

BACKGROUND PAPER

# International Climate Policy in Times of Geopolitical Challenge

## Expectations of COP27 in Sharm El-Sheikh

David Ryfisch, Christoph Bals, Rixa Schwarz, Lutz Weischer, Bertha Argueta, Marlene Becker, Julia Grimm, Vera Künzel, Kerstin Opfer, Stefan Rostock, Manfred Treber, Lisa Schultheiß, Thea Uhlich

## Brief Summary

This background paper provides an overview of the most important negotiation topics of COP27, which will take place in Sharm El-Sheikh, Egypt, from 6 to 18 November. There is no doubt that the impact of Russia's war against Ukraine will be the dominant topic of this year's global climate conference. At the same time, participants should be aware that the impacts of climate change have no regard for the geopolitical situation.

In this tense geopolitical context, COP27 has four critical tasks:

1. It should demonstrate that multilateral agreements on climate remain possible and thus resilient to global crises.
2. It should reassert that countries must account for the implementation of their commitments.
3. It should send clear signals that the phase-out of fossil fuels will happen and the global energy transition will accelerate, despite and in fact because of the global energy crisis.
4. It should emphasise that the international community will not leave the most vulnerable countries and people behind in the context of a drastically worsening climate crisis and its consequences.

## Imprint

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# List of abbreviations

<b>ACE</b>	Action for Climate Empowerment
<b>AGN</b>	African Group of Negotiators
<b>AOSIS</b>	Alliance of Small Island States
<b>GDP</b>	gross domestic product
<b>BMZ</b>	German Federal Ministry for Economic Cooperation and Development (by its initials in German)
<b>BOGA</b>	Beyond Oil and Gas Alliance
<b>CBAM</b>	Carbon Border Adjustment Mechanism
<b>CMA</b>	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
<b>COP</b>	Conference of the Parties
<b>ExCom</b>	Executive Committee
<b>GCF</b>	Green Climate Fund
<b>GD</b>	Glasgow Dialogue
<b>GDFLU</b>	Glasgow Declaration on Forests and Land Use
<b>GEF</b>	Global Environment Facility
<b>GFANZ</b>	Glasgow Financial Alliance for Net Zero
<b>GGA</b>	Global Goal on Adaptation
<b>GLaSS</b>	Glasgow–Sharm el-Sheikh work programme
<b>GMP</b>	Global Methane Pledge
<b>IMF</b>	International Monetary Fund
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>JETP</b>	Just Energy Transition Partnership
<b>KJWA</b>	Koronivia Joint Work on Adaptation
<b>LDCs</b>	least developed countries
<b>LDFF</b>	Loss and Damage Finance Facility
<b>LNG</b>	Liquefied Natural Gas
<b>MDB</b>	multilateral development bank
<b>MWP</b>	mitigation work programme
<b>NCQG</b>	New Collective Quantified Goal
<b>NDC</b>	Nationally Determined Contribution
<b>PR2</b>	second periodic review
<b>SCF</b>	Standing Committee on Finance
<b>SDGs</b>	Sustainable Development Goals
<b>SED</b>	Structured Expert Dialogues
<b>SNLD</b>	Santiago Network on Loss and Damage
<b>UN</b>	United Nations
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>WIM</b>	Warsaw International Mechanism

# 1 The geopolitical landscape surrounding COP27

## 1.1 The geopolitical situation

COP27 is taking place in the context of a challenging geopolitical mix. The impact of Russia's war against Ukraine continues to dominate daily politics. In Europe, energy security remains a priority because of rising energy prices and looming gas shortages. Political decisions on energy security oscillate between two extremes: they can enter into a symbiosis with climate ambition, or oppose it. At least in the medium term, energy security is a third dimension (in addition to sustainability and economic efficiency) in favour of renewables, energy efficiency, and electrification. At the same time, the competitiveness of coal has improved significantly compared to liquefied natural gas (LNG), which can lead to highly problematic lock-in effects.

At the same time, reduced food availability and increased prices of food, fertiliser, and fossil energy in some countries of the Global South (including Egypt, which holds the COP27 Presidency) are affecting the poorest and most vulnerable in particular. Cereal shortages, for example in North Africa and the Middle East, have demonstrated how war-related export stoppages and climate-change-induced crop declines can interact to threaten food supplies.

Climate change impacts generally do not pause during tense geopolitical situations. Heatwaves, floods, and hurricanes remain harsh realities on all continents in 2022. They undermine economic livelihoods in many places and increase poverty and inequality. In the long term, the climate crisis will exacerbate social unrest, political violence, and geopolitical risk. Tense geopolitics and the climate crisis are thus intricately linked, complicating the development prospects of many countries.

In addition, the debt of many countries, especially poor ones, has increased massively as a result of the COVID-19 crisis. This also impairs countries' ability to enact the necessary transformation and their opportunities to implement adaptation measures.

Another challenge: China and the USA might not serve as each other's interlocutors in Sharm El-Sheikh. At COP26, their joint statement in the second week of negotiations favoured an agreement. This year, regular climate policy exchanges between the two countries had been put on hold due to tensions over Taiwan; in the follow-up to the United Nations (UN) General Assembly in September, however, there were initial rapprochements that give cause for hope.

Further, this year's Indonesian G20 Presidency does not offer any scope for sending a joint signal to the COP. Last year, the COP26 outcome document mirrored significant elements of the G20 communiqué. This year, however, the G20 summit coincides with the second week of COP27. Most importantly, the geopolitical context means that the G20 countries are barely capable of acting. This is because Russia is sitting at the table, and differing positions on the Russian war, for example those of China and the USA, are colliding; meanwhile, G20 decisions must be made by consensus. Against this backdrop, the Indonesian G20 Presidency is showing little ambition in the climate field. China and India already used this tense situation at the G20 energy and environment ministerial meetings to prevent a clear commitment to the 1.5°C temperature target. It is doubtful whether a final summary document will even emerge from the G20 summit.

In this tense geopolitical context, COP27 has four critical tasks:

1. It should demonstrate that multilateral agreements on climate remain possible and thus resilient to global crises.
2. It should reassert that countries must account for the implementation of their commitments.
3. It should send clear signals that the phase-out of fossil fuels will happen and the global energy transition will accelerate, despite and in fact because of the global energy crisis.
4. It should emphasise that the international community will not leave the most vulnerable countries and people behind in the context of a drastically worsening climate crisis and its consequences.

## 1.2 Civil society in Egypt

Civil society is an integral part of the Theory of Change of the Paris Climate Agreement.<sup>1</sup> The agreement's mode of operation, including reputation-driven increases in ambition and accelerated implementation, makes it critically dependent on civil society participation. Similarly, civil society plays a central role in momentum and ambition in international climate diplomacy. International climate diplomacy can only be successful if civil society is involved in all its diversity. However, this requires inclusive access to climate negotiations and transparency.

The host of COP27, Egypt, has a difficult human rights situation. As in many other countries, civil society operates in a very limited manoeuvring space where freedom of expression is severely restricted. Activists are constantly at risk of arrest. Neither the 'Year of Civil Society' proclaimed by President Abdel Fattah al-Sisi nor the 'National Human Rights Strategy' can hide this fact.<sup>2</sup> The Egyptian government allows only a civil society that cooperates with the state. It considers the private sector to be a key civil society actor.

COP27 can be used to sustainably expand civil society space in Egypt. In doing so, the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) must clearly position themselves for transparency and access. Civil society should be given space for public expression and peaceful assembly. It is crucial that Egyptian civil society emerges from COP27 stronger and does not have to fear reprisals after the diplomats of the climate negotiations have moved on. The Parties to the Convention have a special responsibility to continue to seek exchange with civil society on the ground after COP27 and to actively support it.

The participation of Egyptian and international civil society in COP27 is already in danger of being restricted by logistical factors. Horrendous prices for accommodation as well as limited transport availability make participation difficult – especially for civil society from the Global South. Many actors, not only from civil society, are being confronted with cancellations of hotel reservations and subsequent escalation of accommodation prices.

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<sup>1</sup> Please see <https://www.germanwatch.org/de/20539> (in German) [Accessed on 13 October 2022]

<sup>2</sup> Please see <https://www.amnesty.org/en/latest/news/2022/09/egypt-human-rights-crisis-deepens-one-year-after-national-human-rights-strategy-launched/> [Accessed on 13 October 2022]

## 1.3 Urgency to act

COP27 is running under the slogan ‘Together for Implementation’. This is a clear call to action to implement the decisions of COP26 in Glasgow. The 2020s must be the decade of accelerated implementation, otherwise the Paris climate targets, especially the 1.5°C limit, will be impossible to meet.

This has also been confirmed by the latest reports from the scientific community. Reports published this year by Working Groups II and III of the Intergovernmental Panel on Climate Change (IPCC) have been clear: it is still possible to limit the temperature increase to 1.5°C, with major efforts. Working Group III has indicated that climate protection efforts must be intensified considerably in this decade.<sup>3</sup> The average annual investment required by 2030 will need to exceed current investments by a factor of between three and six.

At the same time, Working Group II has shown that warming of 1.2°C is already leading to significant climate change impacts, that there is an increasing need for adaptation, and that loss and damage increase significantly with rising temperatures.<sup>4</sup> This is confirmed by the now accepted field of attribution science. For example, climate change made this year's heatwave in Pakistan and India 30 times more likely to occur.<sup>5</sup> Subsequently, heavy monsoon rains led to the flooding of about one third of Pakistan's land area. At the same time, according to current knowledge it seems likely already that a number of tipping points will be reached with a 1.5°C rise in temperature.<sup>6</sup> This makes it clear that there will be above-average impacts on individual countries or regions, which will need adaptation strategies for various short, successive weather extremes and their far-reaching effects.

The Egyptian COP27 Presidency is attempting to replicate the successful formula of previous COPs. To start, a two-day high-level segment with heads of states and governments will take place. This is intended to create a positive atmosphere. In addition, signals are to be sent to negotiators to create additional room for manoeuvre. Germany should take this opportunity to make new financial announcements. In particular, multilateral instruments for the most vulnerable should be strengthened. To this end, Germany should provide substantial funding for the ‘Global Risk Shield’ announced during its G7 Presidency.<sup>7</sup> Further, Germany should finally commit to contributing to the Adaptation Fund for a multi-year period and pay into other funds that specifically support the poorest and most vulnerable countries, such as the Global Environment Facility (GEF). All of this, however, would require Germany to budget for an annually increasing level of climate finance, in line with its commitment to contribute at least €6 billion by 2025.

As at COP26, there will be a number of themed days, including, once again, an ‘Energy Day’ and a ‘Finance Day’ but also an ‘Adaptation and Agriculture Day’ and a ‘Biodiversity Day’.<sup>8</sup> At COP26, these themed days (and the voluntary initiatives announced on these days by states, the private sector, international organisations, and civil society) successfully created a positive mood and continuous global attention during the first COP week. Based on current knowledge, the voluntary initiatives will be aligned with the global Sustainable Development Goals (SDGs). If appropriate in ambition,

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<sup>3</sup> Please see <https://www.ipcc.ch/report/sixth-assessment-report-working-group-3/> [Accessed on 13 October 2022]

<sup>4</sup> Please see <https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/> [Accessed on 13 October 2022]

<sup>5</sup> Please see <https://www.worldweatherattribution.org/climate-change-made-devastating-early-heat-in-india-and-pakistan-30-times-more-likely/> [Accessed on 13 October 2022]

<sup>6</sup> Please see <https://www.science.org/doi/10.1126/science.abn7950> and <https://www.germanwatch.org/en/87115> [Accessed on 13 October 2022]

<sup>7</sup> To learn more about the ‘Global Risk Shield’, please see <https://www.bmz.de/en/issues/climate-change-and-development/global-shield-against-climate-risks> [Accessed on 13 October 2022]

<sup>8</sup> Please see <https://cop27.eg/#/presidency/eventsThematic> [Accessed on 13 October 2022]

these initiatives will provide a welcome link between the climate agenda and the other SDGs, once again highlighting the interconnectedness of the various crises.

The most exciting issues at COP27 revolve around meeting the 1.5°C temperature limit and financing to address loss and damage. The Glasgow Climate Pact (the overarching final document of COP26 in Glasgow) addressed the three gaps that form barriers to **meeting the 1.5°C temperature limit**: the ambition gap in climate targets, the implementation gap, and the financing gap that prevents implementation.<sup>9</sup> To close the ambition gap, Parties are required to increase their 2030 Nationally Determined Contributions (NDCs) to bring them into line with a 1.5°C limit. However, only 23 countries had submitted new NDCs by the deadline. Moreover, the NDCs submitted by the UK and Indonesia contained either no target increases or only marginal increases. Emerging economies such as China and India urgently need to increase their levels of ambition. For a long time, China used the US's lack of implementation capacity as an argument to fend off calls for additional ambition of its own. This changed this summer with the US's Inflation Reduction Act, which provides for billions to be invested in climate protection. India has already presented a slightly improved NDC this year. For India, the Just Energy Transition Partnership (JETP) (see 5.2), which is being negotiated with the G7, offers the opportunity to improve speed of implementation, with sufficient international support, and to exploit the opportunities it presents for a just energy transition.

In many countries, leaders perceive a trade-off between climate ambition on the one hand and energy security or development on the other. This discourages additional ambition. At the same time, the economic advantages of renewables, energy storage, and hydrogen are becoming increasingly clear. Their price decline follows all classical technology curves, and thus everything points to their prevailing in the medium term as well, despite the current crises. This is especially true if the interest rates for high investment sums (for example, through support from Germany) are pushed down to very low levels internationally. To make the energy supply affordable, in most cases, it will thus not be necessary for African leaders to expand their gas infrastructure nor for the German government or other rich countries to support this financially. When countries purchase gas to replace Russian gas in the short term, it must be ensured that there are no lock-in effects.

The voluntary COP26 initiatives show that in climate protection the wheat is increasingly being separated from the chaff. Where these initiatives are taken seriously and being implemented, they are having a significant impact. While France, for example, has just tightened its own criteria for the international financing of fossil fuels in line with the Statement on International Support for the Clean Energy Transition issued in Glasgow, German Chancellor Olaf Scholz and his former colleague Mario Draghi from Italy (Germany and Italy both being particularly dependent on Russian gas<sup>10</sup>) have tried to soften the criteria within the framework of the G7. In the private sector, a similar picture is emerging: American banks are threatening to withdraw from the Glasgow Financial Alliance for Net Zero (GFANZ) because they fear that the mandatory requirements will leave them open to legal challenges.

COP27, under its Egyptian Presidency, must continue on this path, confirming the seriousness of these matters and intensifying it even further. This means that the focus must not only be on new initiatives. It is crucial that existing initiatives make significant progress in implementation and are held accountable. It is not enough for initiatives to look good on paper and serve the political spotlight. This includes the following elements of the Glasgow Climate Pact:

- present improved NDCs that are aligned with 1.5°C pathways – for 2030, this means, on average, a reduction in emissions by 45% compared to 2010

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<sup>9</sup> Please see <https://www.germanwatch.org/en/21167> [Accessed on 13 October 2022]

<sup>10</sup> Please see <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/> [Accessed on 13 October 2022]

- finish negotiating an effective mitigation work programme (MWP) (see 3.1)
- systematically implement the phase-out of coal and fossil fuel subsidies

In dealing with **loss and damage**, financial commitments will eventually be needed to show solidarity and provide substantial support to the poorest and most vulnerable. As the impacts of climate change increase, more and more countries in the Global South are finding that their development progress is threatened by climate-change-related loss and damage. When this is coupled with other global crises, affected countries face a downward spiral of national debt, which is necessary for reconstruction, and recurring loss and damage. While Germany can spend many billions to rebuild the Ahr Valley after disastrous flooding, Pakistan cannot spend this amount in the wake of the heat and flooding it experienced this summer.

For the first time, negotiations on financial support for dealing with loss and damage are gaining serious momentum. For more than a decade, the issue was blocked by industrialised countries. Egypt has announced that it will include the issue of financing for loss and damage as an agenda item. The preliminary agenda for COP27 includes a corresponding negotiating item, Financial Arrangements for Loss and Damage. At the same time, the blockade of the industrialised countries is crumbling, because a majority have recognised the need for support, at least in principle – including the G7 countries under the German Presidency. They want to develop a Global Risk Shield by COP27.

However, the Glasgow Dialogue (GD) held at the interim negotiations in June 2022 did not convince the countries of the Global South or civil society (see 3.2).<sup>11</sup> Defined as a dialogue, in the negotiation context it is a toothless tiger.

A convincing outcome at COP27 will require solutions within and outside the negotiation process. The Egyptian COP Presidency has already determined the facilitators of the loss and damage negotiations by choosing the German Secretary of State, Jennifer Morgan, and the Chilean Minister for the Environment, Maisa Rojas – a choice that shows foresight. Only a solution that brings financial support within reach will be sufficient to secure a satisfactory outcome. If this cannot be achieved by consensus, a vanguard group of developed and developing countries should at least boldly lead the way here.

**Climate finance** is a fundamental issue for the success of COPs. It is an important basis for mutual trust between industrialised countries and the Global South. The industrialised countries have not kept their promise to provide USD100 billion annually from 2020. According to their own estimates, the level of USD100 billion will be reached in 2022 at the earliest. The question of how to meet the USD100 billion target is now being included in several agenda items at COP27 (see 3.3).

A new climate finance target for the period after 2025 will be negotiated by 2024. Unlike the USD100 billion target, the new target will be based on technical analysis and will not be merely a political decision.<sup>12</sup> After four technical expert dialogues, substantial progress will have to be made at COP27.

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<sup>11</sup> Please see <https://www.germanwatch.org/en/87447> [Accessed on 13 October 2022]

<sup>12</sup> Please see also <https://www.cfes.info/en/publication/process-proposal-defining-new-collective-quantified-goal> [Accessed on 13 October 2022]

## 2 Sticking points for COP27

### 2.1 Closing the ambition and implementation gap

The 2021 Glasgow Climate Pact marked an important turning point in the UN climate negotiations. Now that the rulebook for implementing the Paris climate agreement has been fully negotiated, the focus has shifted to implementation. At Glasgow, for the first time, the end of individual fossil fuels, especially coal, and of subsidies for fossil fuels was explicitly agreed. Last but not least, Parties agreed to further close the ambition gap: even full implementation of the existing NDCs, the mid-century targets, and the multitude of voluntary COP26 initiatives would put global warming at 1.8°C – missing the 1.5°C target. Countries that have not yet brought their 2030 targets into line with the 1.5°C limit are required to do so by COP27, according to the Glasgow decision. In addition to this expectation of new and revised 2030 targets, countries are still being encouraged to submit their long-term strategies to 2050.

The omens for COP27 are not good in this regard—partly because of the complex geopolitical situation. Only 23 of the signatory states had even submitted new NDCs by the cut-off date. None of these 23 NDCs contains climate protection targets that are significantly improved, and in some cases the targets are not improved at all. New NDCs from key countries such as China are still outstanding. Despite positive technological signs, the phase-out of fossil fuels has also been postponed for now: coal combustion is on the rise and EU players, especially Germany and Italy, are trying to develop new sources of gas.

Despite these difficult omens, COP27 must deliver results to keep 1.5°C within reach. This means responding to the lack of improved NDCs through an ambitious MWP (see 3.1.1).

COP27 should support the sectoral focus from the COP26 outcome document by reaffirming the phase-out of coal and underpinning it with international cooperation. Progress should be reported transparently in future. This also applies to other fossil fuels. Therefore, it is also crucial that the German government presents clear criteria on when concluded agreements and contracts for international financing of fossil energy sources are 1.5°C-compatible and how lock-ins can be avoided. Countries that also signed last year's Glasgow Statement, most recently France, have led the way.

#### 2.1.1 Mitigation work programme

Global emissions need to fall by 45% by 2030, but they are still rising. The current 'ratcheting-up' mechanism (which provides for new, more ambitious NDCs to be submitted only every five years) no longer enables this challenge to be met. For this reason, COP26 adopted the MWP, which is initially scheduled to run until COP27. It is intended to help close the ambition and implementation gap by 2030.

However, at the June 2022 interim negotiations, Parties under the MWP were unable to agree in the negotiations to record their progress. Instead, they were asked to provide 'submissions'. It was agreed that a workshop would be held before the start of COP27. The sticking points were the intended duration of the work programme (that is, whether it should last one year or until 2030), complementarity with the Global Stocktake on the status of implementation of the Paris Agreement (see 4.2), and a possible focus on sectoral aspects. During the interim negotiations, China, India, and the Gulf States, in particular, opposed an ambitious text.

It is important that the MWP does not end this year. To adequately address the implementation and ambition gaps, the programme must continue until 2030. To meaningfully complement the Global Stocktake and NDC mechanisms, the MWP should focus primarily on accelerating implementation of the 2030 climate change targets. This should have a complementary sectoral focus and also pick up on the many voluntary initiatives. A focus on other short-lived greenhouse gases besides CO<sub>2</sub> would also be useful.

## **2.2 Urgent need for adequate support to deal with climate-related loss and damage**

Climate-related loss and damage are the consequences of climate change to which individuals, communities, or countries are unable (or no longer able) to adapt. They occur as a result of more frequent and intense extreme weather events, such as storms or floods, and long-term environmental changes, such as sea-level rise or expanding desertification. Strategies to avert, minimise, and address loss and damage are needed worldwide. However, countries in the Global South are more frequently and more severely affected by climate change impacts. At the same time, there is a lack of (financial) capacity to deal with them. Events such as the recent floods in Pakistan, where a third of the country was inundated and over 1,200 people lost their lives,<sup>13</sup> or the devastating heatwaves in India and Pakistan, which can be attributed to climate change,<sup>14</sup> highlight this need. Countries with high historical and current per capita emissions should assist in dealing with loss and damage in accordance with the polluter pays principle. Affected regions and countries should at least mitigate the damage as far as possible, for example by using appropriate agricultural practices, planning land use adequately, halting deforestation, or building up soil.

### **2.2.1 Funding to deal with loss and damage**

So far, there is a lack of a) a defined share of international climate finance for dealing with loss and damage, and b) an institutional framework or specific mechanism to finance all necessary measures. Recently, however, a consensus has been achieved among Parties that more funding is needed.<sup>15</sup>

The biggest gap exists in the financing of measures to deal with damage that has already occurred ('addressing'), for example for reconstruction in the aftermath of extreme weather events. In these cases in particular, where rapid support is needed, the project logic of climate funds under the UNFCCC is not 'fit for purpose', because the funds cannot disburse the necessary financial assistance quickly enough. So far, there is no suitable institution for financing the handling of loss and damage, and access to existing financial resources is insufficient. Therefore, some countries have called for the inclusion of financing options outside the UNFCCC.<sup>16</sup> There is also a lack of financial resources for dealing with loss and damage in the context of either slow-onset events or non-economic loss and damage such as loss of cultural heritage. This was also highlighted by the first Glasgow Dialogue on 'Loss and Damage Finance',<sup>17</sup> where negotiators and stakeholders

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<sup>13</sup> Please see <https://www.auswaertiges-amt.de/en/aussenpolitik/laenderinformationen/pakistan-node/flood-pakistan/2549936> [Accessed on 28 September 2022]

<sup>14</sup> Please see <https://www.worldweatherattribution.org/climate-change-made-devastating-early-heat-in-india-and-pakistan-30-times-more-likely/> [Accessed on 28 September 2022]

<sup>15</sup> Please see [https://unfccc.int/sites/default/files/resource/HoDs\\_LD\\_10-11-Sep-2022\\_summary.pdf](https://unfccc.int/sites/default/files/resource/HoDs_LD_10-11-Sep-2022_summary.pdf) [Accessed on 28 September 2022]

<sup>16</sup> Please see [https://unfccc.int/sites/default/files/resource/HoDs\\_LD\\_10-11-Sep-2022\\_summary.pdf](https://unfccc.int/sites/default/files/resource/HoDs_LD_10-11-Sep-2022_summary.pdf) [Accessed on 28 September 2022]

<sup>17</sup> For more information, please see <https://www.germanwatch.org/en/87447> [Accessed on 28 September 2022]

discussed existing financing instruments and barriers, gaps, and challenges in financing the management of loss and damage.

COP26 established the **Glasgow Dialogue** (GD) as a minimum compromise: the G77 group of countries, supported by the African Group of Negotiators (AGN) and the Alliance of Small Island States (AOSIS), among others, called for the establishment of a Glasgow Facility on Loss and Damage. However, this proposal was blocked and watered down by many Global North countries (including the US and EU). The GD is now intended to provide a framework for discussion of financing measures to deal with loss and damage, with annual sessions until 2024. However, it lacks both concrete interim targets and a mandate for a final goal of the dialogue. Without this mandate, the dialogue is in danger of failing to produce concrete results. It would then fail to ensure provision of adequate, new, and additional needs-based support to the most vulnerable people and countries. This would do justice neither to the urgency nor to the magnitude of loss and damage that already exists and is expected in the future. Therefore, there are proposals to extend the GD beyond the current timeframe and add a mandate for guidance and reporting. There are also calls for the GD to result in a financial agreement.<sup>18</sup>

This financial agreement would include the establishment of a **Loss and Damage Finance Facility (LDFF) or the adoption of institutional frameworks** under the existing UNFCCC funding mechanisms. During the GD, Global South countries reiterated their call for an LDFF, highlighting the financing gap in the existing architecture. An LDFF could, for example, act as an operational unit of UNFCCC financing mechanisms, providing financing through existing UNFCCC funds such as the Green Climate Fund (GCF) as well as overseeing new, additional funding outside the UNFCCC. This additional funding should meet principles of international solidarity, historical responsibility, and the polluter pays principle. In addition, an LDFF must ensure new and additional funding that is needs-based, adequate, predictable, and forward-looking.<sup>19</sup> In the industrialised countries, there are major concerns about such a facility, but as long as such criticism is not complemented by practicable proposals, it must be perceived to be blocking progress on this important financing development.

To create space for concrete negotiations on financing loss and damage measures, it is vital to provide a **place for them on the official COP agenda**. Following a request to this effect, especially from the G77, during the interim negotiations in June, the topic has already been embedded in the provisional agenda. During the informal consultation between the heads of delegations in the run-up to the COP, there was also widespread agreement that loss and damage needed a separate agenda item. However, divergent attitudes existed regarding placement and timing: should the agenda item be placed under COP *and* CMA, or only under the CMA?<sup>20</sup> Should we finish the GD first or begin to make financial arrangements at COP27? There was also discussion of the scope of the agenda item: should the focus be solely on addressing loss and damage, or on the triad of 'minimise, avert, and address'? In addition, some Parties stressed the need to develop criteria for access to financing.<sup>21</sup> As of mid-October, it remained to be seen whether, and above all in what form, the agenda item would ultimately be negotiated at the summit in Sharm El-Sheikh.

To accelerate the process and meet the needs of the most vulnerable countries more quickly, the initiation of a **'Group of the Willing'** consisting of progressive countries from the Global North and

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<sup>18</sup> Please see [https://unfccc.int/sites/default/files/resource/HoDs\\_LD\\_10-11-Sep-2022\\_summary.pdf](https://unfccc.int/sites/default/files/resource/HoDs_LD_10-11-Sep-2022_summary.pdf) [Accessed 28 September 2022]

<sup>19</sup> Please see <https://www.germanwatch.org/en/87447> [Accessed on 28 September 2022]

<sup>20</sup> CMA is short for 'Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,' meaning the group of countries that have signed and ratified the Paris Agreement.

<sup>21</sup> Please see [https://unfccc.int/sites/default/files/resource/HoDs\\_LD\\_10-11-Sep-2022\\_summary.pdf](https://unfccc.int/sites/default/files/resource/HoDs_LD_10-11-Sep-2022_summary.pdf) [Accessed on 28 September 2022]

South would be welcome. This group could lead the way and act as a role model through short-term pilot projects. In this context, countries such as Denmark (which made concrete commitments to provide loss and damage financing in the run-up to COP27), Canada (which agreed in principle to pay loss and damage financing), Scotland (which was the first Global North country to make concrete commitments to loss and damage financing at COP26), and Germany (which has been driving various initiatives), as well as countries such as Vanuatu (which is already very active at the national level and has an explicit focus on loss and damage in its new NDC), could play a role. Concrete financial commitments for initiatives such as the ‘Global Shield against Climate Risks’<sup>22</sup> initiated by the G7 or the V20 fund should also be considered here. These should be announced in the context of COP27.

## 2.2.2 Design of the Santiago Network on Loss and Damage

The Santiago Network on Loss and Damage (SNLD), established at COP25 in Madrid, is tasked with *‘catalyzing technical assistance to relevant organizations, bodies, networks and experts for the implementation of relevant approaches at the local, national and regional levels in developing countries that are particularly vulnerable to the adverse effects of climate change.’*<sup>23</sup> Thus, if adequately designed, the network can provide support to the most vulnerable countries and communities at the local, regional, and national levels. Unfortunately, the treaty states have not yet agreed on a process to operationalise the SNLD. To date, all that has been set up is a website. However, following considerable efforts by the AGN and G77, six functions<sup>24</sup> of the network have been codified and the decision made that a coordinating body with secretariat services should be established. In addition, the SNLD has been promised funding for the technical support it requires for dealing with loss and damage (Germany pledged €10 million in this framework).

A draft decision was subsequently to be developed, during the interim negotiations in June 2022, to operationalise the SNLD at COP27. Unfortunately, the Parties were unable to reach a decision. The conflicts that prevented a decision revolve around, among other issues, which organisation should be home to the SNLD and what specific functions it should have. There was also disagreement over which advisory body might lead the network: the countries of the Global North preferred the Warsaw International Mechanism Executive Committee (WIM ExCom), which was, however, rejected by countries of the Global South because, in their view, it already assumes too many responsibilities. These points of conflict were also reflected in the informal consultation of heads of delegations on loss and damage in the run-up to the COP.<sup>25</sup> Nevertheless, it was agreed that a decision would be taken on this at COP27. COP27 must now address the operationalisation of the SNLD, decide on its institutional design, and provide additional financial support.

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<sup>22</sup> Please see <https://www.bmz.de/en/issues/climate-change-and-development/global-shield-against-climate-risks> [Accessed on 28 September 2022]

<sup>23</sup> Please see [https://unfccc.int/sites/default/files/resource/cp2019\\_13a01E.pdf?download](https://unfccc.int/sites/default/files/resource/cp2019_13a01E.pdf?download) [Accessed on 28 September 2022]

<sup>24</sup> Please see <https://unfccc.int/santiago-network/about> [Accessed on 28 September 2022]

<sup>25</sup> Please see [https://unfccc.int/sites/default/files/resource/HoDs\\_LD\\_10-11-Sep-2022\\_summary.pdf](https://unfccc.int/sites/default/files/resource/HoDs_LD_10-11-Sep-2022_summary.pdf) [Accessed on 28 September 2022]

## **The RWE case: glaciers melt, responsibility grows**

24 November 2022 marks the seventh anniversary of the filing of Saúl Luciano Lliuya's climate lawsuit against RWE. In 2015, the Peruvian farmer and mountain guide from the Andean town of Huaraz filed a lawsuit in the regional court of Essen to hold Europe's largest greenhouse gas emitter proportionately responsible for climate impacts affecting him. His house is exposed to an acute threat of flood waves from the rising glacial lake Palcacocha. The cause is climate change, which RWE has contributed to through its business model. The lawsuit against RWE is one of the world's most widely followed precedents on the question of whether major emitters must pay for protection against climate risks. The trial is ongoing. However, the climate lawsuit has already made legal history and cleared the biggest hurdle: the court responsible for the case already affirmed in 2017 that climate damage can in principle lead to corporate liability. Although the proceedings stalled for a long time due to COVID-19, much more momentum can now be expected after the Essen court convened in Peru in May 2022.

### **Saúl Luciano Lliuya at the UN climate negotiations in Egypt**

Saúl Luciano Lliuya's climate lawsuit against RWE illustrates the fact that countless people are already suffering from climate risks, damage, and loss. It is a matter of justice, and of those who have caused climate change taking responsibility for the consequences of their actions (the polluter pays principle). This responsibility is reflected in, among other things, the obligation of high-emitting countries to provide international climate finance for climate-related loss and damage.

Saúl Luciano Lliuya will be attending the climate negotiations in Egypt. He will use this opportunity to exchange ideas with others affected by climate change from around the world and to work with them to find a global solution to climate change impacts. Fair and binding decisions are needed to address the dangerous consequences of climate change.

Saúl Luciano Lliuya (the plaintiff) is supported by Germanwatch and Stiftung Zukunftsfähigkeit. More information about the climate lawsuit against RWE can be found at [rwe.climatecase.org](http://rwe.climatecase.org).

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**‘The question for us is not whether a tidal wave is imminent, but when and how badly it will hit us.’**

*Saúl Luciano Lliuya*

## 2.3 New perspectives in international climate finance

Climate finance solutions are key to successful COP outcomes. This is because climate finance forms the basis for mutual trust between the negotiating Parties. However, promises made must also be kept. There is some catching up to do here: in 2020, the industrialised countries provided only USD83.3 billion, significantly less than the promised USD100 billion per year.<sup>26</sup>

At COP26, the industrialised countries also committed to doubling annual adaptation funding by 2025 compared to 2019. The background to this is that adaptation finance has so far fallen well short of the level envisaged in the Paris Agreement's balance of mitigation and adaptation funding. At least in this respect, progress has been made: a significant increase in adaptation finance was recorded in 2020.

At COP27, there will again be numerous agenda items on climate finance. Qualitative aspects are also becoming increasingly important. Access to climate finance is a particular challenge for many actors and countries in the Global South. Bi- and multilateral donors use different and complex formats and requirements for funding. Smaller actors, especially non-state actors, are excluded by lack of capacity and high transaction costs. Small island developing states (SIDS) often fall through the cracks because they do not fall into the category of least developed countries (LDCs) or middle-income countries. Yet they are among the most vulnerable from a climate change perspective. Possible measures to improve access were developed under the British COP26 Presidency.<sup>27</sup>

### 2.3.1 The USD100 billion goal

The industrialised countries pledged to provide USD100 billion annually starting in 2020. In 2020, however, climate financing amounted to only USD83.3 billion. According to the 2021 implementation plan, the industrialised countries estimate that at best they will reach the target of USD100 billion in 2022. An updated implementation plan, again led by Germany and Canada, will be presented before COP27. However, this is not expected to provide any new figures but will merely present additional information on the ten aspects of the first implementation plan. In particular, no estimates are expected on the fulfilment of the pledge to double adaptation finance made in Glasgow. At COP27, the developed countries will face criticism from the countries of the Global South, instead of being in a position to build confidence by reporting that they have met the targets set at COP26.

Furthermore, it remains unclear whether the industrialised countries will actually be able to fulfil the USD100 billion pledge in 2022 or even in 2023. Although German Chancellor Olaf Scholz has confirmed former Chancellor Angela Merkel's pledge to allocate €6 billion from budgetary resources by 2025, the current budget plans do not provide enough funds for this. The figure of €6 billion is also well below the actual needs of the developing countries. An adequate amount in 2025 would be at least €8 billion. It is difficult to explain internationally the fact that Germany is calling for solidarity in the current gas crisis and yet not showing sufficient solidarity through adequate climate financing. At the same time, the US shows the largest gap between its actual contributions and its

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<sup>26</sup> Please see <https://www.oecd-ilibrary.org/docserver/286dae5d-en.pdf?expires=1665419979&id=id&accname=guest&checksum=4FD784801113D1B94E9DD8809EB43BF7> [Accessed on 28 September 2022]

<sup>27</sup> Please see <https://www.wiltonpark.org.uk/wp-content/uploads/2021/11/Wilton-Park-COP26-Access-to-Finance-FINAL.pdf> [Accessed on 28 September 2022]

fair share of the USD100 billion. Even so, President Joe Biden is having major problems getting these lesser amounts through Congress.

To enable ongoing consideration of the USD100 billion pledge, the agenda item on long-term financing (LTF) has been extended to the end of 2027. Also, for the first time, the Standing Committee on Finance (SCF) is devoting a separate report to the USD100 billion goal, in addition to the standard Biennial Assessment. Critical aspects to be examined include the high proportion of loans compared with grants, the potential overestimation of adaptation finance as a result of calculation methods, and the relatively low success in mobilising private sector finance.

### **2.3.2 The new climate finance goal**

At COP26, the CMA initiated negotiations on the new climate finance target for the period after 2025 (New Collective Quantified Goal – NCQG). In this context, the CMA established an ad hoc work programme for the period 2022–2024, including four technical expert dialogues per year. In addition, the CMA invited Parties and other stakeholders to comment on the new target through written submissions. The CMA also established annual dialogues at the ministerial level to provide further guidance on the ad hoc work programme. At COP27, the CMA will take stock of progress made in 2022. As part of this stocktaking, the CMA will then assess the annual report of the co-chairs of the ad hoc work programme and the summary of the above-mentioned high-level ministerial dialogues at COP27 in Egypt and decide on corresponding recommendations for action.

Germanwatch believes that the CMA's recommendations for action at COP27 will be very relevant in advancing the ad hoc work programme's deliberations on the new climate finance target in 2023. The recommendations for action should address the key outstanding issues on the direction and structure of the new climate finance target. Only in this way can the consultations in the technical dialogues, as well as in the high-level ministerial dialogues, move forward in a way that provides valuable and focused technical input to the new climate finance target.

In addition, the CMA at COP27 should elaborate on the collective nature of the target. For example, it could specify that the new climate finance target both focuses on providing finance from developed countries to developing countries, as envisioned by Article 9 of the Paris Agreement, and helps to ensure that all financial flows are consistent with low-carbon and climate-resilient development. Guidance will be needed on how to address these two separate but interrelated elements of the goal. The CMA should also guide discussions on the possible structure of a new climate finance target by sharing views on possible sub-targets and linkages to developing country needs and priorities. In the long term, existing sources of funds will not be sufficient to adequately address the needs of developing countries. The group of contributor countries needs to be expanded to reflect respective contributions to climate change. This means, for example, that in future China and the Gulf states should also be required to provide climate financing. In addition, new sources of financing must be tapped, for example through the issuance and use of the International Monetary Fund's Special Drawing Rights (see also 5.3) or the partial use of revenues from the European Carbon Border Adjustment Mechanism (CBAM).<sup>28</sup>

The CMA's decisions at COP27 are not expected to be final, as the new climate finance target will not be agreed before 2024. However, they should provide a clear direction for future discussions, both at the technical level and for high-level policy.

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<sup>28</sup> Please see <https://www.euractiv.com/section/energy-environment/opinion/worlds-poorest-should-not-pay-for-climate-action-while-eu-industry-pollutes-for-free/> [Accessed on 28 September 2022]

## 3 Other important topics for negotiation

### 3.1 Operationalisation of the Global Goal on Adaptation

Adaptation measures are critical in responding to climate change impacts that have already occurred, preparing for future ones, and promoting resilience. However, the issue has been insufficiently addressed in climate negotiations to date: although a Global Goal on Adaptation (GGA) was enshrined in Article 7 of the Paris Agreement in 2015, the goal has still not been operationalised. One of the key demands of the AGN during COP26 was to develop and specify the GGA; it is much more flexible and complex in its design than the 1.5°C temperature target, because it also includes social resilience, and because adaptation primarily takes place at the local level. The Glasgow–Sharm el-Sheikh Work Programme (GLaSS), which has a duration of two years, was established as part of COP26 to operationalise the GGA. This work programme is an important step towards equal treatment of climate change mitigation and adaptation in the UNFCCC. It was also decided that Parties should submit or update their adaptation communications by the end of 2022 and make concrete proposals on how to achieve the adaptation targets by April 2023.

During the interim negotiations in June 2022, the first workshop of the programme was held, at which the report of IPCC Working Group II was presented and discussed. During the negotiations, countries of the Global South demanded, among other things, that equal time be spent on the GGA in relation to the MWP (see 3.1.1). In addition, outdated methodologies and guidelines for the preparation of reports and assessments on adaptation needs and costs were criticised and an update was requested. It was also decided that the results of the work programme should be included in the Global Stocktake (see 4.2). Following the interim negotiations, two more workshops on the GGA were held that dealt with the implementation of adaptation measures and monitoring, evaluation, and learning systems. At COP27, another workshop will be held and an initial report on the GGA will also be presented. However, during the interim negotiations, the GGA was repeatedly instrumentalised to slow down other negotiation tracks, especially on the MWP. This prevented any major progress.

### 3.2 Global Stocktake

The Global Stocktake is a core element of the Paris Agreement's ratcheting-up mechanism. It will take place for the first time in 2023. The Parties are already engaged in preparatory activities this year. However, since the Global Stocktake is not actually due until 2023, it has not yet received much political attention from any countries. It will therefore be crucial that the Global Stocktake is brought to the fore at the political level for the first time at COP27. This would guarantee the required attention from ministers in the run-up to COP28.

An innovative approach has been chosen for the negotiation track for the preparation of the Global Stocktake. Concepts such as 'World Café' and 'Technical Roundtables' allow broader and more transparent participation than other reviews under the UNFCCC because they go beyond the Parties. However, for many negotiating Parties, this approach has lacked the coherence of classic

negotiations. These innovative concepts will continue to be used at COP27. It will be up to the co-facilitators to find ways to translate them into actual progress in negotiations.

One important input on the Global Stocktake will be missing. The IPCC's synthesis report on the Sixth Assessment Report will not be ready until March 2023, which is after the deadline for inputs to the Global Stocktake. It will therefore be crucial that the already published results of the various IPCC working groups are adequately reflected in the Global Stocktake.

### **3.3 Second periodic review**

At COP21 in Paris (2015), the decision was made to conduct a second periodic review (PR2) of the objective of the UN Framework Convention on Climate Change: stabilisation of greenhouse gas concentrations at a level that would prevent dangerous interference with the climate system and enable ecosystems to adapt naturally to climate change. This review consists of two thematic strands: a) the adequacy of the Convention's objective, and b) whether the global community is on track to achieve the objective. This review was conducted using Structured Expert Dialogue (SED) meetings and concluded at the June 2022 interim negotiations.

Two of these meetings focused on the three newly issued special reports of the IPCC and the reports of other UN agencies. At COP26 in Glasgow, the IPCC Working Group I (Science) report, adopted in August 2021, was discussed and strongly emphasised in the COP decision. The interim negotiations then considered the reports of IPCC Working Groups II and III. The two SED co-facilitators presented a synthesis report on the SED findings in September 2022 and identified ten key messages from it, including on current global warming of 1.1°C, the closing window of opportunity for climate-resilient development, and the need for stronger efforts in climate mitigation and adaptation. From this basis, conclusions for a decision are to be drawn at COP27.

As there have so far been no substantive negotiations on this decision, the result is completely open-ended. The only stipulation is that the temperature targets of the Paris Agreement should not be touched. This has increased the potential for conflict, as the 1.5°C target, rather than the 2°C target, has become largely established as the key target in the years since COP21.

### **3.4 Action for Climate Empowerment**

Action for Climate Empowerment (ACE) includes six core elements that are essential to addressing the climate crisis: education, training, public awareness, public participation, access to information, and international cooperation to address the climate crisis.

The climate conference in Glasgow adopted an ACE work programme for the next ten years: the Glasgow Work Programme on ACE. At COP27 in Egypt, an 'ambitious' action plan for the implementation of the programme will now be adopted. According to Germanwatch's assessment, however, the existing proposal for an ACE Action Plan is far from ambitious and also far from reaching consensus. The ACE approach must be clearly anchored in human rights.

While the work plan already recognises children, adolescents and young adults, women, and indigenous peoples as particularly important stakeholder groups, the ACE Action Plan should now institutionalise this principle through the appointment of ACE Youth Focal Points.

The UNFCCC ACE process should build on international and UN education processes and demonstrate a strong link to UNESCO's ESD 2030. It should also overcome silo thinking and use

references from and synergies with other UNFCCC processes, for example the Gender Action Plan and the Local Communities and Indigenous Peoples Platform.

The demands for the implementation and further development of ACE have been directed at decision-makers. These decision-makers should not let ACE fall prey to ‘youthwashing’ – mandate-free youth participation that leads only to colourful pictures and disappointment.

We welcome, and call for an expansion of, youth formats for genuine participation that qualify youth to participate and represent their interests via the involvement of civil society actors – within the UNFCCC process via accredited stakeholders, such as NGOs, and outside the UNFCCC process via media, social media, and other (educational) formats.

We welcome the activities under the ACE Hub, a cooperation between the UNFCCC Secretariat and the North Rhine-Westphalia Ministry of Economic Affairs, Industry, Climate Action and Energy. Within this framework, regular international youth exchanges take place. Their goal is to organise youth exchanges, increase youth climate engagement, and introduce youth to the UN climate process. The participation of civil society in the ACE Hub should be significantly increased.

Our expectations for the decisions taken at COP27 in Sharm El-Sheikh are, besides a stronger visibility of the ACE process, as follows:

- The development of a strong and human-rights-based action plan for ACE. The goal must be to guarantee access to information on the climate crisis as well as on climate protection and adaptation measures worldwide and to enable and strengthen public participation processes.
- To guarantee the protection of environmental and climate activists. Especially in view of the number of activists murdered worldwide, this is indispensable!
- The ACE Action Plan must not fall behind other UN education processes and must include a strong reference to the UNESCO ESD 2030 process.
- Transformative education to combat the climate crisis must be strengthened at all levels. Sufficient resources must be made available for this purpose. This includes strengthening the federal programme Education for Sustainable Development (NAP-BNE), integrating transformative education into school and out-of-school education, and promoting ACE elements in all climate protection funding programmes.
- The participation of civil society actors and youth representatives in the German delegation to the UN climate negotiations should be strengthened. Through the ACE Action Plan, ACE Youth Focal Points should be promoted for all countries and institutionalised in Germany.

In order to meet the current challenges and to ensure and evaluate ambitious implementation, it is necessary to produce a short-term ACE Action Plan, which will end in 2026 – in the middle of the Glasgow Work Programme on ACE. This needs to focus on gathering information and reporting experiences from the ongoing ACE processes in the context of NDC increases and updates (2022), the Global Stocktake (2022–2023), and the preparation of new, more ambitious NDCs in 2025.

### **3.5 Koronivia work on agriculture**

The Koronivia Joint Work on Agriculture (KJWA) is the only agenda item under the UNFCCC that addresses the relationship between land use, climate change, and food security. The six core themes of the KJWA are soils, nutrient use, water, livestock, adaptation, socioeconomics and food security and sovereignty. As part of the Koronivia Roadmap process, workshops for each of the six KJWA themes were held between 2018 and 2021. These provided an opportunity to discuss technical aspects and identify gaps, needs, and opportunities. The results, as well as potential future topics, were presented at the end of the KJWA Roadmap process during COP26.

During COP27, a decision will be made on how to move forward with the KJWA and thus the work on the interface of agriculture, climate change, and food security. It would be desirable for future work not to take the form of non-binding workshops, and instead for the KJWA to create the preconditions for concrete measures and implementation at both the national and global levels. The end of the KJWA Roadmap process provides an ideal opportunity to initiate this much-needed change. It is expected that the Egyptian COP Presidency will place a higher priority on the work than previous presidencies. This is due in part to the current difficult food security situation.

The KJWA should work on the entire food system, from production to consumption to food loss/waste. So far, the KJWA has mainly focused on production aspects. In the future, it should also address dimensions of consumption, especially in the Global North. It is important to highlight the impact of industrial livestock farming on the climate crisis and to recognise the shift to a healthy plant-based diet as a serious means to mitigate the climate crisis. Also, the concept of agroecology should be recognised by the KJWA as a holistic approach to issues of climate, food, and nature, as it is an effective tool for climate adaptation and climate risk reduction, among other things.

## 4 Key contributions outside the formal negotiations

### 4.1 Voluntary initiatives

Various non-governmental and governmental actors launched a variety of new climate initiatives at COP26 in Glasgow.<sup>29</sup> Thematically, they range from financing to transport, adaptation, energy, industry, forests, and methane. They illustrate the ongoing trend to bring forward sector-specific issues in a wide variety of alliances alongside the official negotiations. However, announcements alone will not help the climate, and the challenge lies in implementing the initiatives. This requires not only the necessary resources, financial and human, but also the necessary political will. It is therefore crucial for the 'Implementation COP' in Sharm El-Sheikh to present progress here.

Among the most prominent COP26 initiatives are the Glasgow Declaration on Forests and Land Use (GDFLU),<sup>30</sup> the Global Methane Pledge (GMP),<sup>31</sup> and the Beyond Oil and Gas Alliance (BOGA).<sup>32</sup> While both the GMP and BOGA now have secretariats and have implemented initial measures, no information on the GDFLU can be found beyond the announcement.

Although, as shown above, many of the initiatives founded at the last COP are still in their infancy, the next wave of initiatives is already on the horizon at COP27. The Egyptian government has announced it will launch a series of initiatives, one for each of the 17 SDGs, to drive climate action on the African continent. With the Global Offshore Wind Alliance (GOWA), Denmark, for example, wants to partner with BOGA. In the run-up to COP, the UN organised five regional forums on Climate Initiatives to Finance Climate Action and the SDGs, together with the Egyptian COP Presidency. In Bangkok, Addis Ababa, Santiago, Geneva, and Beirut, government representatives, intergovernmental organisations, investment and multilateral development banks (MDBs), and other financial institutions and actors met in August and September 2022 to discuss issues related to public and private financing for climate action. It is expected that these initiatives will not be the only ones, and that a wide range of actors from politics, civil society, business, and the financial sector will form further alliances and present them at the climate conference.

Climate initiatives have the potential to raise climate ambitions and to implement sector-specific measures quickly. At the same time, they run the risk of being ineffective if they are not institutionally anchored and do not pursue concrete objectives. It is therefore essential that all initiatives are transparent and comprehensively recorded and monitored. Only through regular and independent monitoring and evaluation can they realise their full potential and deliver on their promises to implement sustainably effective climate measures.

### 4.2 Just Energy Transition Partnership

Heralded as a great success last year, the new concept of so-called Just Energy Transition Partnerships (JETPs) now increasingly has to prove itself. The idea behind this new financing approach is that several countries (so far, the G7 countries) join forces to support an emerging economy in its socially just energy transition. For such partnerships, the focus is primarily, but not

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<sup>29</sup> Please see <https://www.germanwatch.org/en/87314> [Accessed on 28 September 2022]

<sup>30</sup> Please see <https://www.germanwatch.org/en/87201> [Accessed on 28 September 2022]

<sup>31</sup> Please see <https://www.germanwatch.org/en/87202> [Accessed on 28 September 2022]

<sup>32</sup> Please see <https://www.germanwatch.org/en/87200> [Accessed on 28 September 2022]

exclusively, on countries with a high share of coal-fired power generation and those that plan to drive forward the expansion of coal-fired power plants. Currently, there is a partnership with South Africa, and four others, with Senegal, Indonesia, India, and Vietnam, have been announced. Updates on the negotiations on these climate change partnership agreements could send a clear signal of anticipated progress.

The partnership with South Africa, which was agreed at COP26, has so far progressed the furthest. After six months, the COP26 Presidency released an update with details on the content and timeline of the partnership. However, information on the investment plan is not yet fully publicly available. In October 2022, the German Federal Ministry for Economic Cooperation and Development (BMZ) pledged an additional €320 million to South Africa over the next two years (beyond the €700 million already announced); €270 million of this will be low-interest loans and €50 million will be grants.<sup>33</sup> Further indications, including from other donors, are expected at COP27. These details are central to measuring the success or failure of the partnership. The partnership with South Africa has a special role model function. Although each partnership must be worked out on a country-by-country basis, the first will be followed with great attention. Any mistakes should be learned from and avoided in future partnerships.

In addition to such partnerships' objectives and funding instruments, another indicator of success will be their design processes. Affected populations and civil society should be involved in the planning process at an early stage so that they can contribute their needs, expertise, and ideas.<sup>34</sup> In addition, the partnerships must not promote the use of fossil fuels – not even through indirect financing instruments.

At this year's COP, we expect further policy announcements and progress on (potential) partnerships. As well as those mentioned above, a partnership with COP host country Egypt is on the horizon. In addition to COP27, this year's G20 summit in Indonesia, which will take place at the same time as the COP, and the next G20 Presidency (India) are further key moments for announcements on the respective partnerships.

### 4.3 Bridgetown Agenda

The prime minister of the island nation of Barbados, Mia Mottley, has launched the Bridgetown Agenda.<sup>35</sup> The aim of the agenda is to open up new access to financing for the poorest and most vulnerable populations as a basis for combating climate change and managing its effects. At present, more and more countries are caught in a negative spiral of climate damage and increasing debt. Often, it is only by borrowing that they can rebuild in the event of major damage. Extreme weather events often leave significant damage in their wake; this year's heatwaves and floods in Pakistan, for example, have caused damage costing more than 10% of GDP, and some past tropical storms in the Caribbean have caused damage costing up to 200% of GDP. In addition, unlike with climate change mitigation, the private sector has played a minimal role in adaptation and loss and damage, as there is no regular source of revenue.

The Bridgetown Agenda sets several priorities that Mottley says are both actionable and effective. First, in the event of an extreme weather event, liquidity must be preserved to cushion the impact. To this end, the Bridgetown Agenda proposes that all debt include natural disaster clauses. In the event of a disaster, deferral of payments would be automatic. However, liquidity will not fix the

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<sup>33</sup> Please see <https://www.bmz.de/de/aktuelles/aktuelle-meldungen/sozial-gerechte-gestaltung-der-energiewende-in-suedafrika-124852> (in German) [Accessed on 28 September 2022]

<sup>34</sup> Please see <https://www.germanwatch.org/en/87278> [Accessed on 28 September 2022]

<sup>35</sup> Please see <https://gisbarbados.gov.bb/download/the-2022-barbados-agenda/> [Accessed on 28 September 2022]

problems in the long run. Therefore, Mottley proposes, second, that USD1 trillion US dollars in additional low-interest money should be made available for the implementation of the Global SDGs and for resilience building. This will require MDBs to be willing to take on additional risk with existing capital, in order to make greater use of shareholder guarantees, and will also require the International Monetary Fund (IMF) to transfer special drawing rights to the banks. Third, the Bridgetown Agenda proposes that there be a kind of 'global balance sheet', a separate mechanism to promote global public goods. This, too, could be endowed with special drawing rights in turn, to further mobilise funds.

Germany should therefore make its own special drawing rights available as a donation in line with the Bridgetown Agenda proposals. It remains to be seen whether Germany can do this under current law. The law stipulates that special drawing rights are to be transferred to the Bundesbank and that the Bundesbank holds and manages foreign exchange reserves. The IMF, on the other hand, explicitly stipulates that special drawing rights can also be donated. The German government should quickly provide clarity here in order to strengthen the international process, which is gaining momentum, and not risk slowing it down as a result of a lack of clarity.

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