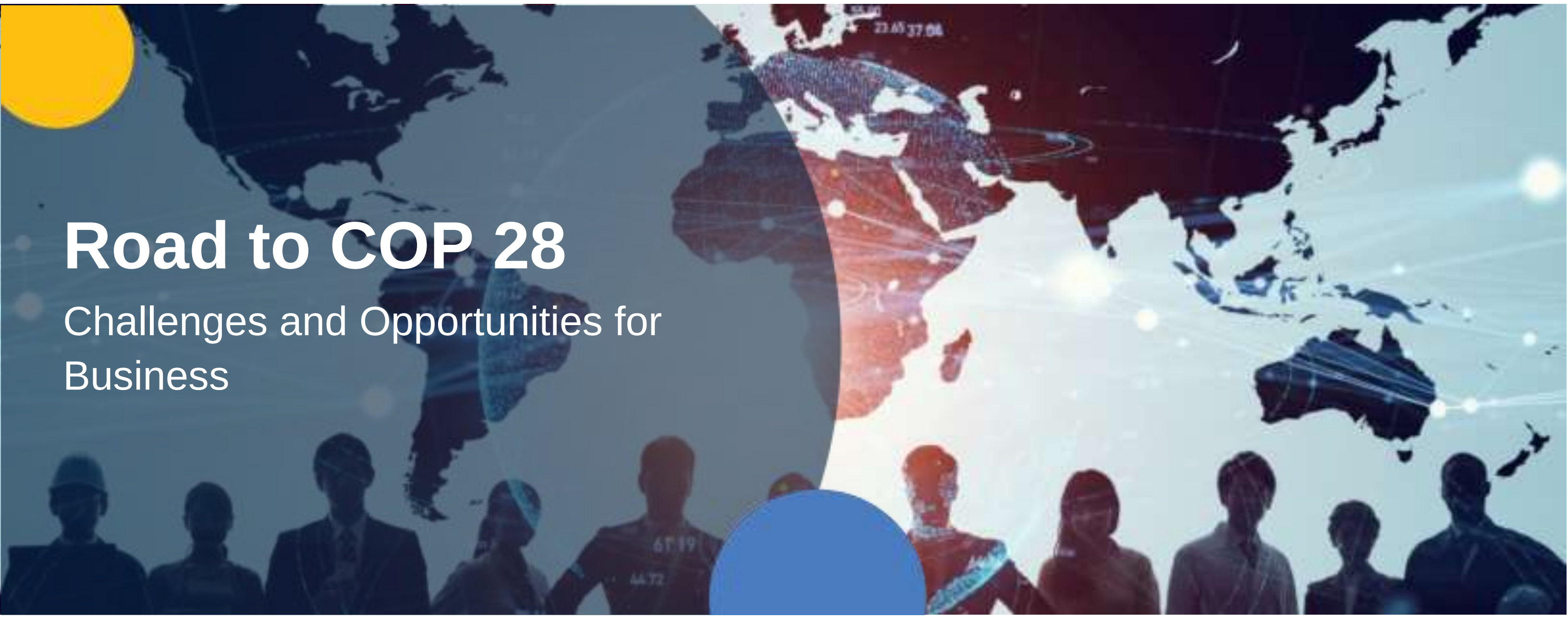

Road to COP 28

Challenges and Opportunities for Business

With the G20 meeting, UN Climate Ambition Summit, Africa Climate Summit, and publication of the UN's Global Stocktake report all having taken place in September, we look at the main takeaways for business ahead of the Conference of the Parties to the UN Framework Convention on Climate Change, commonly know as COP 28, in Dubai from 30 November to 12 December 2023.

Trusted Insights for What's Ahead™

- **After COP 28, businesses can expect more ambitious national climate plans from developed as well as developing countries.** This is in line with the Paris Agreement and the UN's Global Stocktake report, which identifies climate issues as a critical priority. Businesses must assess and be up to date on climate law, policy, and targets in the jurisdictions where they operate.
- **Businesses across all sectors will need to reassess operations and strategies to stay on the 1.5ºC pathway set out in the Paris Agreement.** Measures such as fossil fuels phaseout and related subsidy reduction will affect all businesses in one way or the other. Businesses must assess their climate footprint and prioritize and address issues accordingly.
- **Businesses will benefit from getting ahead of future policies and regulations.** The recently published European Sustainability Reporting Standards, the International Sustainability Standards Board—IFRS S1 and IFRS S2, and proposed US Securities and Exchange Commission reporting guidelines require corporations to disclose climate-related information,

including Scope 1, 2, and 3 emissions. Businesses must align their strategies and data collection to meet those requirements.

More Ambitious National Climate Plans Will Follow COP 28

Under the terms of the Paris Agreement, governments must publish more ambitious national climate plans (known as nationally determined contributions, or NDCs) by 2025. These will be informed by the UN's Global Stocktake (GST), which looks at where the world stands on climate action. It assesses progress on climate so far and steps to improve it—one of the main points on the agenda at COP 28.

A report summarizing findings of the GST so far was published in September and concluded that the Paris Agreement target to keep temperature rise within 1.5ºC above preindustrial levels can still be met, but the window is "rapidly narrowing." To achieve it, there must be "systems transformation" across all sectors, including increased renewable energy, a phaseout of unabated fossil fuels, and an end to deforestation.

The GST report was the result of two years of information gathering and debate, involving governments, UN institutions, campaign organizations, business, and scientists. The GST process is now in the final political phase. At COP 28 governments will debate the findings of the report and agree how to get the world back on track and meet the goals of the Paris Agreement.

Accelerated targets under consideration

Movements are building around issues to be discussed at COP 28. There is widespread support from governments, business groups, and climate campaigners for a new international target to triple renewable energy to 1100 gigawatts by 2030. This would mean accelerating annual solar photovoltaic installations by nearly three times, and annual wind energy additions by four. Hydropower capacity would need to grow by 21% from 2020 levels.

A campaign to push the target was launched at New York Climate Week in September 2023, backed by more than 250 organizations—including the World Business Council for Sustainable Development, the Climate Group RE100, and the We Mean Business Coalition—as well as businesses including Amazon, Apple, Google, Nestlé, and PepsiCo. G20 governments also signed up to support this at their meeting in India in early September, and the COP 28 presidency has backed the move.

Fossil fuel phaseout

Many governments want COP 28 to agree to a fossil fuel phaseout, but the exact wording will be contentious, particularly around the question of whether emissions abatement technologies such as carbon capture and storage should be allowed in a phaseout. The United Arab Emirates COP 28 presidency has backed ending all "unabated fossil fuels." The High Ambition Coalition—a group of 17 countries, including Tuvalu, France, Spain, and Chile—said in a statement at the UN General Assembly that though abatement technologies have a role to play in reducing emissions, it should be minimal, and not used to allow fossil fuel expansion.

G20 countries did not mention fossil fuel phaseout in their meeting declaration, but included an agreement to "increase our efforts" to implement their commitment made in 2009 to "phase-out and rationalize, over the medium term, inefficient fossil fuel subsidies." The Alliance of Small Island States, a coalition of island nations, has called for the immediate phasing out of "inefficient fossil fuel use" and "inefficient subsidies." Meanwhile, countries attending the African Climate Summit, also in September, backed an accelerated process of phasing out coal and abolishing all fossil fuel subsidies, and called for a global tax on fossil fuel trade.

Businesses Will Benefit from Getting Ahead of Policy and Regulation

COP 28 president Sultan Al Jaber of the United Arab Emirates is prioritizing finance, which he has said needs to be "supercharged," including getting developed countries to pay the $100 billion a year costs proposed by developing countries to address irreversible damage caused by climate change. He also wants to "mobilize" public, multilateral, and private sectors in "new and innovative ways" to deliver climate finance.

Lives and livelihoods and inclusivity will also be major themes for the summit. Agriculture and food production will take center stage, and there is an expectation that world leaders will be asked to sign commitments on food and mangrove restoration, similar to the deal on deforestation at COP 26.

There will be increased attention to climate action and sustainability leading up to the summit, which begins on 30 November. Pressure is likely to come in the form of calls for greater transparency around climate-related risks and opportunities, as well as demands for stronger commitments and actions to reduce GHG emissions and promote sustainable business practices. Businesses whose operations and products back the continued use of fossil fuels can expect scrutiny, while businesses that prioritize sustainability will have the opportunity to demonstrate leadership.

Lastly, recently published ESRS, ISSB—IFRS S1 and IFRS S2, and proposed SEC reporting guidelines require corporations to disclose climate-related information, including Scope 1, 2, and 3 emissions. Companies that do not currently disclose this information should start gathering data and preparing to report and assure their climate data.

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