



After COP28: Nine Key Implications for Business

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After tense final negotiations at the close of COP28, a historic agreement to “transition away” from fossil fuels made headlines around the world. The summit, and its many accompanying announcements and pledges, will have major implications for business.

1. The transition to net zero is accelerating; every government is to submit new climate plans by 2025

- The original landmark climate agreement in Paris in 2015 included a “ratchet mechanism” to increase the level of ambition from countries in order to limit global warming to no more than 1.5°C. The next “ratchet” requires new national plans to be submitted to the UN by 2025, covering the period to 2035.
- Under the ratchet 198 governments will produce new, enhanced national plans focused on closing the gap to 1.5°C, with global emissions required to peak by 2025. As the world looks to narrow this gap, companies will come under intensifying pressure to step up and show progress against their own near-term targets and transition plans, with more than 250 financial institutions expected to publish their next year.

2. The beginning of the end of the fossil fuel era

- There is now a new narrative on fossil fuels. Oil & gas companies will come under increasing scrutiny from all stakeholders to set out how their business strategy is compatible with the landmark agreement to “transition away from fossil fuels” during “this critical decade,” “in line with 1.5°C.”
- At a minimum, this means recognizing their role in the move to net zero and demonstrating their contribution to the “deep, rapid, sustained emission reductions” required for an “accelerating” shift towards a net-zero energy system by 2050.
- Integrated energy companies (with exposure to hydrocarbons and clean energy portfolios) may seek to harness this historic pivot to bolster the investor logic and potential reputational dividend of diversifying to meet rising demand for green and clean energy solutions across industries such as road transportation, shipping, aviation, steel and cement, and in support of the “economy-wide” transition that governments at COP28 have committed to implementing.



3. Progress in the real economy is underway, bolstered by major announcements at the summit

Major announcements from the summit marked the growing shift across sectors. Three standout examples that demonstrate the breadth and pace of change were:

- The launch of the [Industrial Transition Accelerator for Heavy-Emitting Industries](#): An international, public-private collaboration to accelerate a critical mass of projects to reach their Financial Investment Decision – the major milestone needed to ensure they can go live by 2030.
- A new wave of partnerships from [the Breakthrough Agenda](#), an international partnership covering 60% of global GDP, to increase demand for low-carbon industrial products through creating standards to facilitate international trade alongside technical and financial assistance for industrial transformation in developing countries.
- Twelve nations agreed to disclose their entire inventory of fossil fuel subsidies to then share best practices on how to phase them out. The International Monetary Fund estimates the global volume of fossil fuel subsidies at \$13 million per minute throughout 2022. Members of this new Dutch-led alliance include France, Spain, Finland, Denmark and Canada.

4. A smaller role for carbon capture technologies, putting the spotlight on its feasibility

- The last few years have seen a significant public debate about the potential role of carbon capture solutions in the transition. The COP28 agreement, which was unanimous, indicated a smaller role for carbon capture technologies than some advocates had called for, signalling a narrower application than in previous drafts and reflecting challenges about the extent of its potential on economic as well as scientific grounds.

5. Focus on finance continues to grow, as the challenge of how to fund the transition remains

- Over the course of COP28, new announcements, initiatives, and mechanisms mobilized \$83 billion in new finance. Yet a lack of progress on the issue of climate finance was a major concern at the summit, especially among developing and climate-vulnerable countries. This comes despite the landmark creation and [initial financing of a fund](#) to support the “loss & damage” caused by climate change.
- A major focus is on how to accelerate the flow of private capital into emerging economies to fund commercial projects, such as renewable energy. Following the work of Barbados Prime Minister Mia Mottley’s [Bridgetown Initiative](#), efforts are being concentrated on reducing the cost of capital and premium for foreign exchange risks. For major international financial institutions and philanthropic organizations, there is an opportunity to demonstrate leadership by contributing to tackling this challenge.

6. Spotlight to move to the food sector, as agriculture is on the table for the first time

- Food systems are becoming more directly implicated in climate action. COP28 saw some notable steps forward on this agenda: State and non-state actors united behind [the Call to Action for Transforming Food Systems for People, Nature, and Climate](#), with signatories committing to 10 priority actions to transform food systems and call for a set of time-bound, holistic and global targets by COP29 at the latest.



- Governments also sent further positive signals. 158 countries committed to the [UAE Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action](#). This marks the first-ever declaration on food systems and means governments will embed food in their NDCs and will report back on this next year.

7. A new generation of tools to enable scrutiny of corporate action

- Launched on the margins of the summit, these tools go beyond traditional corporate datasets. Free and easily accessible to the public, they will allow scrutiny of individual companies at a new level of scale and detail. For example:
 - The [Net-Zero Data Public Utility](#) – backed by the UN, International Sustainability Standards Board and International Energy Agency, as well as private sector experts from the Glasgow Financial Alliance for Net Zero and Bloomberg. A database of consistent company-level greenhouse gas emissions makes analysis and comparison of company climate data substantially easier and quicker for investors, analysts, regulators, NGOs and the media.
 - [ClimateTrace](#) – satellite-based inventory of the source and location of greenhouse gas emissions, which launched a significant expansion in Dubai to cover data from 352 million assets. This enables scrutiny of companies' self-reported emissions and the closure of data gaps from suppliers.

8. The private sector is firmly established at COP, but questions remain about the role of companies

- COP28 saw an estimated 100,000 attendees, significantly more than any previous summit. This included a notable presence from major companies and investors, building on a growing number of attendees in recent years.
- Yet a growing number of countries and climate stakeholders are questioning whether the enlarged summit is impeding the negotiations and whether COP is becoming too much of a "[trade show](#)."
- Those considering attending in future years should:
 - Be prepared to demonstrate a significant contribution to climate action.
 - Maintain a view of the role of companies in the summit, especially as calls continue for reform of the COP process more generally.
 - Expect growing scrutiny of consumer goods companies – the closing document of COP28 called for "transitioning to sustainable lifestyles and sustainable patterns of consumption and production in efforts to address climate change, including through circular economy approaches."

9. On the future of the COP process

- There has been substantial criticism of the fact that it took 28 COP summits to mention the central role of fossil fuels in causing climate change. This is largely because COP summits can only make unanimous decisions that can thus be blocked by a single country. Former US Vice President Al Gore said he plans to gather advocates to push for decisions to be approved by a supermajority of 75% of nations before COP29, which will be held in Baku, Azerbaijan.
- Given that 127 nations wanted to see a full "phase-out" of fossil fuels vs. the more mildly worded "transition" language, such a change would further accelerate the energy transition.



To continue the conversation



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