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COP27 roundup

This COP27 report is the final of two reports on the summit's developments. The first week of negotiations ended with many countries still split on key issues, with little progress in ironing out the technical details of key pledges that have been made. In its final week, COP27 discussions went into overtime over the weekend with an agreement to establish a loss and damage fund for vulnerable countries to tackle climate damages, but failed to agree to a global phase down to all fossil fuels and texts pertaining to carbon markets.

The UN chief António Guterres addressed delegates at the beginning of the summit by saying that 'We are on a highway to climate hell with our foot on the accelerator'. Overall, COP27 was a step forward in the right direction but there are unresolved issues that require more work post-COP27. It is crucial to continue accelerating mitigation efforts to divert the world away from a climate disaster.

Key themes

1. Rapprochement between two global largest emitters

COP27 entered its final week with the US and China resuming climate talks and formal negotiations, since the suspension of bilateral talks in August because of US House Speaker Nancy Pelosi's visit to Taiwan. It offered a boost to the slow negotiations that were behind schedule in the first week. Improved relations between the two largest greenhouse gas emitters are a good sign for further progress post-COP27.

2. Striving towards more ambitious climate goals

Some countries have ratcheted up their climate goals this year, including Singapore, Indonesia, India and Turkey. This highlights the increased commitment from authorities to invest greater resources in climate action. To achieve the more ambitious goals, clear strategies and roadmaps should be in place to harness green opportunities.

3. Article 6 of the Paris Agreement – Carbon markets

Texts on Article 6.2 (guidance on international trade of carbon credits) and Article 6.4 (set-up of a centralised carbon market overseen by the UN) saw little progress in the first half of the summit due to a slew of outstanding issues. In the final week, the process of Article 6 negotiations was co-chaired by environment ministers Grace Fu and Espen Barth Eide of Norway. Similar ministerial pairings were put together for other topics like finance (Australia and India), adaptation (Sprain and Maldives), and loss and damage (Chile and Germany).

Countries pushed back to 2023 a decision for project types that can produce credits e.g. solar projects, avoiding deforestation, alongside most of the technical details of the texts. Article 6.2 is operational with some details ironed out, and countries have signed bilateral agreements to cooperate under this mechanism. For example, ministers from Singapore and Papua New Guinea signed a Memorandum of Understanding (MoU) on the sidelines of COP27 to build a carbon market between both countries. Other countries that Singapore has signed bilateral carbon market agreements with include Colombia, Morocco and Vietnam.

As part of efforts to operationalise Article 6, Singapore signed an MoU with the Global Carbon Council to contribute to the mobilisation of high-quality carbon credits internationally. Similar to the agreements with Verra and Gold Standard, this MoU will facilitate companies in Singapore (whose facilities are subject to the carbon tax) to exercise the option of acquiring high-quality carbon credits to offset up to 5% of taxable emissions from 2024.

Further discussions pertaining to Article 6 texts are set to drag into next year, and it may take many years before Article 6 can translate into action. One key pain point is the transparency of accounting for international carbon transfers and the implications on double-counting. While carbon markets are important, it is also important to be mindful that carbon credits are not a distraction from achieving actual emissions reduction. True emissions reduction efforts should be prioritised, with carbon credits viewed as a last-resort move for residual emissions.

4. Climate finance for loss and damage

In the first week, negotiators struggled to reach a consensus on how developed countries can support developing countries to meet the cost of climate-related damages through the loss and damage fund. While developing nations demanded the establishment of a loss and damage fund, there were views that countries should leverage existing financial instruments to tackle loss and damage instead.

Other multilateral climate adaption finance instruments saw progress. Through the Indonesia Just Energy Transition Partnership (JETP), a coalition of countries will be mobilising US\$20 billion of public and private finance to support Indonesia in moving towards renewable energy sources and away from fossil fuels. This partnership is co-led by Japan, along with the United Kingdom, Germany, France, Canada, Italy, Norway and Denmark.

Towards the end of the summit, there was finally an agreement to establish a loss and damage fund for countries most affected by climate change impacts. While this was a positive development, it remains uncertain how the agreement will be financed, which countries will contribute how much, as well as which countries will benefit from the fund. A committee intends to

work on these details in the coming year, but discussions are not expected to be easy given the complexities of such an agreement.

5. Biodiversity conservation

The International Blue Carbon Institute, set up by Amazon and Conservation International, will be setting up in Singapore to help protect and restore coastal marine ecosystems across Southeast Asia. The next global summit on biodiversity (COP15) will be happening in Montreal next month, where campaigners are calling for a “Paris Agreement for nature”. Biodiversity issues are complex and often deprioritised, but there is an increasing realisation that biodiversity loss can be as catastrophic as climate change. There is also greater interest in debt-for-nature swap deals, with recent successful deals in the Seychelles and Barbados.

6. Environmental costs of Russia-Ukraine conflict

Ukraine launched a platform to evaluate the environmental damage caused by the conflict with Russia, with the aim of strengthening international collaboration pertaining to restoring the environment from warfare. Warfare and military activities produce extensive amounts of greenhouse gases, pollution and biodiversity destruction. These environmental impacts are, however, put on the back burner when there are more dire issues to address regarding human lives and health.

Where to from here for the global climate?

Despite the worsening climate crisis, countries are ramping up their efforts and commitments in doing their small part to mitigate climate change. The global population also just passed 8 billion people, which may make it more challenging for regions that are already burdened by scarce resources due to climate change impacts. There is increasing climate cooperation globally despite challenging circumstances, with good progress in areas such as climate finance partnerships and carbon markets. Countries need to continue working together post-COP27 with renewed drive towards a low-carbon future.

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