



Reflections on the COP28 Climate Change Conference

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The annual United Nations Climate Change Conference (COP28) provides an opportunity for governments, the private sector and civil society to come together and focus on the systemic risks stemming from climate change, and the actions needed to address these. Each year, the Conference of the Parties (COP) brings together representatives from 190+ countries to take stock of their progress in meeting climate goals, and to negotiate future actions. At the same time, the event brings together private sector participants, who convene at side events and engage on related topics.

In the lead up to this year's conference, RBC Global Asset Management (RBC GAM) shared our Investor expectations for COP28. As COP28 ends and delegates return home, it is time to reflect on the key commitments and actions announced at the conference, and their implications for investors. While it may take time to see the full results of government policies and actions stemming from COP28, some of our reflections from this year's annual climate conference are provided below.

Transitioning the energy system

Globally, over 70% of greenhouse gas (GHG) emissions come from the energy sector, largely driven by the use of fossil fuels to heat or cool buildings, for transportation, and in heavy industry¹. To reduce GHG emissions and meet the goals of the Paris Agreement, the energy system will need to decarbonize, and while some progress has been made, the reality is that the world continues to rely heavily on fossil fuels. A key focus of discussion and debate at COP28 was how the energy transition should unfold. Significantly, this was the first time participating countries came to a final consensus on "transitioning away from fossil fuels in energy systems in a just, orderly and equitable manner" to meet "the need for deep, rapid and sustained reductions in GHG emissions in line with 1.5°C pathways."² While this is a historic agreement that came after much negotiation, critics feel that the language was not sufficiently ambitious as it did not make explicit reference to a phase-out of fossil fuels, lacked clarity on types of fossil fuels in scope, and included a narrow definition of transition³. It remains to be seen what government actions will result from this agreement, and whether resulting emissions reductions will be sufficient to achieve the ambition of the Paris agreement to achieve net-zero by 2050.

Reducing methane emissions also featured prominently at COP28, with 50 companies that represent 40% of global oil production signing the Oil and Gas Decarbonization Charter and pledging to reduce their methane intensity by 80-90% by 2030⁴. These corporate actions were made alongside country-level commitments, with Canada and the U.S. announcing regulations to reduce methane emissions, by 75% by 2030 and by 80% by 2038 respectively^{5,6}. For Canada, which is the fourth largest oil and gas producer in the world, this comes alongside the announcement of an emissions cap that focuses on reducing emissions from the sector^{7,8}.

¹ [Sector by sector: where do global greenhouse gas emissions come from?](#), Hannah Ritchie, Published online at [OurWorldInData.org](#), 2020.

² [Nations strike deal at COP28 to transition away from fossil fuels](#), Reuters, December 13, 2023.

³ [New COP28 draft deal stops short of fossil fuel 'phase out'](#), Reuters, December 12, 2023.

⁴ [Oil & Gas Decarbonization Charter launched to accelerate climate action](#), COP28, December 2, 2023.

⁵ [Minister Guilbeault announces Canada's draft methane regulations to support cleaner energy and climate action](#), December 4, 2023.

⁶ [Joint Statement on Renewed United States-Canada Commitment on Climate and Nature Ambition](#), December 11, 2023.

⁷ [Energy facts: Oil, natural gas and coal](#), Government of Canada, accessed December 13, 2023.

⁸ [Regulatory framework for an oil and gas sector greenhouse gas emissions cap](#), December 7, 2023.

Spotlight on low-carbon power – a tale of renewables and nuclear

We already know that low carbon energy solutions are becoming increasingly affordable, with solar and battery costs decreasing 80% between 2012 and 2022⁹. At the same time, the International Energy Agency (IEA) expects annual renewable energy use to increase by 13% per year until 2030¹⁰ and one of the key recommendations of the recent Global Stocktake (an inventory on the collective progress of nations in meeting climate-related goals) was the need to triple renewable energy capacity and double the rate of energy efficiency by 2030¹¹. Led by the European Union, with endorsements from Canada, the United States, Brazil, and Japan, 120 countries signed the Global Renewables and Energy Efficiency Pledge and committed to do just that¹².

While this is not a binding commitment, and implementation will be challenging, the potential new opportunities resulting from this may be significant. Notably, the world's largest producer of renewable power and the third largest energy consuming country in the world^{13,14}, - China and India respectively - did not endorse the commitment, although they did offer general support¹⁵. Renewable power wasn't the only low-carbon solution in focus; nuclear power made headlines as well. As a low-carbon energy source, albeit a more costly and potentially controversial one, nuclear power provides a solution for countries seeking to decarbonize electricity grids, especially those currently relying on coal power or looking for a reliable supplementary power to renewables. At COP28, twenty-two countries including the U.S., Canada, Britain, and France pledged to triple their nuclear energy capacity by 2050¹⁶. In recent years, investment in nuclear energy has stalled, with new projects facing regulatory hurdles, cost overruns, and significant delays¹⁷. This commitment, if backed by government action, will see these types of projects move forward.

Increasing the flow of money for climate finance

To achieve the ambition of the Paris Agreement and limit global warming to 1.5°C by the end of the century governments and the private sector will need to invest in actions to both reduce emissions and adapt to a changing climate¹⁸. A significant and early announcement at COP28 was the formal establishment of a loss and damage fund to support vulnerable countries, with developed nations pledging approximately U.S.\$700 billion in financial support¹⁹. This is especially important for emerging market countries, which are often more vulnerable to climate change, although details on how the funds will be accessed remain to be confirmed. Climate finance commitments extended far beyond this, with additional commitments from development banks and public-private sector partnerships, including the World Bank committing 45% of its financing to climate projects²⁰. Mobilizing global capital to transform energy systems, build resilient infrastructure, and support communities that are adversely impacted by climate change will continue to be a focus moving forward. While hard to calculate, estimates suggest that there is an additional U.S.\$40 trillion in investment needed for mitigation and U.S.\$600 billion needed for adaptation annually to 2050²¹. The loss and damage fund and climate finance commitments are positive developments; it is likely however that significant additional funding will be required to meet increasing costs, and continued uncertainty as to whether governments will deliver on their voluntary commitments²².

Addressing the impact of climate change on food, health, and nature

This year's climate conference included several days dedicated to the intersection of climate change, people, and nature. In focus was the future of food and the agriculture sector. Transforming our food system can significantly reduce emissions, while changes in precipitation, temperatures, and the spread of disease continues to affect the production of food for a growing population²³.

“A significant and early announcement at COP28 was the formal establishment of a loss and damage fund to support vulnerable countries.”

⁹ [X-change: Electricity, 2023 Report, RMI, July 2023.](#)

¹⁰ [Renewables, IEA, accessed December 13, 2023.](#)

¹¹ [Global Stocktake, UNFCCC, December 11, 2023.](#)

¹² [Global Renewables and energy efficiency pledge, COP28, accessed December 13, 2023.](#)

¹³ [Leading countries in installed renewable energy capacity worldwide in 2022, Statista, March 2023.](#)

¹⁴ [India, U.S. Energy Information Administration, November 17, 2022.](#)

¹⁵ [COP28: India, China refrain from signing pledge to triple world's renewable energy capacity by 2030, December 2, 2023.](#)

¹⁶ [At COP28, countries launch declaration to triple nuclear energy capacity by 2050, recognizing the key role of nuclear energy in reaching net zero, Energy.gov, December 1, 2023.](#)

¹⁷ [22 countries pledge to triple nuclear capacity in push to cut fossil fuels, December 2, 2023.](#)

¹⁸ [The Paris Agreement, UNFCCC, 2015.](#)

¹⁹ [COP28 agrees to establish loss and damage fund for vulnerable countries, December 1, 2023.](#)

²⁰ [World Bank Group doubles down on financial ambition to drive climate action and build resilience, The World Bank, December 1, 2023.](#)

²¹ [COP28: Climate finance, McKinsey, December 4, 2023.](#)

²² [\\$700m pledged to loss and damage fund at COP28 covers less than 0.2% needed, The Guardian, December 6, 2023.](#)

²³ [OECD meeting of Agriculture Ministers 2022, OECD 2022.](#)

Over 130 countries representing 76% of the world's emissions from the food system joined together to sign the Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action²⁴, which was the first acknowledgement by global leaders of the need to address the role of food systems as part of climate action. Climate change does not only affect the ability to produce food, but also has health impacts, through the increased propagation of diseases and changes in climate. For example, between 2013 and 2022 there was an 85% increase in heat-related deaths²⁵. This year's conference marked the first time that the health impacts of climate change took centre stage, with 124 countries including the EU, U.S. and China announcing U.S.\$1 billion to improve the climate resilience of health systems²⁶. Participating countries also demonstrated increasing awareness of the need to address nature-related risks by committing to halt deforestation by 2030²⁷, and a focus on the role of people through the Just Transition Pathways Work Programme that looks to reduce the inequalities of the energy transition²⁸. While it has long been recognized that climate change is a material issue for a range of sectors beyond energy, COP28 put a focus on both the risks and opportunities across sectors, and emphasized the need to put people at the heart of climate action.

The government policies and regulations that are announced at COP28, as well as those that are expected following commitments, provide important input into the analysis of costs, revenue opportunities, capital expenditure requirements, or policy and legal implications of the global transition to a net-zero economy.

In order to enable effective decision-making on material climate factors, investors need access to consistent, comparable, and standardized reporting from issuers on climate change. It is for this reason that RBC GAM joined close to 400 organizations to declare our support for advancing the adoption or use of the new global climate disclosure standards of the International Sustainability Standards Board (ISSB)²⁹. We are also encouraged by the continued efforts to make climate-related data broadly available and open sourced. Establishing common definitions and harmonization of data and methodologies will be important for issuers and investors moving forward.

As we reflect on this year's annual climate conference and what our expectations were going into COP28, expectations were met in some areas, such as commitments on methane, renewable energy and climate finance, and went beyond in others. Most notably, the agreement by over 190 countries on transitioning away from fossil fuels in the energy system demonstrates a shift in both objective and perspective from participating nations. The ability of participating countries to reach consensus at COP28 was a positive signal amidst low expectations. However, when measured against the action needed to meet global climate change goals, early analysis shows that government commitments and actions are still not sufficient to meet the Paris Agreement and limit global warming to 1.5°C by the end of the century³⁰. It remains to be seen how countries will seek to address this gap, and enable a just and orderly transition.

“The agreement by over 190 countries on transitioning away from fossil fuels in the energy system demonstrates a shift in both objective and perspective from participating nations.”

²⁴ [Food and Agriculture, COP28, accessed December 13, 2023.](#)

²⁵ [Tracking the connections between public health and climate change, The Lancet, 2023.](#)

²⁶ [COP28: 124 Countries commit to milestone 'Declaration on climate and health', Health Policy Watch, December 2, 2023.](#)

²⁷ [COP28: United for Nature: COP28 mobilizes action to protect and restore forests, mangroves, land and ocean, December 10, 2023.](#)

²⁸ [COP28: Work Programme on Just Transition Pathways, December 2023.](#)

²⁹ [COP28 Declaration of Support, IFRS, December 2023.](#)

³⁰ [IEA assessment of the evolving pledges at COP28, December 10, 2023.](#)

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