



2022 Climate Year in Review

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In addition to the results of the authors' own research this brief builds on a workshop that took place at the Norwegian Institute of International Affairs (NUPI) in December 2022, organized with support from UI, titled: "After COP27, in what direction does climate cooperation go?"¹

Introduction

This brief reflects on the past year of international climate cooperation and at what it could tell us about the future of climate diplomacy. In 2022, climate cooperation took place in a context fraught with geopolitical rifts, a cost-of-living crisis, and an energy crisis. It was a year of upheaval as countries faced many challenges in the aftermath of a pandemic and Russia's war in Ukraine. It was also a year marked by floods, droughts, forest fires and extreme temperatures that affected millions of people and cost billions of dollars. A case in point was the devastating flooding in Pakistan, which claimed over 1700 lives and displaced more than 7 million people (British Red Cross, 2022). As the climate crisis unfolds, it has become clear how many people are already living with extreme climate risk and how vulnerable communities have less capacity to adapt to these risks. In 2022, the IPCC issued two instalments of its sixth assessment report (AR6), highlighting the urgent need for accelerated climate action. The reports emphasize that there are solutions available, but political leadership and delivery on promises are needed to move forward (IPCC, 2022). The reports

were overshadowed by Russia's invasion of Ukraine; a war that has weaponized energy and disrupted energy markets, and which will affect climate action in different ways. International climate cooperation therefore has the difficult yet crucial task of closing the emissions gap by increasing both climate ambition and climate action on the ground in a highly challenging context. Against this background, we discuss the shifts in dynamics in international climate cooperation with regard to the venues, actors, issue-focus and enabling environment for climate action. This brief demonstrates that despite low expectations that international climate cooperation can deliver meaningful progress, the world is advancing on climate action at a steady – albeit too slow – pace. To spur international climate cooperation still further, climate diplomacy must innovate both within and outside the United Nations Framework Convention on Climate Change (UNFCCC) to reap synergies and address roadblocks and trade-offs. This report therefore addresses the existing but evolving debate on the role of the UNFCCC Conference of the Parties (COP) in advancing climate cooperation and its coexistence and relationship with other regional and non-state climate initiatives and institutions. The concluding section offers an outlook for 2023 and reflects on the future of climate diplomacy.

COP27

As the largest arena for international cooperation, COP27 in Sharm el Sheikh, Egypt, while less anticipated than COP26 in

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Workshop: "After COP27, in What Direction Does Climate Cooperation go?", Norsk

Utenrikspolitisk Institutt, accessed January 30, 2023,

<https://www.nupi.no/en/events/2022/after-cop27-in-what-direction-does-climate-cooperation-go>.



Glasgow, was the second largest COP in terms of the number of registered participants. COP27 delivered an agreement on establishing a fund for loss and damage, which is regarded by many as a historic deal. Financial compensation for loss and damage has been demanded by developing states parties for decades but without success. In COP27, however, it was made an item for negotiation, leading to an agreement to start negotiations on how such a fund could deliver finance to address loss and damage in vulnerable countries suffering from climate impacts.

The outcomes of these negotiations remain to be seen, but the availability of adaptation and loss and damage funds for countries most in need could build greater trust in the international system, which is needed now more than ever to maintain the legitimacy of the UNFCCC. Nonetheless, tough questions on format and rules still need to be addressed. Which states will contribute to the fund, and how much? What principles should be used when allocating responsibility to contribute to the fund: historical responsibility, willingness or the ability to pay? Will China contribute? Will the US make a long-term commitment? Will the money be new and additional? These details will have to be fleshed out in tough negotiations at future COPs.

If the decision on loss and damage finance was an important milestone, decisions on climate mitigation delivered fewer tangible results. Admittedly, the Paris Agreement places more responsibility for mitigation back in the hands of states. However, efforts continue to establish multilateral mechanisms to encourage accelerated mitigation. For instance, Article 6 sets up international carbon markets, and the main rules on these were adopted in Glasgow. However, more work is needed on carbon market rules to ensure that they do not

enable shadow markets and undermine legitimacy and trust in climate politics.

Conversations on mitigation at COPs are largely centred around negotiating the rules on international carbon market mechanisms, but national bottom-up action still receives attention through encouraging countries to ratchet-up their ambitions and implementation by means of diplomatic pressure and “naming and shaming”. Countries’ climate ambitions and actions are typically assessed in their nationally determined contributions (NDCs), which outline short-term climate policies and are updated on a five-year cycle. COP26 had encouraged countries to come to COP27 with more ambitious climate targets but few countries heeded this call. Some major emitters, such as India, Australia, Indonesia and Egypt, did submit strengthened climate plans. While strengthened targets are crucial, they need to be accompanied by new policies and investments. COP27 also adopted a decision on the Mitigation Work Programme, which focuses on raising climate ambitions. Delivery will require political will and strong political signals. As the Global Stocktake moves into a more political phase in 2023, there are possibilities that political messages might emerge from this process.

As part of the Paris Agreement, countries are also required to develop and submit long-term low emissions development strategies (LT-LEDS), which outline a country’s priorities and views on its decarbonization pathways by 2050. More countries developed LT-LEDS in 2022, and there have been over 50 submissions to date. The UNFCCC published an LT-LEDS synthesis report in October 2022. This overview of 53 strategies together accounted for 68% of total global emissions in 2019, 83% of global output, 47% of the world’s population and around 69% of total energy consumption (UNFCCC, 2022a). While living in the shadow of NDCs, LT-LEDS are central to effective long-term climate action.



As more countries develop their long-term strategies, this could help shift the way states plan for the future. Among the countries that submitted long-term climate plans, many did not develop concrete targets but built in a dependence on carbon dioxide removal to achieve their emission targets of net-zero emissions by 2050. As more countries look to negative emissions, more international cooperation will be needed to ensure that these plans are followed (Buylova et al., 2022).

In sum, international climate cooperation needs strengthening. While it is widely acknowledged that aggregate mitigation ambitions are too low to meet the goals of the Paris Agreement, it is possible that adaptation and loss and damage issues will become more central to the UNFCCC COPs in the future. The UNFCCC COPs are the only universal forum where countries can discuss these topics in tandem, and they therefore remain important venues for international climate cooperation. Nonetheless, climate action is increasingly being formulated in other forums.

Outside COP – Non-state actors and regional climate initiatives

While critics question the value of UNFCCC COPs, these conferences are arguably becoming more important for non-state actors, which take the opportunity to share best practices, engage in information exchange and form new partnerships. The growing interest from business and civil society is reflected in the number of participants attending COPs representing these groups. There were 12,241 participants from observer organizations in Egypt, representing civil society, intergovernmental organizations and UN bodies, and business groups – among the largest number of observers at any COP (UNFCCC, 2022b). Greater numbers of civil society

representatives attending UN climate meetings could indicate greater transparency and more opportunities for diverse groups to be involved in decision making. Some, however, highlight the risk that vested interests with a conflict of interest might gain a foothold to slow decision making.

Arguably, the growing focus on industrial transition and industrial competition is making COPs an important venue for discussion of industrial decarbonization. In addition to COPs, more regional, local, and non-state climate initiatives are arising in the shadows of UNFCCC processes. The types of initiatives – from Just Energy Transition Partnerships to the Africa Carbon Markets Initiative, the ENACT Initiative for Nature-based Solutions, to Race to Zero partnerships – and the types of actors involved are both expanding. Sweden is active in many initiatives. Together with India, it leads the Leadership Group for Industry Transition (LeadIT), which focuses on industrial decarbonization. Such initiatives can provide safety in solutions and bring down the costs of abatement. They can also encourage broader participation by making it attractive to be a member, for example by encouraging joint technological innovations where one driver is avoiding losing out on technological change. However, given the heterogeneity among climate initiatives, there is a role for future research on the effectiveness of these coalitions and alliances in accelerating international cooperation and driving ambition on climate change. For example, would the problems we face at COPs simply be duplicated in these new initiatives? Do mini-lateral climate arrangements support or undermine COP processes? How will it be possible to keep track of the growing number of smaller initiatives and ensure their legitimacy, integrity, and accountability? At COP, the UN High Level Expert Group on Net-Zero Commitments of Non-State Entities began to address the latter question with regard to non-state actor initiatives.



One thing that is clear is that we are increasingly seeing pull-factors from outside the UNFCCC seeking greater climate ambition. Some examples of regional climate initiatives are the EU's work on climate tariffs – a reformed Emissions Trading Scheme (ETS) with the inclusion of a carbon border adjustment mechanism (CBAM) (Buylova et al., 2022) and adoption of the climate club proposals of the G7 countries, which could be viewed as a step towards the climate club ideas discussed in the academic literature (Falkner et al., 2022). It will be important to monitor how these new initiatives are received by other countries, given the heightened geopolitical rivalry (Overland and Sabyrbekov, 2022). The CBAM aims to charge a border tax on imports into the EU that do not pay carbon tax in their host jurisdictions, while gradually phasing out free allowances within the ETS. The CBAM will initially target iron and steel, cement, aluminium, fertilizer, hydrogen, and electricity sectors, but even this will not take a full effect until 2026. This raises questions about whether the ETS and the CBAM can substantially help the EU to deliver on its 2030 climate target. At the same time, the CBAM will have wider global repercussions and its impacts will be observed beyond EU borders (Tarr et al., 2022). Since the CBAM was proposed in 2020, the debate around it has included questions about the extent to which the EU is trying to influence other countries' climate policies, while at the same time acting to protect its own industries and going against World Trade Organization rules.

Interestingly, the US Inflation Reduction Act (IRA) signed into law by the Biden administration in August 2022 raises similar objections and concerns, especially from among EU member states, making it an interesting addition to the EU-US climate and energy discussions in the coming year. The IRA includes a climate and tax deal that will funnel billions of dollars into programmes to

speed up the clean energy transition in the US. Although the IRA has a domestic focus, it has the capacity to alter the international landscape for climate action. It aims to help the US achieve its emissions commitments and increase its competitiveness in the field of clean energy (Barbanell, 2022). The IRA has created waves in transatlantic relations. While the US views it as a way to start a race to the top, the EU fears that the IRA might be protectionism in disguise. The EU's response to the IRA and the rollout of the CBAM will be a factor in whether relations between the EU and the US become more cooperative or more confrontational (Kurmayer, 2022). In a step to facilitate cooperative relations, the US and the EU have set up a Transatlantic Initiative for Sustainable Trade to support the green transition (Serup, 2022). In addition, a new coalition of trade ministers on climate has been formed by around 30 countries (Arróniz Velasco, 2022).

Outlook

What does the future have in store for international climate cooperation? The finance question will remain key in the next few years as countries must deliver on unmet promises and decide on a new collective quantifiable goal on climate finance. As the costs of climate change become more and more clear, there might be an increased focus on industrial decarbonization, the integration of climate policies with trade policies, reform of the global financial system and the need for increased standard-setting and accountability. We might also see an increased focus on energy security, which if not handled with care could lead to further carbon lock-in. The climate and energy implications of the war in Ukraine will become more visible in 2023. It is still an open question whether the war will ultimately accelerate the green transition or lock-in dependence on fossil fuels. At COP27, India proposed discussion on a phase down of all fossil fuels. Whether such a proposal



could gain traction in the future remains to be seen. Picking up on a civil society initiative, Tuvalu and Vanuatu became the first states to call for a Fossil Fuel Non-Proliferation Treaty (Lorenzo Rubiera, 2022).

Where and how these issues are to be debated and implemented remains open to question. The legitimacy and purpose of the UNFCCC process is under scrutiny. Do the COPs need more pronounced and clearer reform? How can climate action be accelerated? Increasing experiments with regional cooperation and multi-stakeholder, non-state climate initiatives are a possible indication that the UNFCCC process needs a clearer link with what is happening on the ground. At the same time, the benefits of multilateral negotiations cannot be underestimated. UNFCCC COPs are still the largest and most visible platform that puts the spotlight on the actions of individual countries and gives voice to various stakeholders. The next COP is to be hosted by the United Arab Emirates and the appointment of the president is already facing criticism, as he is the CEO of the Abu Dhabi National Oil Company. How the process evolves and whether current climate proposals can gain steam therefore remains to be seen. Another event to keep an eye on is the UN Secretary-General's Climate Ambition Summit planned for September 2023. It is clear that more work needs to be done in the coming year to ensure that countries act in accordance with the Paris Agreement.

The tense geopolitical situation will continue to have implications for climate cooperation.

The strained relationship between China and the US could have consequences for international cooperation, but also for the decarbonization transition. This process will depend on an exchange of ideas, innovation, and new technologies, which in turn thrive on open, global markets and are hampered by mistrust between leading actors.

What does all this mean for climate diplomacy? Climate diplomacy is the engine of international climate cooperation and is becoming increasingly complex as it spans several fields. In the coming years, climate diplomats must navigate an increasingly fraught landscape and seek to bridge issues that, if left unaddressed, put the legitimacy of international climate cooperation at stake. There is a need for accelerated implementation of the Paris Agreement. The toolbox available to climate diplomats must be strengthened to allow discussions on multiple issues in venues both old and new. One priority will be to avoid trade wars and facilitate the roll-out of technology and innovation for decarbonization. Another will be to identify joint solutions for climate and biological diversity and provide international support to developing countries to facilitate implementation.

Over the years, it has become increasingly clear that climate change is not a single issue that can be resolved by one organization acting alone. Instead, it is a process that involves a wide range of issue areas, such as health, infrastructure, trade, and security. As such, a breaking down of silos will be needed and “all hands on deck” must be the new motto of climate diplomacy.



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