

## COP27 half-time report: fears of no action and all talk

This COP27 half-time report is the first of two research reports on the summit's developments thus far. A final COP27 roundup will be published after the summit concludes on 18 Nov 2022.

Ong Shu Yi  
ESG Analyst  
+65 6530 7348  
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

### Recap: COP27 targets

COP27 is the 27<sup>th</sup> annual UN meeting on climate that is taking place in Sharm el-Sheikh, against a backdrop of climate-related disasters and political instability. The summit's targets include shifting from pledging to implementation based on the workstreams agreed upon at COP26, mobilising climate finance for developing countries, and clarifying support for loss and damage to support communities vulnerable to climate change impacts.

### Key milestones achieved so far

#### 1. Loss and damage fund

The summit kicked off with an agreement to discuss compensating developing nations for loss and damage linked to global warming. A handful of governments have stepped up to contribute loss and damage funds, including Scotland, Germany, Austria, Denmark, Belgium and Ireland. However, there remains a huge gap between the promised funds and the sum that is needed annually by 2030 to support vulnerable communities.

#### 2. Stricter rules recommended over net-zero pledges

A UN expert group released a report that provided recommendations on how to bolster the credibility of net-zero commitments, with an aim to clamp down on greenwashing. The report sets out recommendations to ensure transparency and accountability in net-zero commitments.

#### 3. Singapore's second update to its 2030 Nationally Determined Contribution (NDC) and other initiatives

Singapore submitted the update to its 2030 NDC, indicating that it intends to reduce emissions to around 60 MtCO<sub>2</sub>e in 2030 after peaking its emissions earlier, preceding the previous goal to peak at 65 MtCO<sub>2</sub>e around 2030. Singapore will peak its greenhouse gas emissions between 2025 and 2028 around 65 MtCO<sub>2</sub>e before the reduction to 60 MtCO<sub>2</sub>e in 2030. Singapore also joined the Forests and Climate Leaders' Partnership (FCLP) as a member country to support the development of high integrity markets for forestry carbon credits and reduce forest loss. In addition, Singapore launched a S\$15

million project, called Carbon Integrity SG, to support the establishment and monitoring of high-quality nature-based carbon projects across Southeast Asia.

#### **4. Only informal climate talks between China and the US**

China and the US were under market scrutiny for the suspension in bilateral climate talks since US House Speaker Nancy Pelosi's visit to Taiwan, just a few months prior to COP27. The two largest global emitters have since resumed only informal talks but with no indication of formal rapprochement.

#### **5. Appropriate frameworks for carbon markets**

The International Organization of Securities Commissions (IOSCO) launched a consultation to improve the integrity and transparency of compliance carbon markets and voluntary carbon markets, to help develop appropriate frameworks and support the net-zero transition.

### **Thoughts on COP27 progress**

#### **Money talks**

- Finance Day took place on 9 Nov but there were few major commitments of new funding from richer nations to be channelled to developing countries. Only a few countries put forward small funding commitments for loss and damage to support developing countries, and there remains a huge gap between the promised funds and the UN's estimated amount of USD\$1 trillion international investments required annually by 2030 in climate action in developing countries.
- China's climate envoy Xie Zhenhua said that while China supports a mechanism for a loss and damage fund, the country's involvement would not comprise financial contributions. He explained that this is attributed to the extreme weather events that China has also suffered and that it is also a developing nation. While China is designated as developing country by the World Trade Organisation, it has the world's second largest economy after the US – making its lack of financial contribution to the loss and damage fund a disappointing development.
- Frustrated by the slow progress in securing climate finance, other developing countries actively sought details on monetary accountability from developed countries, highlighting the urgency of these funds to deal with climate change impacts such as extreme weather.
- Back in 2009, developed countries committed to mobilise USD\$100 billion of climate finance annually for climate action in developing countries by 2020. However, this target was missed and moved forward to 2023. It is important that developed countries that have committed to provide funding will follow through with actions, and

others follow suit. Judging from the resistance of many richer nations towards the loss and damage fund, it seems unlikely that the goal will be met by 2023 through this mechanism.

- With trillions of dollars required to be mobilised to counter climate change impacts, scaling up blended and transition finance may be key strategies moving forward for individual nations.

### What is truly green?

- Attitudes towards green products and goals are shifting towards legitimacy and accountability. Many countries and businesses have been increasingly focused on decarbonisation efforts and have set aggressive net-zero targets, but it is crucial to have robust and transparent strategies to reach the set targets.
- Greenwashing claims have eroded the trust in the authenticity of ESG products, and regulations governing the verification of such claims need to be stricter. However, implementing the recommendations set out by the UN expert group and addressing industry loopholes require extensive efforts and resources by both authorities and companies.

### Banking on technology to reduce emissions by 2030

- Singapore's updated NDC to reduce emissions to around 60 MtCO<sub>2e</sub> in 2030 after peaking its emissions earlier is an ambitious and forward-looking move. This move provides some time for sectors to harness technologies, transform and green existing operations towards the green transition.
- This goal will entail more stringent and aggressive emissions reduction efforts after peaking its emissions. As Singapore is alternative energy disadvantaged compared to neighbouring countries, the country is looking towards a holistic approach of measures to decarbonise including the (i) advancements in low-carbon technologies, (ii) implementation of emissions-reduction efforts by different sectors and (iii) harnessing green opportunities in the coming years to reach the goal.

### Is Singapore effectively pricing carbon?

- At Finance Day, the International Monetary Fund (IMF) highlighted that the global average carbon price is around US\$5/tCO<sub>2e</sub>, but the price should go up to at least US\$75/tCO<sub>2e</sub> by 2030 to change investment and consumer behaviour.
- This implies that while the existing carbon price in Singapore of S\$5/tCO<sub>2e</sub> until 2023 is in line with the global average carbon price and still relatively low, the gradual trajectory to reach S\$50/tCO<sub>2e</sub> - \$80/tCO<sub>2e</sub> by 2030 is in the right direction. The Carbon Pricing (Amendment) Bill was passed on 8 Nov in Parliament to raise its carbon tax to S\$25/tCO<sub>2e</sub> in 2024 and 2025, and S\$45/tCO<sub>2e</sub> for greenhouse

gas emissions in 2026 and 2027. The progression towards a higher carbon price provides businesses with some buffer time to shift business priorities and develop strategies to thrive in a low-carbon world.

### Conclusion

With criticism directed at delegates flown into Egypt on private jets, hopes are pinned on the summit delivering actual outcomes and not just talk. There is concern as little progress has been made so far on the technical details of pledges made. Regardless, some promising developments thus far include (i) some countries' commitments to the loss and damage fund, and (ii) Singapore ratcheting up its climate goals, as well as being involved in the development of high integrity markets for forestry carbon credits. Energy Day and Biodiversity Day are amongst the themes that will be taking place in the second half of the summit, with much anticipation from delegates and others who are tuning in online for greater solidarity amongst countries in tackling climate change.

## Treasury Research & Strategy

### Macro Research

**Selena Ling**
*Head of Research & Strategy*
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)
**Tommy Xie Dongming**
*Head of Greater China Research*
[XieD@ocbc.com](mailto:XieD@ocbc.com)
**Wellian Wiranto**
*Malaysia & Indonesia*
[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)
**Keung Ching (Cindy)**
*Hong Kong & Macau*
[cindyckeung@ocbcwh.com](mailto:cindyckeung@ocbcwh.com)
**Herbert Wong**
*Hong Kong & Macau*
[herberhtwong@ocbcwh.com](mailto:herberhtwong@ocbcwh.com)
**Ong Shu Yi**
*ESG*
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

### FX/Rates Strategy

**Frances Cheung**
*Rates Strategist*
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)
**Christopher Wong**
*FX Strategist*
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

### Credit Research

**Andrew Wong**
*Credit Research Analyst*
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)
**Ezien Hoo**
*Credit Research Analyst*
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)
**Wong Hong Wei**
*Credit Research Analyst*
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).