



COP28 week one: A summary for financial services

December 2023

Contents

03 Summary

04 Global leadership overview

05 Technical negotiations

06 Collective engagement

07 Notable announcements and declarations

09 Private sector activity

12 Looking ahead to week two

13 EY contacts



Summary

Even before COP28 opened, delegates were in no doubt about the scale of their task – or the need for urgent action.

The 2023 Nationally Determined Contributions Synthesis Report from the United Nations Framework Convention on Climate Change (UNFCCC) revealed a mere 2% projected reduction in global emissions between 2019 and 2030 – far below the 43% needed to limit global warming to 1.5°C. Meanwhile, the UN Environmental Programme’s Emissions Gap Report 2023 further highlighted the disparity, with current Nationally Determined Contributions (NDCs) putting us on a path to 2.5°C to 2.9°C warming.

Now, as we reach the end of week one, let’s take stock of what has happened so far.

Global leadership overview

COP28 kicked off with several international pledges and agreements – notably the operationalization of the Loss and Damage Fund, which has so far received US\$725m in commitments, and the United Arab Emirates (UAE) Presidency’s announcement of the US\$30b ALTÉRRRA climate investment fund.

At the World Climate Action Summit on day two, UN Secretary-General António Guterres called for urgent action – accelerating net-zero timelines to 2040 for developed countries and 2050 for emerging economies.

There was a strong global presence, with over 180 world leaders and heads of state in attendance. Many of them delivered powerful speeches, most notably on the themes of mobilizing finance to the Global South and the energy transition.

Technical negotiations

Technical negotiations, which are at the core of every conference, now take center stage. Delegates are grappling with thorny issues such as: Should fossil fuels be phased out? Or should they be just phased down? And what role should carbon capture play?

Arguably the most important focus is on the Global Stocktake (GST), a report card on global climate action that sets the parameters for the size and scope of NDCs. The building blocks of this text are currently with the parties, with multiple points of contention to be debated.

Negotiations on the Paris Agreement's Global Goal for Adaptation will also be pivotal. Countries already experiencing the effects of climate change are calling for stronger action, with emerging markets and developing economies (EMDEs) stressing the need for climate finance and financial targets.

The outcome of the technical negotiations will help determine the extent of COP28's ultimate impact on global climate action. Week two will therefore be critical.

Collective engagement

Week one saw significant collective engagement, with direct implications on the ability of the private sector and financial institutions (FIs) to move from climate intention to action.

As noted in our roundup following Finance Day, mobilizing both public and private sector finance for net zero has been a prominent theme.

Total mobilization at COP28 could reach an unprecedented US\$100b of climate action finance; the COP Presidency reported that as much as US\$83b was pledged during week one alone. A large portion targets EMDEs and blended finance opportunities with multilateral development banks (MDBs) and development finance institutions aiming to scale up private finance flows.

Notable announcements and declarations

Several announcements will impact policy landscapes and transition pathways for key sectors.

Energy: The Global Decarbonization Accelerator (GDA) encompasses a broad range of initiatives to decarbonize existing energy systems and prepare them for a sustainable future. Key actions include:

- ▶ **Global Renewables and Energy Efficiency Pledge:** 118 governments have pledged to triple renewable energy production and double energy efficiency improvements by 2030. Expanding renewable power generation at this rate is vital for clean energy growth to outpace electricity demand, a critical factor for maintaining a 1.5°C pathway.
- ▶ **UAE Hydrogen Declaration of Intent:** 39 countries endorsed a global hydrogen certification standard, committing to the rapid and coordinated development of technical standards that will enable mutual recognition of methodologies and certifiers.

- ▶ **The Oil and Gas Decarbonization Charter (OGDC):** Signed by 50 companies, representing over 40% of global oil and gas production, the OGDC aims to eliminate methane emissions and routine flaring by 2030, moving toward net-zero emissions by 2050 for scope 1 and 2 emissions. However, it's important to note that the charter does not include scope 3 emissions, which account for around 85% of fossil fuel producers' emissions.

Agriculture: More than 130 countries, accounting for 70% of global food production, signed the Emirates Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action. It's the first-time nations have committed to adapt their food systems to limit climate change, including setting targets within their NDCs and national adaptation plans (NAPs) by 2025.

Energy-intensive sectors: The Industrial Transition Accelerator (ITA) will aim to accelerate the transition of heavy industries (cement, steel, and aluminum), transport (shipping and aviation), and energy – collectively responsible for 65% of global emissions – toward more sustainable practices. The ITA will encourage policymakers, experts and FIs to collaborate on scaling up decarbonization projects.

Health: COP28 also staged its first Health Day, when 123 countries signed the UAE Climate and Health Declaration to “place health at the heart of climate action” and support the development of climate-resilient, sustainable and equitable health systems.

Private sector activity

There's no doubt that those conducting the event's core technical negotiations have some major obstacles to overcome. However, COP28 has already been deeply significant for the private sector. Throughout week one, there was a marked focus on the financial sector's role in elevating the billions of dollars provided by governments into the trillions required to achieve net zero – our roundup following Finance Day highlights the key finance-related activities so far.

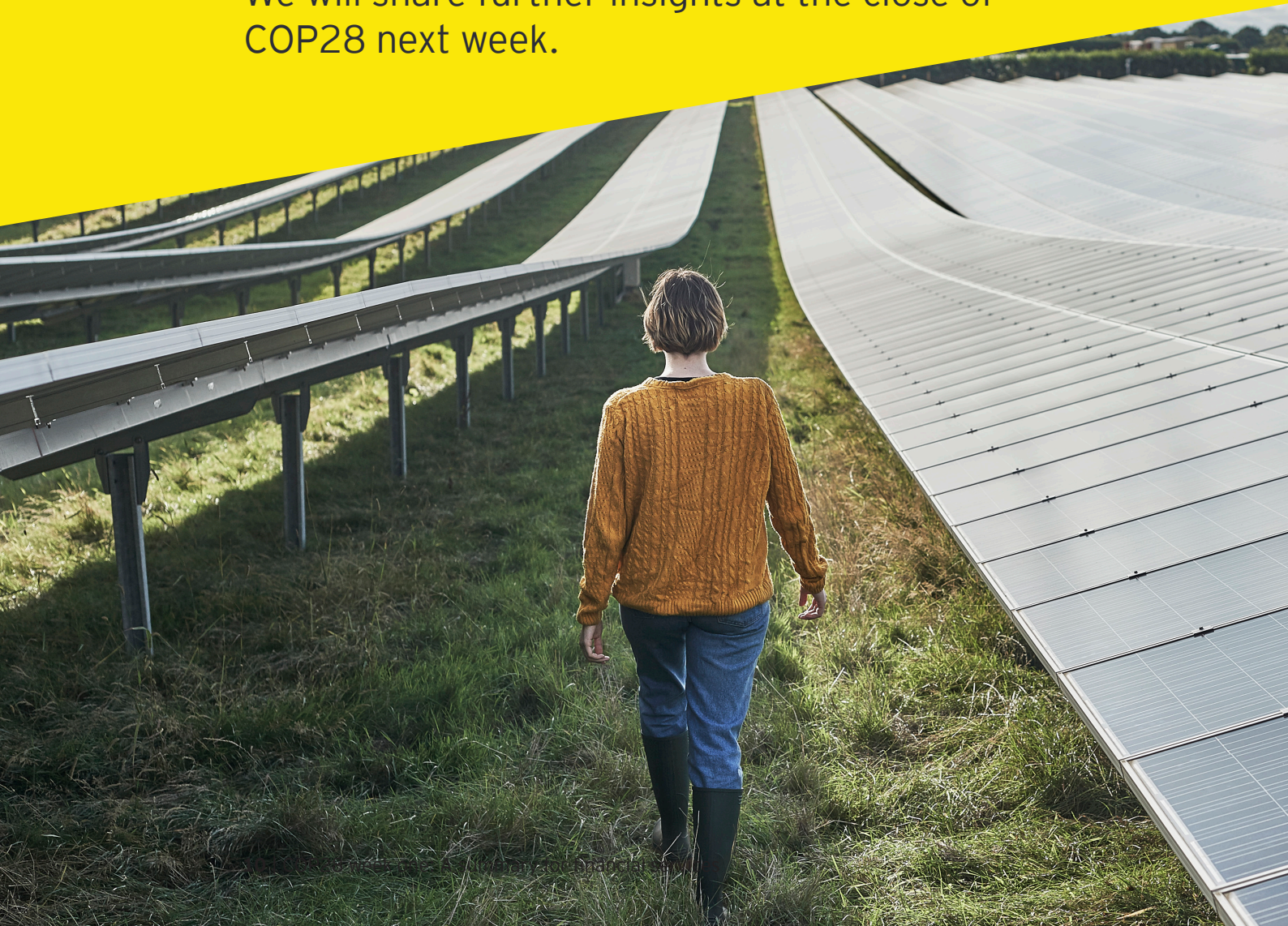
Running concurrently with the World Climate Action Summit, the Business and Philanthropy Climate Forum was a CEO-level forum that brought together more than 500 business leaders and philanthropists to drive climate action. Numerous leading organizations pledged action on climate change, such as the announcement of US\$5b in financing from the Green Climate Fund, Allied Climate Partners, and Allianz Global.

In addition, there has been significant discussion on the role of voluntary carbon markets (VCMs) and how these can be scaled to support climate action. An end-to-end framework was launched to ensure the integrity of VCMs. Furthermore, the Global Carbon Market Utility (GCMU), advised by EY teams, also launched the design process for the accounting ledgers that will underpin GCMU carbon transactions.

Looking ahead to week two

Many of the developments we have seen so far aim to help private sector firms accelerate decarbonization, scale up climate finance to EMDEs, and develop transition finance for hard-to-abate sectors.

In week two, we should find out more about governments' ability to overcome sensitive and unresolved technical issues. Whatever the outcome, there will be far-reaching implications for FIs. We will share further insights at the close of COP28 next week.



EY contacts



Gill Lofts

EY Global and EY EMEIA Financial Services Sustainability Leader
Ernst & Young LLP
E: glofts@uk.ey.com



Brandon Sutcliffe

EY Americas Sustainable Finance Leader
Ernst & Young LLP
E: brandon.sutcliffe@ey.com



Wolfram Hedrich

EY Asia-Pacific Sustainable Finance Co-Lead
Ernst & Young Advisory Pte. Ltd.
E: wolfram.hedrich@sg.ey.com



Kazuto Kita

EY Asia-Pacific Sustainable Finance Co-Lead
EY ShinNihon LLC
E: kazuto.kita@jp.ey.com



Jessica Robinson

EY MENA Sustainable Finance Leader
EY Consulting LLC
E: jessica.robinson@parthenon.ey.com



Shaun Carazzo

EY EMEIA FSO Assurance Markets Leader and
EY EMEIA FSO CCaSS Leader, Ernst & Young LLP
E: scarazzo@uk.ey.com



Hugh Garbutt

Senior Consultant, Climate Change and Sustainability Services
Ernst & Young LLP
E: hugh.garbutt@uk.ey.com

Useful EY team resources:

COP28: A summary for financial services following Finance Day

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

What makes EY distinctive in financial services

Over 84,000 EY professionals are dedicated to financial services, serving the banking and capital markets, insurance, and wealth and asset management sectors. We share a single focus – to build a better financial services industry, one that is stronger, fairer and more sustainable.

© 2023 EYGM Limited.
All Rights Reserved.

EYG no. 011541-23Gb1
ED MMY NONE



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com/cop