



# Advisory Outlook



## Keeping the 1.5 Degrees Goal Alive

### Introduction

For two weeks, global attention shifted to Sharm El Sheikh, Egypt, as over 30,000 world leaders, climate activists and civil society, local communities and diverse stakeholders including youth and children, convened for the 27th conference of parties (COP27) - the Implementation COP. This year's COP centred around rethinking the global action on climate change and gave birth to landmark agreements aimed at keeping the 1.5 degrees limit alive and saving the planet from the brink of climate disaster.



### COP27 Final Cover Text - A snapshot of major agreements at COP 27

Amidst the twists and turns of events at the COP, significant progress was made as parties deliberated and pushed for more radical climate action to deliver on climate commitments.

Some major highlights in the COP27 draft text include:

- An emphasis on the need for developed countries to provide enhanced support through financial resources, technology transfer and capacity building to enable climate mitigation and adaptation action and inequities in access to finance for developing countries
- A need for rapid, deep and sustained emissions cuts and a significant increase in climate finance to achieve 1.5°C
- The establishment of a financial support structure to address the loss and damage faced by the most vulnerable countries by COP28
- A call for the transformation of energy systems to be more reliable and resilient, especially with the global energy crisis and climate change threatening efforts to achieve energy security around the globe.
- A greater need to diversify energy mixes and systems by enhancing the share of renewable energy in the energy mix, accelerating measures towards the phase down of unabated coal power and phasing out of inefficient fuel subsidies.
- Parties were urged to integrate adaptation into policy, programs, and budgets to accelerate climate resilient development; hence going beyond incremental action to a more transformational approach to enhance adaptive capacity and strengthen resilience.
- A transformation of the financial system, structures and processes is needed to deliver the financing need of \$4 trillion a year in renewable energy until 2030.
- The need to close the existing gap in the global climate observing system as one-third of the world, including 60% of Africa, do not have access to early warning and climate information services.
- The first-time inclusion of nature-based solutions in the context of mitigation and adaptation but no reference to COP15 of the Convention of Biodiversity holding in Montreal from December 7 to 19, 2022.

### Loss and Damage Financing - The big win of COP27

Loss and Damage is, undoubtedly, the defining issue of COP27 and it took a long deliberation to agree on a funding facility.

In the second week of COP27, the G7 and the Vulnerable Twenty (V20) countries launched the Global Shield, an insurance-based initiative aimed at rapidly providing prearranged insurance and disaster protection funding following climate disasters.

At the launch, Germany committed €170m, France €20m, Ireland €10m and Canada €7m.

The EU was at the forefront of the proposition that led to the establishment of a loss and damage finance facility for climate-vulnerable countries. This agreement is the outcome of three key issues: Europe's threat to abandon negotiations, the United States and China resuming bilateral conversations on climate change, and the United States' shift in stance on the issue.

Some key terms in the new text on loss & damage include: the establishment of the funding arrangements, consideration to expand the source of funding, setting of governance and timelines and financial reforms, seeking the contribution of international financial institutions.

In the end, COP27 gave over €340 million in new pledges for loss & damage. And where there is no immediate source of funding these commitments are channelled to the Global Shield and the UN early warning systems, with some going to the Santiago Network and country-specific projects.

The main focus of negotiation in the coming year will therefore be on deciding which countries pay into the fund and which countries benefit from it.

### Settling the Article 6 right - Carbon Markets

At the COP, discussions and negotiations on Article 6 of the Paris Agreement - carbon markets - which entails the formation of carbon offset markets to allow countries to purchase credits to partially meet their climate commitments, got off to a slow start.

Nevertheless, notwithstanding the inconclusiveness of some of the discussions (particularly Articles 6.2 and 6.4), the African Carbon Market Initiative (ACMI) was established. This initiative intends to boost Africa's involvement in voluntary carbon markets and generate 300 million carbon credits yearly by 2030. This may generate \$6 billion in revenue and support 30 million employment in Africa.

### More on Adaptation and Mitigation

In addition to the Adaptation Agenda launched by the COP Presidency, there have also been new pledges, totaling more than \$230 million, made to the Adaptation Fund, as well as an emphasis by the UN chief on making good on the long-delayed promise of \$100 billion a year in climate finance for developing countries.

The EU and the African Union also announced a new Team Europe Initiative (TEI) on Climate Change Adaptation and Resilience in Africa.

Through better collaboration, the project will bring together existing and future climate change adaptation programs totaling over €1 billion. The contribution will provide €60 million for loss and damage financing. The number of nations that committed to the global methane pledge has increased to 150, thus committing to reduce greenhouse gas emissions by 30 come 2030. 95% of submitted NDCs have either included methane now or will do so in their next revision while 50 countries have put in place a national plan (working or in the process).

To urgently scale up mitigation ambition and implementation, a Mitigation Work Programme was launched with immediate effect and will run till 2030. The programme is designed to hold at least two global dialogues every year.

The International Organization for Standardization (ISO) also launched its Net-Zero Guidelines that will "provide a common reference for collective efforts, offering a global basis for harmonising, understanding, and planning for net zero for actors at state, regional, city and organizational level" to address the divergent concepts and competing approaches on net-zero.

### What Next?

After extensive deliberations at COP27, key actions need to be taken by participating parties and other organisations. African business leaders need to concretise their pledge and review their net-zero plan in ensuring the achievement of their targets as the lever for better responsibility and accountability on net-zero action has been raised, requiring more action than plans.

A big victory is the progress on loss and damage funds. This will now require defining the structure to identify qualified nations and disburse the funds. Developing nations need to position themselves with plans, partnerships and projects to benefit from this and other financing commitments from the Conference.

By COP28, we look forward to the delivery of the G7's Breakthrough Agenda, a package of 25 new collaborative actions to accelerate decarbonisation under five key sectors of power, road transport, steel, hydrogen and agriculture.

All hands must be on deck to achieve a just transition globally, with major global emitters needed to set new targets ahead of COP28 and African nations building their adaptation capacity so that we can keep the overarching 1.5°C goal alive.

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