

COP27: A Fair COP or a COP Out?

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- UN Secretary-General, António Guterres, set the tone in his opening remarks when he said,

“We are on a highway to climate hell with our foot on the accelerator” noting that *“Greenhouse gas emissions keep growing. Global temperatures keep rising. And our planet is fast approaching tipping points that will make climate chaos irreversible”*.

- The UN Environment Programme’s own Emission Gap Report 2022 concludes that the international community is falling far short of the Paris Agreement goals, with no credible pathway to 1.5°C, current policies on a trajectory for a 2.8°C temperature rise by 2100 and current pledges delivering a 2.4-2.6°C temperature rise.
- Various news outlets ran stories in support of that theme highlighting studies that identified that 90 percent of coal and 60 percent of oil and gas reserves would need to remain in the ground and that the world’s largest carmakers would need to shelve current plans to build 400 million combustion engine vehicles to stay within the goal set by the Paris Agreement at COP 21 in 2015 to limit global warming to well below 2°C and preferably to 1.5°C compared to pre-industrial levels.
- The Egyptian Presidency launch COP27 with a strong political focus on “loss and damage” and “climate justice”—seeking to hold the biggest fossil fuel polluters liable for the loss and damage caused by climate change—which, it has been estimated, could cost developing countries up to \$580 billion in annual climate damages by 2030, and more than \$1 trillion per year by 2050. At COP27, loss and damage made its way onto the formal agenda for the first time. Mia Mottley, the Prime Minister of

Barbados, was typically forthright in her views on the subject calling for a tax on fossil fuel companies to fund loss and damage projects and saying,

“We were the ones whose blood, sweat and tears financed the industrial revolution. Are we now to face double jeopardy by having to pay the cost as a result of those greenhouse gases from the industrial revolution? That is fundamentally unfair.”

By the end of the week, attention had shifted, back to the issues associated with the deep decarbonization necessary to make best efforts to comport with the aspirations established in Paris.

- Developing countries continued to focus on holding donor countries accountable for commitments to mobilize collectively \$100 billion of climate finance per year by between 2020 and 2025, to support their efforts in cutting emissions and preparing for the impacts of climate change. This was a key focus at COP26 in Glasgow with the goal originally set at COP15 in Copenhagen in 2009 and the deadline for delivery extended from 2020 to 2025 at COP21 in Paris. The goal has not yet been reached, but the EU’s projections indicate that donor countries will deliver on their commitment by 2023.
- Parties made renewed calls for an international fossil fuel non-proliferation treaty, which would phase out the use of coal, oil and gas, with the Pacific island nation of Tuvalu following its neighbor Vanuatu in leading calls for such a treaty. Commenting on the proposal, Tzeporah Berman, chair of the Fossil Fuel Non-Proliferation Treaty Initiative, said

“For 30 years we have been making emissions reductions targets but the fossil fuel industry has been continuously expanding production. We are trying to reduce the demand for fossil fuels without reducing the supply, which is like trying to cut with one half of the scissors. There is no treaty on what governments can produce and where and, without a treaty, we will be unable to bend the curve on emissions.”

- Methane mitigation has played a central role in the discussions, as the scientific community rallies support for this highly potent short-lived climate pollutant (with over 80 times the global warming potential of CO₂ in its first 20 years in the atmosphere). To that end, President Biden and the U.S. Environmental Protection Agency (EPA) announced more rigorous standards to cut methane emissions, which are aimed at cutting 87 percent of methane emissions from the pollution sources EPA regulates by 2030 from 2005 levels. The proposal targets drilling sites, including smaller

wells that emit less than three tons of methane per year, by requiring them to be monitored for leaks until they are closed. It also compels site operators to respond to credible third-party reports of high-volume methane leaks and tightens regulations on flaring.

- Striking a contrasting tune, Occidental Petroleum CEO Vicki Hollub prominently voiced a challenge to parties arguing that responsibility for climate change rests solely with fossil fuel majors, saying:

“This is not a problem that just the oil and gas industry has. Everybody that uses a product that was generated from oil and gas has a part in this and is also responsible. Your iPhone, you are responsible for that. If you flew over here [to COP27], you are responsible for what you used here. The nice clothes you are wearing right now, you are responsible. If we don’t all step up and take accountability, this doesn’t happen. You are still there thinking ‘oil and gas companies need to go away, they need to shut down their production’. You don’t understand what would happen to you if we did that. Your television goes away, ... driving goes away. That’s why the transition has to be better designed. We’ve got to be much more thoughtful.... I’m saying the world is responsible”.

- Carbon credits and carbon pricing featured highly in the discussions, with IMF Managing Director Kristalina Georgieva arguing for the benefits of more robust global carbon prices, saying

“Unless we price carbon predictably on a trajectory that gets us at least to USD 75 average price per ton of carbon in 2030, we simply don’t create the incentive for businesses and consumers to shift”.

- Verra, which manages the world’s leading voluntary carbon markets standards and registration program for voluntary climate that mobilize finance to projects that avoid greenhouse gas (GHG) emissions or sequester carbon from the atmosphere, the Verified Carbon Standard (VCS) Program, announced its issuance of its one billionth carbon credit, while recognizing the growing pains the market is facing driven by the proliferation of carbon projects and demand for high quality credits to offset goals and commitments.
- There was also a sense of frustration, which ranged from immediate on-the-ground concerns about topics such as limited, expensive and carbon intensive catering options and sponsorship of the conference by a company ranked amongst the world’s

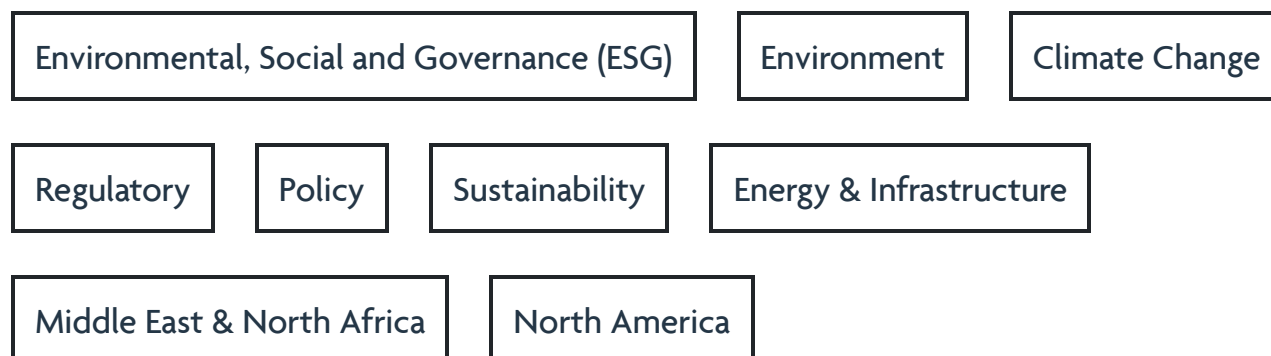
largest plastic purveyor of plastic packaging, to real macro concerns about a perceived lack of progress on the implementation of climate solutions, after the Paris Agreement rulebook was largely settled at COP26 in Glasgow in 2021.

Other notable week 1 highlights included:

- U.S. Climate envoy John Kerry's proposal for a new billion-dollar carbon credit program aimed at allowing developed countries to help developing countries cut back on fossil fuel emissions.
- The launch of the African Carbon Markets Initiative (ACMI) in a report that set out plans to create a \$1.5 billion a year voluntary carbon market by 2050.
- The United States and the European Union (EU) in talks regarding the trade tensions triggered by the Inflation Reduction Act (H.R. 5376). EU officials are displeased that the law puts its vehicle and battery manufacturers at a competitive disadvantage.
- Climate Action Tracker, a collaborative research project tracking emissions reduction progress, released a new edition of its report, which predicted that fossil fuel projects initiated by countries this year in response to Russia's invasion of Ukraine could emit 10 percent of the world's remaining carbon budget.
- A group of countries that represent more than half of the global economy, including the United States, Germany, Canada and Japan, announced their commitment to 25 "Priority Actions" that they will unveil at COP28 in Abu Dhabi. This initiative, originally called the "Breakthrough Agenda," highlights phasing out gasoline-driven vehicles, addressing emissions in the agricultural industry and investing in clean hydrogen, among other actions.
- The UN International Organization for Standardization (ISO) launched a set of guidelines that helps organizations craft "clear" net-zero emissions plans. ISO's guidelines were developed by 1,200 organizations and experts from over 100 countries.

The focus and endgame for week 2 will be on settling the yet to be published "cover text", highlight transportation and energy action to reduce GHG emissions, the recording the official outcomes and pledges from the conference, with commitments to the phase down or phase out of fossil fuels and, in particular, coal set to be once again amongst the key points of contention.

Categories



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