

Thought Leadership 2023



1 February 2023

Reflecting on COP27

The message from COP27 is clear: Business must forge ahead with implementing ambitious and equitable climate action if we are to achieve a Just Transition and keep 1.5 °C alive

The **Global Carbon Budget Report** released at COP27 states that there is a 50% chance that warming of 1.5°C will be exceeded in nine years, if global emissions continue at the current rate. Furthermore, the 2022 **UNEP Emissions Gap Report**, aptly entitled “*The Closing Window*” shows that the only credible pathway to limiting global warming to 1.5 degrees Celsius is the implementation of far-reaching, large-scale, urgent and fundamental decarbonisation in key sectors, particularly a rapid transition towards renewable and clean energy systems across the global energy sector .

Both reports also echo the urgent need for all actors to increase climate commitments and cut emissions, especially up to 2030, and to implement adaptation measures without delay to build climate resilience in vulnerable societies and economies.

COP27 managed to (only just) keep the commitment of limiting warming to the 1.5 degree limit alive. The **Sharm el-Sheikh Implementation Plan** presents a mixed bag of language around mitigation and adaptation commitments, with the final text reiterating the central finding of the **IPCC Special report: Global Warming of 1.5 °C** (2018):

“[...] that the impacts of climate change will be much lower at the temperature increase of 1.5 °C compared with 2 °C and resolves to pursue further efforts to limit the temperature increase to 1.5 °C.”

Similarly, limited progress was made on adaptation, with little guidance or concrete targets in the text indicating how this would be done or by when:

*“[...] **urges** developed country Parties to urgently and significantly scale up their provision of climate finance, technology transfer and capacity-building for adaptation so as to respond to the needs of developing country Parties as part of a global effort, including for the formulation and implementation of national adaptation plans and adaptation communications”*

This is a core issue for the African continent - where a lack of guidance for the implementation of the Global Goal for Adaptation remains a huge concern. Despite this, we should not become disheartened when looking at the final cover text emerging from 2 weeks of intense negotiations around mitigation and adaptation in the Sharm el-Sheikh Implementation Plan. This optimism can be attributed to **four key outcomes that are important for the way forward:**

1. **A fund for Loss and Damage was established:** The developed world has taken a significant step towards acknowledging issues of climate justice with the agreement on Loss and Damage making allowances for a dedicated global fund to channel financial support to vulnerable countries experiencing the effects of climate change. However, further negotiations are required to determine how this would work and where funds would need to come from to achieve these objectives.
2. **An agreement that financial flows need to be fit for purpose was reached:** There is consensus on the need to implement reform in global financial systems and institutions to better enable climate finance flows to the developing world. In particular, to ensure that the funding mechanisms and solutions provided by multilateral development banks (MDBs) are fit for purpose and do not result in the further indebtedness of developing countries.
3. **Importantly, the Sharm el-Sheikh Implementation Plan explicitly mentions the Just Transition as key to achieving climate ambition and action:** COP27 saw the establishment of a work programme on “Just Transition” which includes an annual ministerial roundtable as part of this process. The Just Transition is a key consideration for developing countries, and central to South Africa’s transition.
4. **Scaling up renewable energy is recognised as the solution to the current energy crises being experienced globally:** There is agreement that the best way out of the energy crises experienced globally is by driving a rapid scale up of renewable energy implementation and phasing down fossil fuel usage. It is also widely agreed that radical transitions in the energy sector must be done in a Just manner, ensuring that no one is left behind.

In another significant step forward, the Sharm el-Sheikh Implementation Plan frames the climate crisis and response in terms of the Sustainable Development Goals (SDGs) and Just Transitions, emphasising that these issues are inextricably linked. This is an important framing for implementation, and it aligns well with the National Business Initiative’s (NBI) planned work with business going forward in 2023.

For the private sector, despite the limited progress made on mitigation and adaptation in the negotiations, the signals for change are clear. Reform in the finance and energy sectors, as agreed to above, will open significant opportunities for business and other non-state actors to forge ahead with implementing their emissions reductions commitments and Just Transition plans. These reforms “...could open new investment opportunities in Africa for clean energy investments critical for addressing energy poverty on the continent,” explained **Minister Creecy (November 2022)** and those who do not seize this opportunity risk being left behind.

President Cyril Ramaphosa launched the government’s **Just Energy Transition Investment Plan (JET-IP)** at the World Leader’s Summit, hosted in the first week of COP27. The JET-IP demonstrates important progress made following on from the offer of finance for South Africa’s Just Transition, made at COP26 last year. The document

outlines the scale of need and the investments required to achieve the country's decarbonisation commitments and was reflected upon in many of the events hosted at the South Africa pavilion at COP27.

While it is important to pay careful attention to what is happening within the negotiations arena, **it is also critical to keep an eye on what is happening outside those spaces** and amongst business and other non-state actors, whose participation at COP27 amplified messages of change and calls for enhanced ambition.

The South Africa Pavilion

The South Africa Pavilion, hosted in partnership between business (through the National Business Initiative (NBI)) and the South African National government (through the Department of Environment, Forestry and Fisheries (DFFE)), **demonstrated South Africa's Just Transition and climate commitments through showcasing action taken by business, youth, labour, civil society and government.**

The South Africa Pavilion key messages were built around the following five themes:

1. South Africa is co-creating and implementing a Just Transition to net zero emissions by mid-century and unlocking opportunities for investment.
2. While a Just Transition is underway, we need to prepare for a warmer world and mobilise finance for adaptation and resilience.
3. Implementing both adaptation and a Just Transition requires strong and credible partnerships between business and government.
4. Credible partnerships are based on transparent leadership, business and government stakeholders must therefore demonstrate progress against commitments.
5. We need support to implement a Just Transition in the face of existing climate impacts, if we are to develop our economies within a fair share carbon budget.

Noteworthy visitors from government to the pavilion included, but are not limited to President Cyril Ramaphosa, with several ministers also in attendance: Minister of Environment, Forestry and Fisheries – Ms. Barbara Creecy and Minister of International Relations and Cooperation – Dr. Naledi Pandor. The private sector was also very well represented by C-suite executives, Board Chairs and senior executives, comprising our largest business delegation to a COP conference thus far. Several youth, civil society, academia, and labour representatives (including COSATU) also participated.

The South Africa Pavilion was made successful by every participant, organisation, COP27 support staff and visitor who stepped onto the pavilion- thank you to all those who participated and helped make it a success. A special thank you to our sponsor companies, without whom, this would not have been possible. We hope to see you all at COP28.

Alongside the negotiations, both the Blue Zone (the UN-managed negotiation spaces at COP for which UN accreditation is required) and the Green Zone (open to the public) buzzed with activity as business, observer organisations, civil society and local governments showcased their climate commitments, plans, and examples of climate action under way. This demonstrates an increasing understanding that all sectors of society need to be part of the solution.

The role of the business as key agents in implementing sector decarbonisation pathways is increasingly critical and **a range of announcements were made signalling trends towards greater levels of business leadership and action on climate and Just Transition.** Some examples below were gathered by the NBI's partner organisation, We Mean Business Coalition:

1. The Science Based Targets initiative (SBTi) announced it had surpassed 4,000 companies committed to science-based targets.
 2. A **group of businesses** including Unilever, BT and IKEA issued a declaration calling on other companies to join them in halving value chain emissions by 2030.
-

3. Cemex, Holcim and Titan become the first cement companies to set 1.5°C aligned science-based targets - an important milestone in what is one of the hardest sectors to decarbonise.
4. A **new joint venture** between Vodafone and WWF looks to further the network giant's plan to reach net zero emissions by 2040 and tackle e-waste across the industry. 'One Million Phones for the Planet' boosts Vodafone's circular economy strategy by significantly increasing the number of devices it refurbishes.

Several tools and guideline documents for business were also announced and released during COP27, including:

1. **CDP** took a positive step toward promoting international regulatory streamlining by announcing it will incorporate standards from the **International Sustainability Standards Board (ISSB)** into its existing questionnaires.
2. The new International Organization for Standardization's (ISO) **Net Zero Guidelines** were launched at COP27, meaning that organisations now have better guidance on how to set and meet climate targets that can withstand interrogations for green washing.
3. A similar net zero guidance document was released by the **UN High Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities.**

The Way forward:

The NBI is concluding its Just Transition and Climate Pathways work and has secured funding to support business in unpacking, defining, and playing a constructive role in implementing South Africa's Just Transition to a carbon neutral, competitive and sustainable society, and economy.

We are also scaling up our work in unlocking renewable energy implementation at the local level and in developing initiatives that unlock the sector decarbonisation pathways and have several opportunities for our member companies to participate.

We look forward to supporting credible and committed business leadership, action and partnerships for implementation in the new year and to working with you again on the road to COP28 in Dubai in December 2023.

If you would like more information on the National Business Initiative's (NBI) climate work, or you would like to join us as a sponsor on the Road to COP28, please contact Reitumetse Molotsoane: ReitumetseM@nbi.org.za



Copyright © 2023 NBI, All rights reserved.

The National Business Initiative (NBI) is an independent and voluntary coalition of South African and multinational businesses launched in 1995 by the then President, Nelson Mandela.

NBI Website: www.nbi.org.za

Email: info@nbi.org.za

The National Business Initiative (NBI) respects your right to privacy, if you do not wish to receive any further news updates from the NBI, please click **UNSUBSCRIBE** and your name will be removed from the mailing list.

