



**A**FTER TENSE FINAL NEGOTIATIONS AT THE close of COP28, a historic agreement to “transition away” from fossil fuels made headlines around the world. The Dubai summit, and its many accompanying announcements and pledges, will have major implications for business.

#### “RATCHETED” TRANSITION

The original landmark climate agreement in Paris in 2015 included a “ratchet mechanism” to increase the level of ambition from countries toward limiting global warming. The next “ratchet” requires new national plans to be submitted to the UN by 2025, covering the period to 2035.

Under the COP28 ratchet decided in December, 198 parties are committed to developing new, enhanced national plans that will focus on limiting global warming to 1.5°C above pre-industrial times, with global emissions required to peak by 2025. As the world looks to narrow the emissions gap, companies will be under intensifying pressure to step up and show progress against their own near-term targets and transition plans, with more than 250 financial institutions expected to publish theirs next year.

Fossil fuels flagged, carbon capture muted, new alliances formed, food systems on the table—**Brunswick’s WOLFGANG BLAU & PHIL DREW** share key implications for business from the historic summit.

There is a new narrative on fossil fuels. Oil and gas companies will be under increasing scrutiny from all stakeholders to set out how their business strategy is compatible with the transition away from fossil fuel during what the landmark agreement terms “this critical decade.” At a minimum, this means recognizing their role in the move to net zero and demonstrating a contribution to the “deep, rapid, sustained emission reductions” required for an accelerating shift toward a net-zero energy system by 2050.

Integrated energy companies with exposure to hydrocarbons and clean energy may seek to harness this historic pivot to bolster the investor logic and potential reputational dividend behind green and clean energy solutions.

#### MOMENTUM BUILDING

Three standout announcements demonstrate the breadth and pace of change across sectors:

- The Industrial Transition Accelerator was launched. This is the largest single decarbonization initiative, an international, public-private collaboration involving 1,300 companies in heavy-emitting industries.

- A new wave of partnerships from the Break-through Agenda, an international alliance covering 60% of global GDP, will increase demand for low-carbon industrial products via the creation of international standards and technical and financial assistance in developing countries.
- Led by the Netherlands, a newly formed group of 12 nations including France, Spain, Finland, Denmark and Canada agreed to disclose their entire inventories of fossil fuel subsidies and share best practices on how to phase them out. The IMF estimates the global volume of fossil fuel subsidies at \$13 million per minute throughout 2022.

By unanimous agreement, a smaller role for carbon capture technologies was outlined, reflecting the extent of economic and scientific challenges that carbon capture is facing.

#### TRANSITION FINANCE

Over the course of COP28, announcements, initiatives and mechanisms mobilized \$83 billion in new finance. Yet a lack of progress on climate finance remained a major concern, especially among developing and climate-vulnerable countries, despite the landmark creation of a fund to support the “loss and damage” caused by climate change.

A major focus is on how to accelerate the flow of private capital to emerging economies to fund commercial projects, such as renewable energy. Following the work of Barbados Prime Minister Mia Mottley’s Bridgetown Initiative, efforts are being concentrated on reducing the cost of capital and premium for foreign exchange risks. There is an opportunity for institutions to demonstrate leadership by helping tackle this challenge.

COP28 saw some notable steps forward for climate action where food is concerned: State and non-state actors united behind the Call to Action for Transforming Food Systems for People, Nature and Climate. Signatories commit to 10 priority actions to transform food systems and call for a set of time-bound, holistic and global targets by COP29.

Governments of 158 countries also committed to the UAE Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action. This marks the first declaration of its kind and means governments will embed food in their nationally determined contributions (NDCs) and will report back on this next year.

#### CORPORATE TRANSPARENCY

A new generation of tools to enable scrutiny of corporate action were launched on the margins of the summit. These go beyond traditional corporate

## OVER THE COURSE OF COP28, NEW ANNOUNCEMENTS, INITIATIVES & MECHANISMS MOBILIZED

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BILLION DOLLARS  
IN NEW FINANCE.

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datasets. Free and easily accessible to the public, they will allow scrutiny of individual companies at a new level of scale and detail. For example:

- The Net-Zero Data Public Utility is a database of company-level greenhouse gas emissions that makes analysis and comparison substantially easier for investors, analysts, regulators, NGOs and the media. It is backed by the UN, the International Sustainability Standards Board and the International Energy Agency, as well as private sector experts from the Glasgow Financial Alliance for Net Zero and Bloomberg.
- ClimateTrace, a satellite-based inventory of the source and location of greenhouse gas emissions, launched a significant expansion in Dubai to cover data from 352 million assets. It enables scrutiny of companies’ self-reported emissions and the closure of data gaps from suppliers.

#### PRIVATE SECTOR CHALLENGES

COP28 saw an estimated 85,000 attendees, more than any previous summit, including a notable presence from major companies and investors. Yet a growing number of countries and climate stakeholders are questioning whether the enlarged summit is impeding the negotiations and whether COP is becoming too much of a “trade show.” Calls continue for reform of the COP process more generally. Attendees in future years should:

- Be prepared to demonstrate a significant contribution to climate action
- Maintain a view of the role companies play
- Expect growing scrutiny of consumer goods companies—the closing document of COP28 called for “transitioning to sustainable lifestyles and sustainable patterns of consumption and production.”

#### FUTURE BY MAJORITY

There has been substantial criticism of the fact that it took 28 COP summits to mention the central role of fossil fuels in causing climate change. This is largely because COP summits can only make unanimous decisions that can thus be blocked by a single country. Former US Vice President Al Gore said he plans to gather advocates to push for decisions to be approved by a supermajority of 75% of nations before COP29, to be held in November 2024 in Baku, Azerbaijan. Given that 127 nations wanted to see a full “phase-out” of fossil fuels, such a change of the voting rules—albeit unlikely—would further accelerate the energy transition.

The COP29 summit will also likely be focusing on climate finance and developing more instructive frameworks for accelerating and measuring the success of climate adaptation measures. ♦