The Real Failure at Sharm El-Sheikh*

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As COP27, the climate summit at Sharm el-Sheikh in Egypt, ended after a being prolonged, assessments of what it achieved were mixed. But the overwhelming sense was that the summit had yielded little, since on most counts it had not gone beyond the pledges agreed to at COP26 held in Glasgow last year and incorporated in the Glasgow Climate Pact. However, one 'failure' has received most attention, which is the absence in the final declaration of a proposal mooted by India and many less developed countries, calling for a phase down of all fossil fuels and not just coal. Since this was opposed by leading oil exporters like Saudi Arabia and Russia, they are being presented as the wreckers of what could have been a more ambitious outcome. But there are other developing countries that must be silently celebrating.

The relevant COP26 pledge at Glasgow last year had been restricted to a phase down of unabated coal and phase out inefficient fossil fuel subsidies. Given the importance of fossil fuel burning as a contributor to carbon emissions, disappointment on the absence of a more generalised commitment in this area is partly understandable. But, as developing countries have been repeatedly stressing, there can be no phase down, especially a 'just' phasedown of coal and other fossil fuels, without flows of finance to developing countries from the advanced nations responsible for a very high proportion of historical emissions that account for today's carbon cover.

Calling on developing countries to make large contributions to mitigation and adaptation spending, even though their contribution to cumulative emissions (excluding emissions from land use and forestry) is a small proportion of the total and their adaptation burden large because of human actions not of their doing, is not just unjust. It also postpones and defeats progress with regard to mitigation and adaptation. Recognising this, the developed countries had agreed in COP15 in Copenhagen in 2009, to ensure a flow of climate finance funding of $100 billion a year by 2020. Even then a decade was too a long time to achieve that goal. Yet, when 2020 came, the actual flows were far short of that figure, even when measured using a liberal definition of what constitutes climate finance. Based on one such measure the OECD places the figure for 2020 at just above $80 billion.

In the run up to COP26 under the UK Presidency, the "goal" of achieving the $100 billion figure was postponed to 2023. Getting to that figure even after much delay was considered achievement enough. However, even at COP27, touted as a summit focused on implementation of past pledges, there is no agreed delivery plan and, therefore, no guarantee that this revised deadline would be met. The minimum that was required from COP27 was a clear delivery plan and an improvement in the quality of such finance: more in the form of finance for adaptation, an emphasis on public finance flows that are predictable, and an increased share of grants and concessional loans in total flows. To flag this, Mahmoud Mohieldin, the UN Climate Change High-Level Champion for COP27, wore a badge on the lapel of his jacket that read "WTF". For obvious reasons that grabbed attention, which was then directed to the actual question 'Where's the Finance?' flagged by the badge. According to veteran climate campaigner Alden Meyer, who handed the badge to Mohieldin at

Sharm el-Sheikh, he picked it up at COP17 in Durban in 2011. Not surprising. That question has been posed for long, and still waits for an answer.

In this crucial area, the outcome at COP27was hugely disappointing. The text on long-term climate finance after noting “with deep regret that the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020 … has not been met,” attributes that partly “to challenges in mobilizing finance from private sources”. No censure here of developed country governments, whose “ongoing efforts” to achieve the goal is welcomed. No clear delivery plan agreed to by all developed countries. No case for enhanced public funding either, other than for “noting the significant role of public funds” when calling on the developed countries to “urgently” deliver the $100 billion. A tendency to shift the blame for shortfalls onto the private sector. And on adaptation finance, mere reiteration of “the need for grant-based resources in developing countries, in particular for adaptation, and in particular for the least developed countries and small island developing States.”

This failure at COP27 is particularly distressing because a rush of estimates of the total spending needed to keep global temperature rise well below 2□C or at 1.5□C indicate that $100 billion a year is a meaningless figure. The “Sharm el-Sheikh implementation plan” (if it can be called that) goes with the assessment of the United Nations Environment Programme and notes that the global transition to a low-carbon economy would require investment of around 4-6 trillion per year. It notes that the UNFCC’s estimate of global climate finance flows of $803 billion in 2019-20 was only around a third of annual investment needed. The report of Working Group III in the IPCC’s Sixth Assessment estimated that, relative to assessed needs, yearly flows of climate finance would have to rise by between 4- to 8 times in developing countries, and 2- to 5 times in the developed. It noted that data from the Biennial Assessments of climate finance flows of the UNFCC and the IPCC’s Special Report on Global Warming have placed the financing needs over the 2020-2030 period in order to contain global temperature rise to below 2°C by 2100 at $1.7 trillion a year. This excludes adaptation finance and financing to cover loss and damage and is at best a conservative estimate of even mitigation-financing needs. Bulk of the expenditure would have to be made in developing countries. The International Energy Agency estimates that as much as two-thirds of future collective climate investments would have to occur in developing countries.

Besides these estimates, one released just before COP27 and received much attention was that in the report of the Independent High Level Expert Group (IHLEG chaired by Vera Songwe and Nicholas Stern). The IHLEG estimates that emerging market and developing countries other than China need to spend around $1 trillion a year by 2025 (or 4.1 per cent of GDP compared with 2.2 per cent in 2019), with that figure rising to around $2.4 trillion a year by 2030 (6.5 per cent of GDP). In the (possibly overoptimistic) view of the IHLEG, around half of this finance can come from domestic sources. Even that leaves to international sources transfers amounting to five times that being targeted by the developed countries for 2023. Not much of this can come from private international sources: a host of climate related investments carry low or even no pecuniary returns, and even when returns are acceptable to the private sector, temporally concentrated investments, as required in renewables for example, are unlikely to materialise. The OECD had attributed the shortfall relative to the $100 billion a year target to tardy private response. Public flows are, therefore, crucial. Yet, the HLEG had to note that public funding had not risen by much since 2016. Despite this there is a growing emphasis on increased flows of private finance or more generally from "other sources".

In sum, while the absence of any progress beyond the COP26 decision at Glasgow to phase down unabated coal and phase out "inefficient" fossil fuel subsidies is a failure, the omissions relating to financial flows are more egregious. As a result, there is much reason to be sceptical about the prospect of mobilising the global (as opposed to domestic) resources seen as needed to keep 1.5°C alive. Besides postponing the realisation of the $100 billion a year goal to 2023, the meetings at Glasgow decided to "initiate the deliberations on setting a new collective quantified goal", which was to be determined through transparent dialogue by 2024. The developed countries were clear. No numbers indicative of climate finance levels after 2025 were to be specified at COP26. Only a process of identifying the appropriate number was to be initiated.

This handed over the responsibility of accelerating identification of the new collective quantified goal (NCQG) to COP27. However, the "Implementation Plan" is not too forthcoming here. There is no reference to the NCQG either in the implementation plan or in the decision on long-term climate finance. The decision document on finance merely "urges" developed countries to provide "enhanced support" and calls for reform of multilateral development banks and international financial institutions to align with climate goals and scale up ambition. The nature of that reform is not specified. The expectation is that funding from the developed country governments is unlikely to grow to anywhere near the scale needed. Hence the case is being made for reliance on other sources of finance. Since private finance would be reticent to enter most areas involving mitigation or adaptation investments, the implementation plan calls on multilateral development banks and international financial institutions "to mobilise climate finance from various sources" and to use "the breadth of their policy and financial instruments for greater results, including on private capital mobilization."

Overall, the absent commitments on finance spell failure. This major failure has not received the attention it deserves because of the focus on what is perhaps the one real advance at Sharm el-Sheikh. Having noted "the increasing urgency of enhancing efforts to avert, minimize and address loss and damage associated with the adverse effects of climate change", and acknowledging "the urgent and immediate need for new, additional, predictable and adequate financial resources to assist developing countries that are particularly vulnerable" to manage that fallout, the parties present decided to establish new funding arrangements to address the challenge, including a fund that would focus on addressing loss and damage.

This is indeed a significant step forward. For three decades now, efforts have been on to help with financial support countries and populations that barely contribute to the emissions generating the climate crisis but suffer its worst impacts. Not wanting to admit that, being responsible for the bulk of cumulative emissions, they are liable to compensate the affected parties, the developed countries have long opposed any consideration of loss and damage financing. This time around they have acknowledged the problem without admitting culpability and agreed to contribute to the proposed fund sums recommended by a transitional committee. That committee consisting of developed and developing country members, including the most vulnerable, would work out the modalities for operationalising the funding arrangement. Agreement on this was subject to acceptance of the view that there was no legal and binding liability imposed on the major, advanced-nation polluters. As of now this is only the beginning of a process. It is unclear how far that would proceed and what it would deliver. Past experience encourages scepticism. It is too early to celebrate. But if a lot is being made of this tentative first step to realise a modicum of climate justice, it is because there is little collective ambition left and because it serves as a thin cover for the absence of real progress.

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