions, claims which were later rejected by Carney.

COP26 reinforced the importance of the **International Sustainability Standards Board (ISSB)**, led by the International Financial Reporting Standards (IFRS) Foundation to develop a global baseline for disclosure standards on ESG matters. Since then, ISSB has published the first two proposed drafts on sustainability-related and climate-related requirements for disclosure, it recently agreed to the inclusion of indirect Scope 3 GHG emissions to company disclosures and added a requirement to use climate-related scenario analysis for companies. As jurisdiction-specific disclosure requirements are evolving simultaneously, ensuring interoperability between the reporting standards remains one of the key priorities.

Mandatory net-zero transition plans for UK listed companies and a UN proposal of international standards to measure and analyse **net-zero commitments** were announced at COP26, both of which suggest increased scrutiny of climate pledges for both countries and the private sector is to be expected.

Despite these achievements, COP26 had numerous shortcomings, ultimately resulting in the **failure to meet the key objectives**: to phase out fossil fuels, to put nations on track to reach the 1.5°C target, and to secure the annual \$100bn in climate finance for developing countries. Will the COP27 under the Egyptian presidency rise to the challenge and bring **bold decisions to address global warming** efficiently?

COP27: THE AGENDA AND THE CHALLENGES

“Addressing the climate crisis requires bold and rapid collective action”, states the introduction to this year’s COP27 Presidency. However, geopolitical developments have not been favourable to more collective action. Due to the energy, economic and food crises accelerated by the Russian invasion of Ukraine and the on-going tense relations between US and China, COP27 faces a highly complex situation.

On **6-18 November in Sharm el Sheikh**, the COP27 conference will focus on emission reductions, adaptation agenda and securing adequate flows of climate finance - with more than 2000 speakers and 35000 expected participants. Alongside the official negotiations, participants can expect conference rooms, pavilion sections and side events happening both in-person and online.

KEY TOPICS AT COP27

Turning the Glasgow COP26 outcomes into action

1. Mitigation

A moment to fulfil pledges and commitments

During COP27, Nationally Determined Contributions (NDCs), required by the Paris Agreement, will be reviewed to evaluate the progress made by nation states to reduce emissions and pursue climate adaptation.

What should we pay attention to?

The vague wording of this COP27 objective is a cause for concern, as it refers to “working hard to keep the 1.5°C target alive”, stating that “we should witness” the implementation of the Glasgow Climate Pact. Simultaneously, ambition at the national level to reach net zero targets is slowing. Even though COP26 put a great emphasis on the responsibility of the 194 Paris Agreement Parties, with countries then agreeing to revisit their NDCs, as of 23 September 2022, only 24 countries had submitted new or updated climate action plans. What is needed to reach the 1.5°C target, however, is the opposite - a solid plan with clear execution sending a strong message to follow the defined path on reaching net zero. Will the countries agree on practical action on emission reductions? Or will other competing priorities, and pressures, such as the inflation, increasing energy costs and food shortages curtail ambition? The key areas where more delivery on commitments needs to be seen are on the sectoral commitments to halt deforestation, the phase down of coal and methane, phasing out fossil fuel subsidies and the sale of internal combustion engines.

2. Adaptation

Enhancing resilience and assisting vulnerable communities

The Global Goal on Adaptation, established under the Paris Agreement, aims to provide a system to track and assess countries’ progress on adaptation. Now is the time to demonstrate concrete political will to enhance the global agenda on adaptation action.

What should we pay attention to?

Developing countries agree that more extensive funding is needed to make the implementation of adaptation mechanisms a reality, such as early-warning systems for extreme weather events, heat shelters, or the use of drought-resistant seeds. Last year, developed countries agreed to at least double the finance for adaptation funding to match the level of mitigation expenditure.

A key component of the 9 November Finance Day is the Loss and Damage debate. Frustrated by inactivity, 77 developing countries and China are demanding a Loss and Damage fund to be created as a mechanism to pay compensation for climate-related losses. A heated debate is expected on the financing of adaptation measures and the responsibilities of developed countries. The hope is that it will result in practical and implementable solutions for the on-going food crisis.

3. Finance

Transparency and access to financial flows

A commitment to raise \$100bn a year to finance climate action is needed to meet the needs of developing countries, alongside enhanced transparency and access to financial support to reduce emissions and mitigate the climate change effects.

What should we pay attention to?

While the target amount is clear, the will to act is still lacking. So far, \$90 billion has been raised. The topic of financing will be at the forefront of the summit, as the first Thematic day of COP27 kicks off on 9 November with a focus on climate finance as a catalyst for progress. Issues like climate investments, green borrowing, public debt, and financial regulators will be in the spotlight. Also featuring will be a Ministerial finance roundtable for climate action. Space will be given to the often-mentioned GFANZ and a review of the current state of green private finance.

4. Collaboration

Ensuring adequate representations and participation

Relevant stakeholders from governments, private sector and civil society, especially from vulnerable communities affected by climate change, need to be present in the negotiations.

What should we pay attention to?

A well-balanced representation of different geographies and sectors with adequate weight is necessary to allow for an inclusive discussion with the right intentions. While COP26 saw a heavy presence from private sector with less space for climate expert voices, the ratio must be reversed at COP27, to minimise the lobbying efforts by companies with heavy emissions and vested interests. The second Thematic day on 10 November will offer insights on the progress of climate science with a spotlight on data and technology, while 15 November will focus on the role of civil society. .

EVENTS FOCUSED ON SUSTAINABLE FINANCE

Event time zone: Egypt (GMT+2)

9 November, 10:30

CDP and Future of Sustainable Data Alliance (FoSDA) roundtable - 'Data for Public Good – Steering the Role of ESG Data and Scoring Providers' - *We Mean Business Pavilion, Blue Zone*

9 November, 14:30

Sustainable Innovation Forum: Financing 1.5 Degrees - *Innovation Zone*

9 November, 14:30

Development of sustainable finance taxonomies globally, DG FISMA - *online*

10 November, 12:00

Global Taxonomies - *Spanish Pavilion, Blue Zone*

11 November, 16:00

First Abu Dhabi Bank - Scaling sustainable finance: The role of a taxonomy - *UAE pavilion, Blue Zone*

14 November, 09:00

Asian Infrastructure Investment Bank - Role of capital markets in mobilizing investments for resilient infrastructure - *MDB Pavilion, Blue Zone*

14 November, 16:10

Climate Investment and Finance Forum - 'Finance in Green and Low-carbon Transition' - *China Pavilion, Blue Zone*

15 November, 10:50

National Industry Federation (CNI) - Dialogue for a Low-carbon Economy - 'Climate Finance' - *Renaissance Sharm El Sheikh Golden View Beach Resort*

Events from Sharm El-Sheikh - An overview of the official schedule is available [here](#).

UN Climate Change Pavilion at COP 27 will host partner events on financing commitments which will be streamed on [Youtube](#).

Climate Action Hub events held by various organisations on community-based financing opportunities and diversity in finance will be streamed on the [COP 27 digital platform](#).

EU Side events in Sharm El-Sheikh with numerous events focused on sustainable finance, ESG disclosures, InvestEU, taxonomies and climate risk with a streaming available [here](#).

U.S. Center at COP27 Schedule with streamed events on innovating finance are available [here](#).

COP27 THEMATIC DAYS

1. **Finance Day – 9 November 2022**

Topics: nature and climate investments, public debt, green borrowing, just transition, financing adaptation, financial regulatory, private finance and GFANZ, access to funds, loss and damage and developing countries

2. **Science Day – 10 November 2022**

Topics: global scientific research, environmental conventions, health and climate change, Africa's resilience, data and technology, dust particles, marine habitats

3. **Youth & Future Generations Day – 10 November 2022**

Topics: intergenerational policy dialogue on adaptation and mitigation, youth-led climate action

4. **Decarbonisation Day – 11 November 2022**

Topics: decarbonisation of the steel, gas & oil, fertilizers, and cement industry, globale methane pledge, low-carbon development of the developing world

5. **Adaptation & Agriculture Day – 12 November 2022**

Topics: adaptation technologies, loss and damage to infrastructure, sustainability and resilience in agriculture and food systems, food security and nutrition

6. **Gender Day – 14 November 2022**

Topics: women leaders and women's agency in climate debates, women and climate finance, just transition, the pandemic and women livelihood

7. **Water Day – 14 November 2022**

Topics: water adaptation, security and resilience, early warnings & adaptation for water sector, river basin systems, sea level rise

8. **Ace & Civil Society Day – 15 November 2022**

Topics: role of civil society in climate empowerment and shaping the climate agenda, prevention and response to climate disasters

9. **Energy Day – 15 November 2022**

Topics: clean and just energy transition and security, new technologies and systems, green hydrogen

10. **Biodiversity Day – 16 November 2022**

Topics: solutions and benefits for biodiversity, urgent action to address the biodiversity and climate change nexus

11. **Solutions Day – 17 November 2022**

Topics: investment plans of developing countries, green entrepreneurship, sustainable transport and mobility, climate solutions from the private sector and policymakers, waste solutions



THE POST-COP26 REPORT: RACE AGAINST THE CLOCK FROM NOVEMBER 2021 IS AVAILABLE [HERE](#).

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GET IN TOUCH WITH ISFC



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WHO WE ARE

The International Sustainable Finance Centre (ISFC) is an independent impact-driven non-profit organisation whose aim is to carry out in-depth research and education on sustainable finance topics in the CEE region. The Centre uses expert insight and practical policy solutions to inform public debate and policymaking on sustainable finance, while also helping to build local expertise, networks and capacity on key topics such as the EU's Green Deal and Sustainable Finance Agenda, ESG integration and impact measurement practices.