

## COP28: Key outcomes and next steps

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This report summarises the key developments at the 28<sup>th</sup> session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP28), which was scheduled to take place from 30 Nov 2023 to 12 Dec 2023 but went into overtime till 13 Dec 2023. This was because countries were far from consensus on key issues such as the Global Stocktake<sup>1</sup> text, Article 6 negotiations and many other issues towards the final days of the conference. Overall, COP28 was successful in some ways but a disappointment in others. It reflects the complexity of the climate crisis and signifies the importance of international collaboration towards collective global climate action.

### Historic deal on transitioning away from fossil fuels

A final negotiating text on the first ever Global Stocktake of the Paris Agreement was agreed upon by nearly 200 countries at COP28, urging a 'transition away from fossil fuels in a just, orderly and equitable manner, so as to achieve net-zero by 2050'. This is significant as it is the first time in history a clear text on the transition away from fossil fuels has been agreed upon. However, the text lacks fixed timelines and allows room for different interpretations of the text.

Over 100 countries initially lobbied for stronger language in the agreement to 'phase out' oil, gas and coal use, but this was met with strong opposition from Organisation of the Petroleum Exporting Countries (OPEC) members and other oil-producing countries. While the final text signals the beginning of the potential end of the fossil fuel era, the deal should translate into tangible targets and actions for the green transition to happen on the ground. Otherwise, it is unlikely that the transition away from fossil fuels can succeed to achieve net-zero by 2050.

This also highlights the need for developed countries to provide financing in a way that is helpful to developing countries in their transition away from fossil fuels. For example, Indonesia has temporarily excluded private coal power plants from its Just Energy Transition Partnership (JETP) plan to decarbonise its power sector, as the financial package had high interest on loans with only a small proportion in grants. This proved challenging for Indonesia to transition away from coal while staying competitive as an economy. Therefore, authorities require more time to work out how to protect the nickel smelting sector.

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<sup>1</sup> The Global Stocktake, established under Article 14 of the Paris Agreement, is designed to assess the world's collective progress towards tackling the climate crisis and, and identify the gaps and opportunities to bridge the gaps in order to chart a better path forward. It is conducted every five years to ensure that stakeholders are increasingly ambitious to achieve the goals set out in their Nationally Determined Contributions (NDCs), to guide them in stepping up climate action and international cooperation.

### **Tripling renewables and doubling energy efficiency by 2030**

The Global Stocktake text calls on countries to triple renewable energy capacity globally and double the global average annual rate of energy efficiency improvements by 2030. However, it remains unclear how countries will pay for the clean energy transition they have committed to. This serves as a strong signal to stakeholders to mobilise investments in renewable energy and scale up the necessary infrastructure.

### **Money matters**

COP28 agreed to establish the loss and damage fund to be hosted through the World Bank for the first four years, a significant step forward to help developing countries that are most vulnerable to the impacts of climate change. Several countries have pledged money to the fund, including US\$100m by the United Arab Emirates (UAE), US\$108m by Germany, US\$17.5m by the United States (US) and US\$10m by Japan. Climate justice experts highlight that the funds should come as grants instead of loans, but the nature and timing of the pledged funds remain unclear as few countries have released details. The amount pledged so far still falls short of what is required, and there are concerns that the operationalisation of the fund will not be transparent.

Singapore's Minister for Sustainability and the Environment Grace Fu announced that Singapore will not be claiming from the loss and damage fund and intends to galvanise financing for nations at risk instead. Singapore also aims to support developing countries through the sharing of best practices in climate adaptation and resilience under the Sustainability Action Package (SAP) under the Singapore Cooperation Programme (SCP). SAP was launched at COP27 and courses under the initiative cover topics such as adaptation and resilience-building strategies, as well as green project management and financing.

The Asian Development Bank (ADB), Global Energy Alliance for People and Planet (GEAPP) and the Monetary Authority of Singapore (MAS) signed a Memorandum of Understanding (MoU) at COP28 to establish a blended finance partnership to finance energy transition projects in Asia. Potential projects include the early phase out of coal assets to be replaced with renewable energy or decarbonisation projects. The three parties aim to develop a pipeline of opportunities and deploy innovative and scalable financing structures, with the aim of raising up to US\$2b in concessional and commercial capital from other partners. If successful in financing challenging projects such as the early phase out of coal-fired power plants, the partnership can accelerate decarbonisation and energy transition efforts in Asia.

### **Lack of progress on Article 6 undoubtedly a setback for carbon markets**

A breakthrough at COP28 on operationalising Article 6 of the Paris Agreement on carbon credits was highly anticipated, but this failed to materialise and is now slated for discussion at COP29. Parties could not reach a consensus on both Article 6.2 (guidance on bilateral or multilateral trade of carbon credits) and Article 6.4 (mechanism for trading greenhouse emission reductions), with much of the disagreements surrounding the rules around carbon removals and the issue of transparency over the final text.

The operationalisation of Article 6 could have provided new structure for the global carbon market and increased market demand for carbon credits. This makes the lack of progress on Article 6 disappointing, as it is likely to hinder the growth of high-integrity voluntary carbon markets. Although no text is better than a bad text, the failure to progress still sends a negative signal to the market and may lead to further uncertainty for countries and project developers.

Regardless, several Article 6.2 agreements were signed on the sidelines of the conference. For example, Singapore has substantively concluded negotiations on separate implementation agreements with Bhutan and Paraguay at COP28. Singapore also signed MoUs for collaboration on carbon credits with Costa Rica, Fiji, Rwanda and Senegal. In addition, Singapore and Papua New Guinea signed an implementation agreement on carbon credits cooperation, marking the first Article 6.2 implementation agreement for Singapore.

Nearing the end of the conference, Singapore's National Climate Change Secretariat (NCCS), together with carbon crediting programs Gold Standard and Verra's Verified Carbon Standard (VCS) Program, announced a collaboration to support countries in using carbon credits to achieve their NDCs. These organisations will be developing a playbook outlining standard operating procedures that countries can use to certify emissions reductions and removals, with the aim of completing the playbook by mid-2024. This playbook can support countries in implementing Article 6 activities and accelerate the achievement of their climate goals.

### **Food and agriculture systems**

Almost 160 countries, covering nearly 80% of the world's land, signed the COP28 UAE Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action, committing to integrate food and agriculture systems into their climate plans by 2025. Signatories include major greenhouse gas emitters and key players in the food system such as Argentina, Brazil, China, the EU, Russia and the US. This pledge may unlock more funding for food sector-based decarbonisation solutions and encourage greater awareness on more sustainable diets.

### What's next?

After COP28, the attention is now on stakeholders to turn the goals agreed upon at COP28 into actions and ensure there are sufficient funds to implement them. The success of pledges made at COP28 will be dependent on how countries follow through with policy reforms and actions at the national level.

Countries will need to incorporate new targets into the next round of NDCs that are due in 2025, covering the period up to 2035. Taking guidance from the Global Stocktake, it is expected that countries submit more ambitious NDCs that include plans for climate adaptation, energy transition efforts, as well as loss and damage.

Despite the lack of progress on Article 6 at COP28, country-to-country carbon credit cooperation is expected to continue. Numerous agreements signed and projects underway offer a glimmer of hope in an otherwise uncertain landscape for carbon credits following COP28. Approval of Article 6 discussions are likely to be delayed till COP29, set to take place in Baku in 2024.

Sources: Bloomberg, Channel NewsAsia, Guardian, Ministry of Sustainability and the Environment, Monetary Authority of Singapore, Reuters, S&P, World Economic Forum, World Resources Institute, United Nations Framework Convention on Climate Change

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