BRIEFINGS DE L'IFRI

Center for Energy & Climate

NOVEMBER 16, 2023

COP28: A Tale of Money, Fossil Fuels, and Divisions

Thibaud VOÏTA

Key Takeaways

- COP28 is likely to see an international community more divided than ever on how to address the threats posed by climate change as the world is still in a > 2,4°C warming trajectory in the most optimistic scenarios.
- The European Union (EU) is calling for a fossil-fuel phase-out while the United Arab Emirates (UAE), China, India, and Saudi Arabia, are advocating a "phase down".
- Developed countries are being requested to ramp up their contribution to climate finance, and more specifically to the Loss and Damage Fund – but the United States (US) is reluctant to engage in this.
- Europeans are quite isolated and losing influence, while the "Global South", especially African countries, is increasingly in a position to set the tone and the agenda.
- Meanwhile, private sector coalitions remain very active, such as on finance, or hydrogen.

Introduction

"Humanity has opened the gates of hell", according to the United Nations (UN) Secretary-General Antonio Guterres, speaking during the Climate Ambition Summit in New York held in September 2023.[1] The sense of urgency that he conveyed is widely shared in a world where the effects of climate change are every year more visible and global warming is expected above 2,4°C and could reach 2,9°C.[2] The climate community which will gather in a few days in Dubai for COP28 is deeply divided.

The controversial host

Rarely has a COP been so closely linked to its president-designate, Sultan Ahmad Al Jaber, Minister of Industry and Advanced Technologies of the United Arabic Emirates (UAE) and the country's special envoy for climate change. On one hand, he has been praised for his work promoting clean energy in the UAE and internationally. His credentials include for instance the establishment and chairmanship of Masdar, a renewable energy company that created a city that claims to be carbon-neutral. He also played an important role in the establishment of the International Renewable Energy Agency (IRENA), located in Masdar city. He also participated in 11 COPs. On the other hand, he is the Chief Executive Officer (CEO) of the Abu Dhabi National Oil Company (ADNOC), which creates an obvious conflict of interest, and some suspect that his presidency will be biased by the objective of protecting fossil fuel interests. Next to him, Razam Al Mubarak holds the position of UN Climate Change High-Level Champion. She also combines several functions: President of the International Union for Conversation of Nature (IUCN), Managing Director of the Environment Agency Abu Dhabi, and Managing Director of Emirates-Nature WWF.

Al Jaber took this opportunity to recruit well-known climate and energy experts

Many members of the organization team also have strong climate experience. Al Jaber took this opportunity to recruit well-known climate and energy experts, including Adnan Amin, former Director General of IRENA who serves as the COP CEO, or staff coming from the American foundation ClimateWorks and even from the French Ministry of Ecological Transition (Paul Watkinson, former French chief negotiator). However, the diversity of the staff seems to be creating some problems in terms of the identification of priorities and coordination of the different activities.[3]

1. "'Humanity Has Opened the Gates to Hell' Warns Guterres as Climate Coalition Demands Action", *UN News*, September 23, available at: www.news.un.org.
2. According to the Climate Action Traker, available at: www.climateactiontracker.org.
3. Personal interview.

Concerns have been expressed as COP28 will be open to a growing participation of oil and gas lobbyists,[4] even if the UN in 2023 introduced an obligation for lobbyists to identify themselves, though this may not change their potential influence.[5] More specific concerns have been raised over the influence of the ADNOC, especially after it was revealed that its officials are in a position to influence the COP28 team and access their emails.[6] Other controversies included fake Twitter/X accounts, Wikipedia editing, and massive money spent on public relations companies in order to improve the image of the UAE – all these being seen as greenwashing efforts.[7]

Fossil fuels, finance, and the Global Stocktake

One of the main COP discussions throughout the year 2023 has been the future of fossil fuels, and the success of COP28 is likely to be assessed based on the progress on that topic, at least by Europeans. They are pushing for a call to end fossil fuels and are backed by the UN Secretary-General, who did not invite the biggest emitters, China and the United States (US), to speak during the Climate Ambition Summit. However, countries like China are vocally opposing it and discussions on mitigation issues have slowed down the Subsidiary body meetings (a COP preparatory session, held for two weeks in Bonn every year in June).[8]

The outcome will depend on the choice of wording and the devil lies in the details. The website *Climate Home News* has made a list of the nuances of the potential declaration, ranging from one focusing on "phase-out of unabated coal power generation by 2040" to "end support for new coal power" or that would target exploration of fossil fuels, or subsidies.[9] Beyond these, the most sensitive expressions remain "unabated" and the choice between "phase-down" and "phase-out". The wording "unabated fossil fuels" is the most confusing one, as it is only defined in an Intergovernmental Panel on

The wording "unabated fossil fuels" is the most confusing one

4. "Anger at Fossil Fuel Lobbyist Numbers: What Happened on Fourth Day at COP27", *The Guardian,* November 10, 2023, available at: www.theguardian.com.
5. A. Westervelt, "So What If Fossil Fuel Lobbyists Have to Declare Themselves at Cop28? That Won't Curb Their Power", *The Guardian,* June 28, 2023, available at: www.heguardian.com.
6. "'Absolute Scandal': UAE State Oil Firm Able to Read COP28 Climate Summit Emails", *The Guardian,* June 7, 2023, available at: www.heguardian.com;"UAE Oil Company Executives Working with COP28 Team, Leak Reveals", *The Guardian,* September 22, 2023, available at: www.theguardian.com.
7. "Fake Twitter Profiles, Wikipedia Editing and PR Battles: Inside the Push to Greenwash the COP28 Climate Summit", *CNN,* July 18, 2023, available at: www.cnn.com.
8. D. Stanway, "China Climate Envoy Says Phasing Out Fossil Fuels 'Unrealistic'", Reuters, September 22, 2023, available at: www.reuters.com.
9. "UN Puts Climate 'Course Correction' on the COP28 Negotiating Table", *Climate Home News,* October 4, 2023, available at: www.climatechangenews.com.

Climate Change (IPCC) report footnote.[10] It leaves the door open to the use of carbon capture and storage (CCS) or utilization technologies, which is advocated by negotiators or experts such as Sultan Al Jaber, the new EU Climate Commissioner Wopke Hoekstra, or International Energy Agency (IEA)'s Fatih Birol. However, the technology is also criticized.[11] Typically, Wopke Hoekstra received many criticisms for mentioning the "unabated" word during a call with climate activist Vanessa Nakate from Uganda.[12] Finally, negotiations also focus on a "phase-out" of fossil fuels (meaning an end of fossil fuel use) and a "phase-down" (meaning a reduction of their use). The European Union (EU) is pushing for the former, while Al Jaber is in favor of the latter.[13]

The future of fossil fuels is also a source of disagreement between different forecasts. On one hand, the IEA announced that oil, demand would peak before the end of the 2020 decade.[14] Meanwhile, the global consultancy Wood McKenzie does not see this peak happening before the 2030s decade.[15] Organization of the Petroleum Exporting Countries (OPEC) also reacted to Fatih Birol's declaration, finding his forecasts not realistic and questioning the quality of the data he used.[16] Remarkably, Al Jaber is pushing strongly for the tripling of renewable capacity (reaching at least 11,000 gigawatts [GW]) and doubling the annual energy efficiency improvements.[17] This proposal is also supported by the EU and the US.[18] It remains to be seen if mitigating fugitive methane emissions will receive the required attention, but at least progress is expected on the certification of green and low carbon hydrogen, and on making nuclear central for electricity systems.

> The future of fossil fuels is also a source of disagreement

Another contentious issue is climate finance. European countries are expected this year to meet their pledge.[19] Developed countries were supposed to contribute by USD 100 billion to international climate finance by 2020. The EU is therefore three years late, but still delivering as compared to the US. They are expected to contribute close to

10. As mentioned in "What Does Unabated Fossil Fuels Mean?", *Climate Home News,* June 26, 2023, available at: www.climatechangenews.com.
11. "Row over 'Unabated' Phase-out at Pre-COP28 Dubai Meeting", *EU Observer,* October 30, 2023, www.euobserver.com.
12. K. Taylor, "New Climate Chief Under Fire for Weakening EU's COP28 Stance on Fossil Fuel Exit", Euractiv, October 13, 2023, available at: www.euractiv.com.
13. "A Climate Change Split Screen in New York", *Axios,* September 22, 2023, available at: www.axios.com.
14. IEA, "Oil Market Report", June 2023, available at: www.iea.org.
15. "USD500 Billion (2023 Terms) Investment in Global Oil and Gas Asset Development Enough to Meet Peak Demand in 2030s", Wood Mackenzie, July 19, 2023, available at: www.woodmac.com.
16. "OPEC Statement on Peak Fossil Fuel Demand", OPEC, Press Release, September 14, 2023, available at: www.opec.org.
17. "COP28, IRENA and Global Renewables Alliance Outline Roadmap at Pre-COP on Fast-tracking the Energy Transition by Tripling Renewable Power and Doubling Energy Efficiency by 2030", IRENA, Press release, October 30, 2023, available at: www.irena.org.
18. K. Abnett, "Exclusive: EU, US, COP28 Hosts Rally Support for Global Deal to Triple Renewable Energy, Documents Show", Reuters, November 1, 2023, available at: www.reuters.com.
19. "Climate Finance: Council Approves Conclusions Ahead of COP28", Spanish Presidency, Council of the European Union, October 17, 2023, available at: www.consilium.europa.eu.

USD 40 billion annually to the Green Climate Fund but, in November, had only provided USD 1 billion.[20] Meanwhile, the UAE is stepping in, as Al Jaber announced in early November that he wants to reallocate and channel the International Monetary Fund (IMF) Special Drawing Rights to support resilient investment, somehow echoing proposals recently made to reform the multilateral financial system.[21]

Countries were able to strike a temporary deal on the Loss and Damage Fund in early November, after difficult negotiations and five meetings from the Transitional Committee in charge of establishing the fund.[22] The deal is now to be presented at the COP and seems likely to be adopted, with the World Bank hosting the Fund, at least temporarily.[23] Agreeing on the host organization turned out to be an important issue: the US was pushing for the World Bank, while developed countries and China demanded for it to be located within a UN agency. The proposal of the World Bank as a host has attracted many criticisms, notably the cost of such an institutional arrangement (more than 20% of the initiative's budget), the lack of independence, and of a distinct entity. Other critics fear that the World Bank would make it more difficult for the least developed countries to access the fund.[24] This mistrust toward the World Bank can be seen as an expression of the rift between developing countries and the West, and also as a lack of trust in the results of the current discussions regarding the multilateral financial system.

European countries are expected this year to meet their pledge

Other tensions were unsurprisingly related to the contributors of the fund, especially the US and China.[25] The US insisted on the fact that no government "has enough resources to meet the funding needs of particularly vulnerable nations at the scale that is required" and called for the involvement of carbon markets, international pricing mechanisms and others to contribute to the fund. It was also decided that major economies like China or the UAE could also contribute: the latter is said to be discussing a payment to the fund. However, the agreement includes no binding requirements for any nation to contribute, and the US has shown some reluctance to do so, though developing countries accepted their demand to have the World Bank as a host of the fund. Some non-governmental organizations (NGOs) are critical of the agreement and consider that not enough has been done to secure the funds needed and criticized the reluctance of developed

20. F. Simon, "Sticks or Carrots. The West's balancing act with China at COP28", *Euractiv,* November 1st, 2023, available at: www.euractiv.com.
21. J. Dennehy, "Crucial Pre-COP28 Talks to Begin as Dr Sultan Al Jaber Calls for Voices to Be Heard", *The National,* October 29, 2023, available at: www.thenationalnews.com.
22. "Meetings of the Transitional Committee and Related Workshops and Events", UNFCCC, available at: www.unfccc.int.
23. "'Loss and Damage' Deal Struck to Help Countries Worst Hit by Climate Crisis", *The Guardian,* November 5, 2023, available at: www.theguardian.com.
24. D. Archer, "Avoid Our Mistake: Don't let World Bank Host Loss and Damage Fund", *Climate Home News,* November 3, 2023, available at: www.climatechangenews.com.
25. M. Rowling, "Tensions Soar over New Fund for Climate 'Loss and Damage' Ahead of COP28", *Reuters,* October 23, 2023, available at: www.reuters.com.

countries to contribute.[26] Finally, and as per the EU's request, the fund shall be directed to the most vulnerable economies in priority, and also be tied to commitments to Green House Gas (GHG) reduction.

After fossil fuel and the loss and damage fund, the Global Stocktake is expected to be the third major topic of COP28. It aims to take stock of the insufficient progress made at the global level in the achievement of the Paris Agreement goal and also to identify opportunities to bridge the gap. A first synthesis report was published in September 2023, that calls for more ambitious action and nationally determined contributions update, before the next Stocktake that is to take place in 2028.[27]

The declining role of Europe and the rise of other key players

The EU and its Member states seem to be suffering from a diminishing global influence, for the benefit of other groups from the South.[28] The EU is likely to be affected by the departure of Frans Timmermans, who had accumulated experience with COPs. The United Kingdom (UK) will also probably play a low profile. In addition, Europe is weakened as its chance to host the next COP is under threat: COPs are moving from one region to another every year, and COP29 in 2024 is set to normally take place in a country from the Eastern Europe group. However, Russia has blocked proposals from several countries. If no agreement can be found, COP29 will take place at UNFCCC's premises, in Bonn (Germany) and the UAE would keep its presidency for another year.[29]

John Kerry does not seem aligned with Europe's position on fossil fuels

It seems unlikely that the US would come to support EU's positions. While Washington agrees on goals such as tripling renewable energy and doubling energy efficiency, rumors go that Joe Biden will not attend the COP,[30] John Kerry does not seem aligned with Europe's position on fossil fuels, and the US are not happy with the results of the Loss and Damage Fund discussions (though, as mentioned, they obtained for it to be hosted by the World Bank).[31]

26. "'Loss and Damage' Deal Struck to Help Countries Worst Hit by Climate Crisis", *op. cit.*
27. "Technical Dialogue of the First Global Stocktake. Synthesis Report by the Co-facilitators on the Technical Dialogue", UNFCCC8 Secretariat, September 8,2023, available at: www.unfccc.int.
28. S. Treyer, "A New South Is Taking the Wheel", IDDRI Blog Post, August 31, 2023, available at: www.iddri.org.
29. J. Dennehy, "Cop29 : Who Will Stage the UN Climate Talk in 2024?", *The National,* October 3, 2023, available at: www.thenationalnews.com.
30. T. Hunnicutt, "Exclusive: Biden Unlikely to Attend Dubai COP Climate Meeting", Reuters, October 31, available at: www.reuters.com.
31. M. Goar, "Climat : à l'approche de la COP28, les motifs de crispation se multiplient", *Le Monde,* November 7, 2023, available at: www.lemonde.fr.

The like-minded developing countries (LMDC) negotiation group, especially its G20 members, are most of the time opposing the EU and its allies (typically, on the phase-out of fossil fuels), asking for more financial contributions from the developed economies (for instance through the Loss and Damage Fund), and avoiding binding measures. More specifically, this translates into the emphasis on long-term zero-carbon targets achieved with the usage of carbon capture and storage (CCS), and the absence of short-to-midterm constraints on fossil fuels, that are currently needed to support economic growth. These are more or less aligned with the UAE vision and have been summarized by India's possible position which is said to be asking developed countries to become carbon-negative, in order to allow emerging economies to pursue their economic development and use more fossil fuels.[32]

Other G20 countries seem to be holding strong positions. Typically, Saudi Arabia, the UAE's main competitor in the region, somehow shares a similar vision.[33] Saudi Arabia occupies a key position as it chairs the Arab group of negotiators and hosted the Middle East and North Africa (MENA) Climate Week in October 2023, one month and a half before the COP.[34] Saudi Arabia is also pushing for the rapid development of carbon markets, having accelerated its activities in that field in preparation for COP28. Recently, Riyadh established a Regional Voluntary Carbon Market Company (RVCMC, in October 2022), led by a former BP director, Ms Riham ElGizy. She plans to hold a summit for developing countries, ahead of COP28 and announced that the RVCMC would establish a carbon credit exchange platform in 2024. Ms ElGizy sees the regional voluntary market reaching 100 to 150 million tonnes by 2030.[35] Saudi Arabia is also said to be discussing the acquisition of credits worth billions of dollars from Kenya.[36] As of now, it seems most of the national efforts are focused on voluntary markets, but the country could also position itself as a key Article-6 player, as the UAE is doing by signing deals with African countries.

China is unlikely to move away from its position on fossil fuels

China is unlikely to move away from its position on fossil fuels, and will probably oppose developed countries' demands, though hopes are high that they would revive climate cooperation with the US. The release in November 2023 of China's national methane action plan, which is vague but has been encouraged by the US, highlights that relations stabilize. In addition, exchanges between the national negotiating teams from

32. S. Chaganti Singh, "India to Push Developed Nations to Become 'Carbon Negative' Before 2050, Sources Say", Reuters, October 14, 2023, available at: www.reuters.com.
33. J. Fenton-Harvey, "The Race to Net Zero: Saudi Arabia and the UAE Compete over Climate Action", *The Gulf International Forum,* undated, available at: www.gulfif.org.
34. "Encouraging Regional Climate Cooperation", Mena Climate Week, 2023, available at: www.menacw23.com.
35. "MENA Carbon Market Likely to Reach Around 150M Tons by 2030", *Arab News*, October 11, 2023, available at: arabnews.com.
36. "President Ruto Eyes Billions in Saudi Arabia Carbon Credit Deals", *Business Daily,* October 25, 2023, available at: businessdailyafrica.com.

the two countries helped prepare for the meeting between Joe Biden and Xi Jinping that will take place during the Asia-Pacific Economic Cooperation (APEC) summit taking place right before COP28.[37]

However, the economic situation is also constraining the negotiators: China is experiencing a slowdown, which has a direct influence on its climate plans and is a probable reason why the government has granted approvals for the build-up of new coal plants.[38] In addition, Beijing is considering policies such as the US Inflation Reduction Act (IRA), the European Carbon Border Adjustment Mechanism (CBAM), and the Net Zero Industry Act as threats to free trade to its interests.[39] At the same time, COP28 will be the first "post-COVID" COP for the Chinese negotiators, which will probably mean that an important delegation will be attending. It also follows COP15 on biodiversity (held in Quebec in December 2022), where China showed important negotiation skills and gained respect for its role as a chair. Finally, COP28 may also be the last COP of Xie Zhenhua, China's veteran negotiator (as well as John Kerry's).[40]

Africa, the emerging climate powerhouse?

Each African country has different and specific situations, but the continent has been at the center of many negotiations. In 2023, the continent hosted important multilateral events, including the One Forest Summit in March (in Libreville, Gabon), the Africa Climate Summit in September (in Nairobi, Kenya), and the World Bank and IMF annual meetings, also in September (in Marrakech, Morocco). Kenyan President William Ruto, in addition to hosting the yearly UN Africa Climate Week and the first Africa Climate Summit, attracted all attention at the Paris Summit for a new Global Financial Pact, by promoting new forms of international taxation to alleviate global inequalities.[41]

The African energy transition is at the center of many discussions. At COP27, some countries, mostly the gas producers, were in agreement with the LMDCs in regard to the need for fossil fuels for development.[42] This was later backed by Fatih Birol, head of the IEA, according to whom phasing out gas would make universal energy access (one of the targets of the Sustainable Development Goal 7 on energy) impossible. He also insists on

37. "China Releases Methan Plan as Hopes Rise for New Climate Agreement with US", *The Guardian,* November 8, 2023, available at: www.theguardian.com.
38. F. Champenois, L. Myllyvirt, Q. Qin, and X. Zhang, "China's New Coal Power Spree Continues as More Provinces Jump on the Bandwagon", *Center for Research on Energy and Clean Air and Global Energy Monitor,* August 29, 2023, available at: www.energyandcleanair.org.
39. L. Shuo, "What Does China Want from COP28?", Asia Society Policy Institute, November, 2023, available at: www.asiasociety.org.
40. In the past, the two have already been said to be retiring but ended up keeping or going back to their positions. "China Eyes Successor For Veteran Climate Chief Who Befriended US", Bloomberg, October 27, 2023, available at: www.bloomberg.com.
41. S. Treyer, "A New South is Taking the Wheel", *op. cit.*
42. T. Voïta, "COP27: Will Egypt Bring New Life to Climate Conferences?", *Briefing de l'Ifri,* October 21, 2022, available at: www.ifri.org.

the fact that the climate impact would be extremely limited.[43] Meanwhile, international donors are promoting clean energy projects in Africa: in September 2023, the UAE pledged USD 4.5 billion to support clean energy initiatives in Africa.[44] Saudi Arabia is planning to buy a massive amount of carbon credits from Kenya, and Western countries are supporting two Just Energy Transition Partnerships on the continent in Senegal and South Africa.

African countries are also at the forefront of carbon market developments, that they see as an important opportunity. According to the newly established Africa Carbon Market Initiative (ACMI), the African continent could by 2050 export the equivalent of 1.5 to 2.5 gigatonnes of avoided CO_2 emissions, and mobilize USD 120 to 200 billion while creating 110 to 190 million new jobs.[45] These figures are to be paralleled with the current financial needs and gaps of the continent: according to the Climate Policy Initiative (CPI), Africa's NDCs need USD 277 billion to be achieved per year between 2020 and 2030, that is to say close to ten times more that currently available, which is a source of important frustrations.[46] Carbon markets are seen as a way to fill the gap. Therefore, after COP27, Ghana and Senegal were among the very first countries to experiment with the new Internationally Transferred Mitigation Outcomes (ITMOs) mechanism, under Article 6 of the Paris Agreement. ITMOs allow carbon credits exchanges from one country to another. Senegal has signed ITMO agreements with Switzerland, Japan, and Norway is having advanced discussions with Singapore, and is discussing a possible other partnership with South Korea.[47]

African countries are also at the forefront of carbon market developments

However, carbon markets are also a sensitive topic with potential tensions. First, some African countries are also developing "carbon nationalism". Zimbabwe, for example, has put in place regulations limiting the presence of foreign investors in the sector, as well as a tax allowing a significant share of revenues to be taken by the government and local communities.[48] The Democratic Republic of Congo (DRC) claims to give priority to the sale of its credits (mainly from forestry projects) to other African countries and to transfer a share of its revenues to the African countries most affected by climate change (Sahelian countries and small islands).[49] Other players are campaigning for this new carbon market exchange to be hosted in Africa, and for countries to have extensive control over projects,

43. L. Caramel, "Sommet africain pour le climat : 'L'Afrique doit pouvoir utiliser ses réserves de gaz pour ses propres besoins'", *Le Monde,* September 6, 2023, available at : www.lemonde.fr.
44. J. Dennehy, "Crucial Pre-COP28 Talks to Begin as Dr Sultan Al Jaber Calls for Voices to Be Heard"*, op. cit.*
45. "Harnessing carbon markets for Africa", ACMI Roadmap Report, November 2022, available at: www.africacarbonmarkets.org.
46. "Landscape of Climate Finance in Africa", Climate Policy Initiative, 2022, available at: www.climatepolicyinitiative.org.
47. Intervention from a Senegal country representative during the launch of the West Africa Carbon Market Hub, organized by the West Africa Climate Alliance and the International Emission Trading Association (IETA), Abidjan, September 26-28, 2023.
48. "Zimbabwe to Regulate Carbon Credit Market to Curb Greenwashing" Reuters*,* May 23, 2023, available at: www.reuters.com.
49. "Building Carbon Markets That Work for Africa", Chatham House*,* webinar, January 31, 2023.

so as to be able to set credit prices.[50] The development of carbon markets also requires important capacity-building efforts, could eventually create competition between the different countries, and expose them to the variation of the price of carbon credits.

Against this backdrop, the "gates of hell" mentioned by Antonio Guterres are unlikely to be closed at COP.[51]

Thibaud Voïta *is an Associate Research Fellow at the Ifri Center for Energy & Climate and a consultant on energy policies, sustainable energy issues, and climate change.*

How to quote this publication:

Thibaud Voïta, "COP28: A Tale of Money, Fossil Fuels, and Divisions",
Briefings de l'Ifri, Ifri, November 16, 2023.

ISBN: 979-10-373-0779-8

50. Private and public discussions during the launch of the West Africa Carbon Market Hub, see above.
51. See introduction.

ifri

french institute of international relations

since 1979

27 rue de la Procession
75740 Paris cedex 15 – France

Ifri.org