



2022
November

From Glasgow To Sharm El Sheikh: How Will Cop27 Reshape The Global Energy Landscape?



Webinar White Paper

The Al-Attiyah Foundation



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Event: Energy Webinar Series

Date: November 1, 2022

Time: 12.00 – 13.00 (GMT+3)

The Abdullah bin Hamad Al-Attiyah Foundation for Energy and Sustainable Development provides robust and practical knowledge and insights on global energy and sustainable development topics, communicating these for the benefit of the Foundation's members and community.

Since 2020, the Foundation has hosted a webinar series, in partnership with Refinitiv, to explore key trends and insights as the coronavirus pandemic, supply chain constraints, war in Ukraine and deepening gloom about the global economy impact the energy industry.

WEBINAR WHITE PAPER

H.E. Abdullah Bin Hamad Al-Attiyah founded the Foundation as a platform for knowledge exchange and support for the global community in the quest towards a sustainable energy future.

The Webinar Series, which began two years ago, is a crucial networking and learning opportunity in the calendar of industry CEOs members and Foundation partners.





COP26 in November 2021 was one of the most significant summits on climate change, leading to new pledges from world governments to cut emissions and accelerate the green energy transition.

The Glasgow summit yielded several breakthrough agreements, including the Global Methane Pledge, the Zero Emission Vehicle Pledge, the Deforestation Pledge, and the Glasgow Pact. Under the Glasgow Pact, countries agreed to revisit and strengthen their Nationally Determined Contributions (NDCs) in 2022 – instead of every five years.

The last time these targets were updated was in 2020. Several countries have since committed to more ambitious emission-reduction goals in an effort to limit the global temperature rise to 1.5 °C.

Despite some progress, less than 20 countries have updated their NDCs so far, and of these, only a handful are larger economies. Moreover,

only a few countries have upped their emission-reduction targets.

Many experts warn that current global climate targets and pledges remain insufficient, especially considering that the increase in global energy-related carbon dioxide emissions of over 2 billion tonnes in 2021 compared to 2020 was the largest year-on-year increase in history in absolute terms.

The latest geopolitical tensions, such as the Russia-Ukraine conflict, along with inflationary pressures and environmental disasters, have undoubtedly been a distraction to government leaders around the world.

Although these events have slowed down momentum for the green energy transition and weighed heavily on national budgets, they have also brought energy security, food security, and climate resilience to the fore.

WEBINAR SPEAKERS

Moderator:



Alex Threlfall,
Editor-at-Large,
Reuters.

Speaker



David Hone,
Chief Climate
Change Adviser,
Shell International
Ltd.

Speaker



Jill Duggan,
Executive Director,
Environmental
Defence Fund Europe.

Speaker



Jonathan Shopley,
Managing Director,
External Affairs,
Climate Impact
Partners.

In the current global context, COP27 will be more focused on optimising resources and improving synergies between governments to encourage implementation than making new commitments. The Egyptian presidency has already outlined mitigation, adaptation, finance, and collaboration as the four objectives of COP27.

Ahead of the conference, which begins on November 6, an expert panel came together to highlight and explore the most pressing issues for policymakers attending the Sharm El Sheikh summit.





Soaring energy prices this year have spurred national and international policymakers to take swifter action to reduce our reliance on fossil fuels, while Egypt's hosting of COP27 should bring greater focus to the devastating effects of climate change on Africa.

That was the verdict of the webinar's panellists, who warned that a polarised geopolitical scene will make it harder to find international consensus and so COP27 is unlikely to produce as many policy breakthroughs as COP26.

"The rising price of gas and energy could be a silver lining for the energy transformation - that pricing shock is probably working more effectively than any of the carbon prices in the market at the moment," said Jonathan Shopley, Managing Director, External Affairs, Climate Impact Partners.

"Without international collaboration, we will struggle to make progress. What's interesting is the emergence of climate clubs - groups of countries, whether it's the G7 or the European Union saying 'we're going to set the pace. And if you want to do business in our markets, if you want us to collaborate on other issues around trade finance and defence and the like, then we expect our partners to meet the same high standards that we do'. So, climate clubs have become a very important element of continuing to make progress."

Last November, the United States, United Kingdom, France, Germany and the European Union agreed to create an \$8.5 billion partnership to help South Africa wean itself off coal.

"The hope is that at Sharm El Sheikh we will see more of these agreements being struck," Mr Shopley.

COP27 marks only the fifth occasion that an African country has hosted the event. The continent accounts for just 3.8 percent of global greenhouse gas emissions. That compares with China's 23 percent, the United States' 19 percent and the European Union's 13 percent.

"A narrow and particular focus on finance for Africa will be helpful because we have some big challenges ahead of us," said Jill Duggan, Executive Director, Environmental Defence Fund Europe. "We need to have that discussion very early on about how we help the least developed countries to really accelerate that transition."

She said she hoped COP27 would agree on the establishment of a "loss and damage" fund in which countries benefitting from fossil fuel investments compensate developing countries suffering direct and unavoidable losses and permanent damage from climate change. Yet myriad geopolitical obstacles must be overcome first, Ms Duggan noted.

A first audience poll mirrored her views, with 43 percent of respondents saying the biggest challenge at COP27 would be to create a dedicated financing mechanism for addressing loss and damage, while 29 percent said persuading countries to strengthen their 2030 national emissions reductions targets.

A further 14 percent cited obtaining assurances from developed countries that the \$100 billion annual climate pledge to developing countries would be met, and another 14 percent said the biggest challenge would be to convince governments to set clearer and stronger plans to phase out fossil fuels.

"There needs to be a massive amount of investment in less developed countries in establishing firstly a renewable energy infrastructure," said Ms Duggan, noting the

failure of developed countries to meet their target of providing developing countries with \$100 billion annually by 2020 to mitigate the effects of climate change.

"Developed countries have really not stepped up to the plate," she said. "Investing in renewable energy and other similar projects in developing countries is in everybody's interest. It's money well spent, and we need to find a way of doing that."





The cost of delivering renewable forms of energy is falling, noted David Hone, Chief Climate Change Adviser, Shell International Ltd.

"Costs have come down to such an extent that it's not a question of being ready, it's a question of these technologies making their way into the marketplace, which is exactly what's happening," said Mr Hone.

"They're given an additional impetus through the geopolitical situation today, particularly in places like the EU that are immediately affected by the disruption in oil and gas flows. So, the world is ready for the transition because the transition actually has arrived."

Mr Hone highlighted how global climate temperature increases already amounted to about 1.2° Celsius from base levels.

"There's no immediate prospect of emissions plummeting ... so we're knocking on the door of 1.5°C and, and we're likely to pass it.

However, that doesn't mean we can't recover from that situation," said Mr Hone. "If we can collectively restore the natural system and build capacity around carbon capture and storage technologies, it's possible by the end of the century that we're back under 1.5 degrees."

He described hydrogen as key to solving a number of areas – or industries – that have otherwise proved difficult to decarbonise. Yet the key to limiting warming is removing CO₂ from the atmosphere, according to Mr Hone.

Ms Duggan said a pledge to reduce methane emissions by 30 percent by 2030, which has been signed by more than 110 countries, could have a major positive impact, even if its precise wording was overly vague; methane is responsible for around 30 percent of global temperature rises.

"If you tackle those very potent but short-lived greenhouse gases such as methane, you have a real opportunity to slow the warming process and buy ourselves time for the trickier elements," said Ms Duggan.

A second poll asked the audience which climate finance priorities would most likely see progress at COP27, with 56 percent of respondents saying a doubling of international finance for adaption by 2025. A further 33 percent said the \$100 billion annual pledge between 2021 and 2025, and 11 percent said a finance facility to meet the loss and damage caused by climate change.

"We need to make sure we're spreading the means of decarbonisation by investing in projects globally. I don't think the voluntary carbon market can deliver that. It can deliver other projects that are valuable, but the big investment needs to be about a change of mindset," said Ms Duggan.

A key achievement of last year's COP26 was the approval of Article 6, the part of the Paris Agreement that governs carbon markets, and three accompanying instruments.

Carbon markets enable the trading of carbon credits earned through cutting greenhouse gas emissions and as such incentivise countries to try to meet their emissions reductions targets.

Instrument 6.2 establishes trading mechanisms between countries, while 6.4 "provides these arteries for capital flows of funding to parts of the world where we have opportunities to make significant progress at lowest cost in mitigating greenhouse gases," said Mr Shopley. "It's not fully formed. We need more details to make that operational."

According to Mr Hone, achieving net zero will be impossible without carbon offsets, noting Article 6 is pivotal as a mechanism to allow cross-border carbon trade.

"It's very likely that where we have the remaining emissions and where the potential

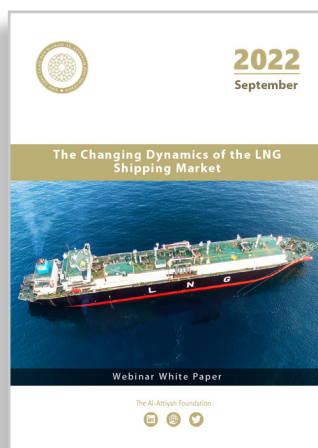
for removals exists are not going to be in the same place," said Mr Hone. "So, you have to have a trading mechanism to match those."

A third poll asked which of the following outcomes could be more than just a temporary response to the energy supply issues caused by the Russia-Ukraine war; 74 percent of respondents said an acceleration of the renewable energy transition, 14 percent said persuading governments to set out clearer and stronger plans for phasing out fossil fuels, and 13 percent said the increased use of coal.

As world leaders and climate experts converge on Sharm El Sheikh, the need for further action to slow global warming has never been more apparent. While COP27 may provide few new policy initiatives, it is nonetheless a vitally important platform to decide how we go about fulfilling existing climate pledges. Words must translate into deed.



Have you missed a previous issue? All past issues of the Al-Attiyah Foundation's Research Series, both Energy and Sustainability Development, and Whitepapers can be found on the Foundation's website at www.abhafoundation.org/publications



September – 2022

The Changing Dynamics of the LNG Shipping Market

The Abdullah bin Hamad Al-Attiyah Foundation for Energy and Sustainable Development provides robust and practical knowledge and insights on global energy and sustainable development topics, communicating these for the benefit of the Foundation's members and wider community.



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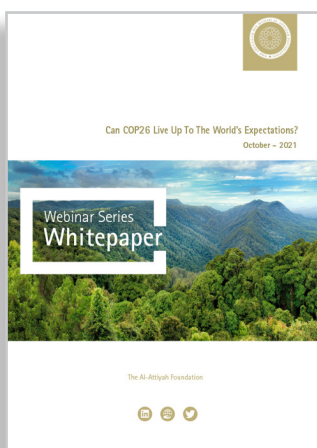
March – 2022

Stepping up the Pace of Hydrogen Development

The latest Al-Attiyah Foundation webinar, titled Stepping up the Pace of Hydrogen Development, was held on 7 March and brought together worldrenowned experts to discuss the role environmentally friendly hydrogen can play in the ongoing energy transition and how using the gas in more urban activities can help nations achieve their net-zero carbon emissions targets.



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October – 2021

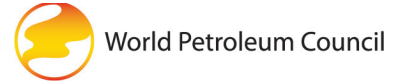
Can COP26 Live Up To The World's Expectations?

The race towards carbon neutrality by mid-century has certainly gathered momentum in the years since the Paris Agreement, with about 70% of the global economy now covered by firm or indicative net-zero targets. However, widescale changes are required if the terms of the agreement are to be met and temperatures kept "well below" 2°C above preindustrial levels by 2100.



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Our partners collaborate with The Al-Attiyah Foundation on various projects and research within the themes of energy and sustainable development.





The Al-Attiyah Foundation

Tel: +(974) 4042 8000,
Fax: +(974) 4042 8099
www.abhafoundation.org

Barzan Tower, 4th Floor,
West Bay.
PO Box 1916 Doha, Qatar

AlAttiyahFndn
The Al-Attiyah Foundation
Al-Attiyah Foundation