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# SWP Comment

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## Traditional Conflicts and Dynamic Coalitions at the World Climate Conference

**COP28: New Room for Manoeuvre in International Climate Politics**

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**The outcome of the 28th UN Climate Change Conference shows that international cooperation remains possible despite today's challenging geopolitical situation. Instead of the feared blockade, an agreement was reached for the first time – some three decades after the start of the COP process – to move away from fossil fuels in energy systems. Overall, the steps agreed in Dubai are a compromise that sends a political signal short of what is necessary from a scientific perspective. On the one hand, international climate cooperation continues to be characterized by traditional conflicts between developing countries and industrialized nations (issues of global justice, financial commitments), with new trade tensions and what at times amounted to an obstructionist attitude among a handful of countries compounding the difficulties. On the other hand, dynamic North-South coalitions have formed in the negotiation tracks on "loss and damage" and the global energy transition. These must be further strengthened as the starting point for lasting alliances against fossil fuel interests. German climate foreign policy can make an important contribution by undertaking consistent diplomatic efforts to implement structural reforms of the international financial system and by offering attractive partnerships.**

The 28th Climate Change Conference (COP28) took place against the backdrop of multiple crises and increasing geopolitical polarization. The dissatisfaction among many countries in the Global South over the crisis management of wealthy countries in the wake of the coronavirus pandemic and the handling of the consequences of the Russian attack on Ukraine is weighing on the multilateral negotiation process. The war between Israel and Hamas not only cast its shadow over the conference — and not just because of its geographical proximity to the conflict — but also threatened to further harden the fronts between countries of the Global North and South. Many governments in the Global South see the West's stance on the war in Gaza as further evidence of the selective application of liberal norms; and this has whittled away at the trust necessary for climate cooperation. At the same time, 2023 was the hottest year on record. Europe experienced extreme weather events, Hawaii and almost every region and province of Canada were hit by devastating forest fires, and floods cost lives and caused huge economic losses in many parts of the world.

From the outset, the decision to hold the conference in the United Arab Emirates (UAE) and the assumption of the COP Presidency by the CEO of the state-owned oil company ADNOC, Sultan Al Jaber, were controversial. The global oil and gas industry has raked in unprecedented profits against the backdrop of Russia's war of aggression against Ukraine and the increasing prioritization of energy security. During the negotiations in Dubai, Al Jaber's credibility was repeatedly called into question by international media and civil society.

In the face of these difficult starting conditions, the UN climate process and global climate cooperation have both proved resilient. In June 2023, the interim negotiations were still being blocked by long-standing conflicts between industrialized and developing countries over equitable burden sharing on financial issues and mitigation efforts; as a result, it proved a struggle even to get the agenda approved. But in Dubai, with the support of, among others, the German government, the Presidency managed to choreograph a successful opening to the conference: the establishment of the Loss and Damage Fund and the adoption of the agenda at the opening session created trust and contributed to a broad coalition of industrialized and developing countries later calling for a clear commitment to move away from fossil fuels.

Adding to this momentum was the resumption of talks between the US and China in the run-up to the COP. Despite their extremely tense relations, the two largest greenhouse gas emitters were able to reach a bilateral accord on climate policy in the Sunnylands statement. Among other things, they agreed to accelerate the expansion of renewable energy and set reduction targets for all greenhouse gases, including methane. In doing so, they paved the way for agreement on politically controversial issues such as the future of fossil fuels. Above all, however, they prevented the growing antagonism between the great powers from imposing an additional burden on the conference.

## First-ever Global Stocktake confirms urgency

The first-ever Global Stocktake (GST) was decisive for the outcome of COP28. The GST is to be performed every five years to review the collective level of ambition and implementation in achieving the Paris goals in the areas of mitigation, adaptation and finance and to incentivize more ambitious commitments; thus, it is considered a central mechanism of the Paris Agreement. For this reason, the viability of the agreement itself, too, was on trial in Dubai. Owing to its relevance and thematic breadth, the text of the GST replaced the usual final declaration.

The stocktaking process began with a two-year technical phase that culminated in a synthesis report published in September 2023. The report warns that there are huge gaps in ambition and implementation in all areas. Even if the existing nationally determined contributions (NDCs) were to be implemented, the global temperature would still rise by 2.4—2.6 degrees Celsius. The subsequent political phase of the stocktaking — the aim of which included drawing up recommendations on how the next round of NDCs could at least significantly reduce the existing gap with the Paris goals — was concluded in Dubai.

Just how concretely such recommendations should be formulated had become a bone of contention in the run-up to the conference. The G77+China, a group of 134 countries classified as developing countries, saw the primary function of the GST as ensuring that industrialized countries, which historically have carried the main responsibility for climate change, are held accountable for their inadequate progress. For their part, industrialized nations called for a "forward-looking" stocktake — one that would at least urge the high-income emerging economies, which are among today's major emitters, to be more ambitious. Thus, almost inevitably, the discussion in Dubai on the conclusions to be drawn from the synthesis report became the stage for the traditional conflict between industrialized and developing countries over issues related to global justice and the interpretation of the principle of "common but differentiated responsibilities and respective capabilities" (CBDR-RC). Furthermore, some of the disputes over the GST played out in other negotiation tracks, such as the global goal on adaptation, and prevented more ambitious results being achieved in those areas.

Despite all these tensions, the parties did manage to agree on a wide range of recommendations. However, the deep rifts between the various negotiating groups are easily recognizable in the final document. For example, the demands for the next round of NDCs, which are due in 2025, remained vague. While the parties reaffirmed the urgent need to accelerate climate protection in this "critical decade" and ensure the new climate targets are compatible with the 1.5 degrees Celsius target, the GST compromise merely encourages the inclusion of all greenhouse gases and economic sectors in the NDCs for 2035 and 2040. In addition, trade policy tensions unexpectedly had an impact on the GST negotiations. At the centre of the dispute was the EU's carbon border adjustment mechanism (CBAM), which some developing countries and the BASIC group (Brazil, South Africa, India, China) criticized as a "unilateral trade measure" that would jeopardize economic development outside the EU if there was no financial support or flexible design. Although the final document does not condemn unilateral trade measures in principle, the assertion that these should not be a means of "arbitrary or unjustified discrimination" reflects the enormous mistrust among many developing countries towards European climate policy.

## Energy package remains compromise riddled with loopholes

The final document confirms that, according to the Intergovernmental Panel on Climate Change (IPCC), global greenhouse gas emissions would have to fall 43 per cent by 2030 and 60 per cent by 2035 compared with the 2019 level for global warming to be limited to 1.5 degrees Celsius. To achieve those declines, the parties agreed on a comprehensive "energy package" that calls on countries to move away from fossil fuels in their energy systems in a "fair, orderly and balanced" manner. Until then, the international community had agreed in COP resolutions only to reduce coal-fired power generation. To complement the move away from coal, oil and gas, the signatory states set the goal of tripling global renewable energy capacity and doubling the annual rate of increase in energy efficiency by 2030. The energy package is the first COP decision to reflect how the global energy transition must be implemented in national contexts in order to achieve net-zero CO2 emissions by 2050.

The main conflict at COP28 was over the precise formulation of the future use of fossil fuels. On the one hand, the agreement to "transition away" from fossil fuels in the energy system meant that the earlier heated debate — which had also taken place within the EU — on terms such as "phase out/phase down" and "abated/unabated" (SWP Comment 54/2023) could be averted. But, against the backdrop of fundamental differences of interest with regard to the future of fossil fuels, the language negotiated remains a compromise characterized by ambiguity. It remains unclear how the "transition away from fossil fuels" differs in the detail from a "phase-out", which sectors are covered by the term "energy system" and whether the agreement does, in fact, signal the far-reaching changes that are necessary to limit the rise of the global temperature to 1.5 degrees Celsius.

According to the calculations in the International Energy Agency's (IEA) Net

Zero Roadmap, the share of fossil fuels in energy consumption would have to fall 25 per cent by 2030 for a "transition" that is compatible with the 1.5 degrees Celsius target. What is not mentioned in the final document is that in order to achieve a decline of this magnitude, the authorization of new "unabated" coal-fired power plants would have to stop immediately. With reference to the imperative of energy security, the GST legitimizes the use of natural gas — the consumption of which should fall 18 per cent by 2030, according to the IEA — as a "bridging technology". Also, it is doubtful whether the vaguely formulated "substantial reduction" of non-CO2 emissions such as methane will translate into corresponds to the necessary savings of 75 per cent by 2030 (IEA Net Zero) in the energy sector. The prominent role given to CO2 storage and capture technologies in the document can also be criticized. Although they are envisaged even for the energy sector in IPCC scenarios, in practice they are far from being able to contribute to significant savings by 2030 owing to their current low availability and the projected expansion rates and cost development. This leaves loopholes that threaten to distract from the need for a rapid and far-reaching phase-out of coal, oil and gas.

Besides increasing energy efficiency, accelerating the expansion of renewable energy is crucial for the decline of fossil fuels. The IEA has already produced models showing that the unstoppable growth of renewables will cause demand for fossil fuels to peak before the end of this decade. Preliminary analyses suggest that the target of tripling renewables by 2030 is realistic. If their existing programmes were to be implemented, industrialized countries and China would already achieve 85 per cent of their share of added renewable energy capacities by 2030. However, owing to the huge investment requirements and limited fiscal leeway due to multiple crises, developing countries need comprehensive support in expanding their capacities. The International Renewable Energy Agency (IRENA) suggests that in order to meet the target, annual investments must increase from US$486 billion today to US$1.3 trillion by 2030. The lack of support for developing countries — in the form of financial resources, capacity building and technology transfer — is a weak point of the GST energy package, which African countries, in particular, have criticized.

All in all, the call to move away from fossil fuels that has been enshrined in a UNFCCC document for the first time is primarily of symbolic importance. How effective it proves in practice will be measured by the extent to which the resolutions are implemented in national contexts and how the new NDCs are formulated in the wake of the GST.

## North-South coalition achieves shift away from fossil fuels

Despite all the ambiguity, the conference outcome can nonetheless be regarded as a political success. In response to a draft resolution presented by the Presidency shortly before the planned end of the COP that contained no concrete measures for the transformation of the energy sector, an unprecedented alliance was formed: almost 170 developing countries and industrialized nations called for a firmer commitment to phasing out fossil fuels. Besides the long-standing members of the High Ambition Coalition (HAC), which brings together those countries that are most climate ambitious, the alliance included numerous African and Latin American countries as well as the US and Australia. The participation of Colombia, which was the first fossil-fuel exporter to join the Beyond Oil and Gas Alliance, and the political heavyweight Brazil sent a particularly powerful signal.

This new and significantly larger alliance was opposed not only by the Arab group and the Like-Minded Developing Countries (LMDC), which includes China and India, but also by a number of African states. It is, above all, the Gulf states that view their economic model as existentially threatened by the phase-out of fossil fuels. An internal OPEC letter published during the conference warned of a "tipping point" in the negotiations. Saudi Arabia, in particular, tried to prevent any mention of fossil fuels in the conference documents and even went so far as to block other negotiation tracks. Together with African countries, the Gulf states vehemently pointed to plans by Western states such as the US and Australia to further increase the production of fossil fuels.

The emergence of a temporary alliance in favour of phasing out fossil fuels does not mean that the dichotomy between developing and industrialized countries that has characterized climate negotiations for 30 years has been overcome. However, it does reflect what the real line of conflict in the global energy transition is. Instead of the division between developing and industrialized countries based on UN logic, the fight against climate change is also a conflict between fossil fuel interests — states and companies whose economic model is founded on the extraction of fossil fuels — and renewable interests, represented by those states that want to build a sustainable and green energy system.

To what extent coalitions of developing and industrialized countries will be able to prevail against fossil interests in the future depends largely on whether sufficient financial support can be provided. New initiatives — such as the partnership launched by Kenya and Germany to accelerate renewables in Africa — can make only a limited contribution to overcoming a challenge of this magnitude. What is needed is a fundamental reform of the international financial architecture. Among other things, multilateral development banks need to be better equipped to fund clean energy projects, the special drawing rights of the International Monetary Fund need to be utilized for climate and development financing, and currency risks for investments in green projects need to be hedged. Indeed, the success of the process initiated by Barbados Prime Minister Mia Mottley, which addresses such issues, will be crucial for pulling off the global energy transition.

## The Loss and Damage Fund as a catalyst for success

Contrary to expectations, how to tackle the loss and damage caused by the consequences of climate change did not become a contentious issue. The establishment of a compensatory fund for population groups threatened by the climate crisis, which had been the source of much controversy for years, was decided at the opening session. The newly established fund immediately exceeded the minimum threshold thanks to financial pledges from the UAE and Germany of US$100 million each. In the days that followed, various countries pledged a total of US$770.6 million. Further, negotiations on the Santiago Network, which provides technical support for loss and damage, were successfully concluded in Dubai. The location of the network's secretariat within the institutional structure of the UN paves the way for work to begin promptly.

While the early operationalization of the Loss and Damage Fund was a diplomatic coup for the UAE — achieved in coordination with Germany — the future effectiveness of the fund remains in question. The fund has a broad thematic focus, covering everything from short-term extreme events to slow-onset and non-economic losses; but industrialized countries are not obliged to pay into it and no target amount has been set. The relatively small US contribution of US$17.5 million, which is contingent on the approval of Congress, came in for criticism. It is estimated that in total, the pledges — a large proportion of which is to be used for the institutional setting up of the fund — will cover just 0.2 per cent of the annual requirements of developing countries.

For many years, industrialized nations, above all the US, resisted demands for financial support from developing countries, especially small island states. They were intent on avoiding any debate about their potential liability for climate damage due to their prominent role in historical emissions, which, however, the Paris Agreement excludes. As a result of the agreement reached at an early stage of the proceedings in Dubai, there was increased trust among the most vulnerable states — many of which belong to the HAC — in the multilateral process and controversy over historical responsibility was prevented from spilling over into other negotiation tracks. Moreover, the UAE became one of the first high-income emerging economy to participate in climate financing. In what were clear references to China and the Gulf states, German representatives, in particular, had repeatedly called for such a development. As no other emerging country followed the Emirati example, the success remains symbolic for the time being. But in the context of setting the new collective quantified goal (NCQG) for climate financing after 2025 later this year, the debate on expanding the traditional donor base could gain momentum.

## Hardened fronts prevent ambitious adaptation outcome

Besides the fund for loss and damage, a key concern of those population groups acutely threatened by the climate crisis was the adoption of a framework for the global goal on adaptation (GGA). Adaptation to climate-related environmental change is extremely context-specific and improvements are difficult to measure. The framework is intended to help assess progress in strengthening resilience and provide support for the most vulnerable countries and communities. It lists a number of categories such as health, agriculture and infrastructure, although the sub-targets remain vague and are not backed by quantifiable indicators — something that is to be rectified over the next two years. Given the hardened fronts during the Dubai negotiations, the mere fact that there is agreement on the framework can be viewed positively; however, in its current form, that framework does not provide sufficient guidance. Despite the demands made by developing countries, the GGA has not been elevated to a permanent agenda item. Other negotiation tracks relevant to the topic of adaptation did not yield an outcome and were postponed.

As a priority of developing countries, adaptation has traditionally been closely linked to the issues of finance and global justice. There is a huge gap between the amount of adaptation funding provided and what is required: it is predicted that the promise made by industrialized countries to double the funds earmarked for this purpose to US$40 billion by 2025 compared with the 2019 level is neither achievable nor in proportion to the funds actually required, which, according to the UN Adaptation Gap Report, increase five- to tenfold each year. In contrast with mitigation projects, which tend to be profitable and attract private investment, the profits to be made from adaptation are indirect only. For this reason, adaptation projects are almost entirely dependent on public capital.

Unlike in other negotiation tracks, developing and industrialized countries have not yet formed a viable coalition in the area of adaptation; as a result, old rifts have prevented an ambitious result from being achieved. The Dubai negotiations — just like the interim negotiations in Bonn — were strongly marked by the conflicts over CBRD-RC and the industrialized countries' historical responsibility for climate change. The main bone of contention was the demand by the G77+China to include a specific financing target in the framework, which the US, the EU member states and other industrialized countries refused. The latter pointed out that there was already a process for updating the target — namely, the negotiations on the NCQG. In the final text, the statements on international financial support remained vague. Furthermore, to the frustration of vulnerable countries, the negotiations on adaptation were instrumentalized for other issues. At times, members of the LMDC and the Arab group blocked the talks in order to impede progress in the negotiations on the GST energy package. The criticism of this delaying tactic, which could be heard from developing countries, among others, shows that there is also disagreement within the G77+China over adaptation.

## Challenges for German climate foreign policy

German and European climate diplomacy contributed significantly to the results of COP28. Thanks to the skilful diplomatic efforts of both Germany and the EU ahead of the conference, the expansion target for renewable energies — which was officially presented for the first time as part of the Petersberg Dialogue in May 2023 — had already won the support of key players, above all, the UAE and the US. Germany's contribution to the Loss and Damage Fund, closely coordinated with the UAE, generated positive overall momentum and paved the way for further commitments. The EU negotiating team helped maintain pressure on those opposed to a fossil fuel phase-out. Towards the end of the conference, German Foreign Minister Annalena Baerbock negotiated on behalf of the EU to reduce emissions. And despite criticism that Germany had not signed up to an HAC declaration in the run-up to the conference, the team led by Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the German Foreign Office, played a crucial role in the successful effort to form a coalition in favour of moving away from fossil fuels by building bridges between the various negotiating groups.

At the Dubai conference, the German government presented its long-awaited climate foreign policy strategy, which is intended to bundle the activities of ministries relevant for international climate policy and align them with common priorities. The central task of German climate foreign policy after COP28 should be to create the conditions for long-term and effective alliances against fossil fuel interests. To this end, climate engagement outside the COP process via bilateral and plurilateral partnerships is essential. During the coming year, such efforts should focus on the financing of renewable energies in developing countries. Besides reaching agreement on a broader reform of the international financial system, which is to be a priority of Brazil's G20 Presidency, the successful conclusion of the negotiations on the NCQG at COP29 in Azerbaijan will be key.

On the day-to-day level, consistent coordination between the thematic experts of the respective line ministries and the diplomatic capacity of the German Foreign Office (with its global network of embassies and representations) would further increase the effectiveness of Germany's climate foreign policy. For example, the recent IPCC Plenary Session in Istanbul saw a well-coordinated push by the LMDCs around India, Saudi Arabia and China against aligning the next set of IPCC Working Group reports with the second GST in 2028. Diplomatic support in the run-up to the plenary session could have strengthened the negotiating position of the German delegation, represented by the Federal Ministry of Education and Research. Going forward, Germany's climate embassies could make a contribution through their standard diplomatic preparatory work by advocating for a more ambitious timeline of IPCC reports in opposing countries ahead of the next round of negotiations.

The broad alliance in favour of moving away from fossil fuels that was formed in Dubai — and the room for manoeuvre provided by it — will prove sustainable only if industrialized countries pursue ambitious domestic climate policies. The results of the GST must be swiftly implemented by the parties at the national level in such a way that the ambition and implementation gap is significantly reduced by 2030. The litmus test will be the updating of the NDCs, which all states must complete by 2025. For its part, the EU should assume a credible leadership role by presenting ambitious targets for 2035 and 2040 well ahead of COP30. A 90—95 per cent greenhouse gas emissions reduction target by 2040, as advised by the

European Scientific Advisory Board on Climate Change, could help encourage major emitters such as China and India to step up their efforts.

Germany's tight budget situation did not have an immediate impact on the federal republic's climate diplomacy in Dubai. But the national debates on financing, sector targets and new natural-gas extraction projects abroad are under international scrutiny. Over the next few years, the EU must show diplomatic sensitivity when it introduces the CBAM; the concerns of partner countries should be addressed constructively. Climate policy measures like the CBAM can be openly discussed on platforms such as the Climate Club, which officially began its work at COP28, in order to minimize trade policy tensions. A climate foreign policy that consistently integrates not only security, energy, trade and financial policy but also development cooperation can anticipate and manage such challenges. To this end, it is imperative that German climate foreign policy and the Green Deal diplomacy of the EU be interlocked, including outside multilateral negotiations.



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