



# ANALYZING COP 27 AND THE 1.5 DEGREE AMBITION

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# 1. Overview

Since the dawn of the industrial era, the emerging concept of “climate change” has been brought up on multiple occasions and discussed in a variety of ways presented merely as a theoretical topic. Regrettably, climate change is not a theoretical topic anymore, the effects are increasing rapidly year by year. Greenhouse Gases (GHG) present in the atmosphere are causing temperatures to rise worldwide at significant rates. The planet has already warmed 1.1°C since pre-industrial times and scientists say rises must be limited to 1.5°C by 2100 to avoid the worst effects. The provisional 2022 State of The Global Climate report, released by the UN World Meteorological Organization, showed that the last eight years have been “the warmest on record, fueled by ever-rising greenhouse gas concentrations”.

In this context, the question arises of whether, people's daily lives are being affected by climate change, the definite answer is “yes”. Evident global warming effects include extreme weather conditions, from floods to droughts that threaten lives, crops, and animals in multiple ways. For example, effects on agriculture in Africa are threatening the lives of 37 million people now after four consecutive droughts. Rising temperatures directly affect glaciers on the Qilian Mountains in China, due to the shocking pace of the glaciers melting, China faced its worst crop conditions ever in 2021. In correlation with the rising sea levels, floods had delayed plantation on more than 18 million acres of land, about one-third of China's total winter wheat acreage. Another vulnerable country is Bahrain, where over 6,000 people employed in the fishing industry, are under threat of losing their source of income due to the rising sea level temperatures that are affecting coral reefs. Such fluctuations in water temperatures have been affecting Bahrain's coral reefs for over four decades leading to significant decline in their numbers. All of this is only a drop in the ocean of various global warming effects that are undeniable, including one effect that has touched ground to many: the emergence of new pandemics and diseases.

In response, the first Conference of Parties (COP) was established in Berlin Germany under the umbrella of the United Nations Framework Convention on Climate Change (UNFCCC) during March of 1995. The COP's main task is to oversee the national communications and emission inventories submitted by parties. The total number of parties assigned to the COP are 198 as of 2022. Consisting of all United Nations member states, United Nations General Assembly observers, UN non-member states and multiple other parties.








## 2. Expectations and Outcomes

Since the first COP, parties have been meeting on an annual basis to discuss climate change updates and commitments, except for 2020 where the COP was put on hold due to the COVID-19 pandemic. For their 27th annual meeting, parties met in the COP 27 event held on the 6th-18th of November 2022 in the green city of Sharm El-Sheikh.

This year the COP's Vision was to move from negotiations and planning to implementation. In terms of mitigation, this year was expected to witness the implementation of the Glasgow pact call to review ambition in the Nationally Determined Contributions (NDCs), and create a work program for ambition on mitigation. The COP also aimed to enhance the global agenda for action on adaptation, confirming global agreements with regards to placing adaptation at the forefront of global action. The COP also aimed to progress on the crucial issue of climate finance while moving forward on all finance related items on the agenda. This includes follow up on pledges and commitments. All of this cannot happen without the fourth target, collaboration, which emphasizes the importance of collaboration between Governments, the private sector and civil society.

### Main Focus topics for executing COP 27 goals

	<b>Nature</b> is important to prevent deforestation, protect oceanic and coastal ecosystems, and drive positive change in land use
	<b>Food security</b> is being threatened by more climate disasters as time goes on
	<b>Water security</b> is being affected by climate change
	<b>Decarbonization</b> is necessary to achieve the goals of COP 26 and keep global warming below 1.5 degrees Celsius
	<b>Climate adaptation</b> is urgent for at least 3.3 billion people who live in extremely vulnerable areas due to climate change, according to the IPCC

The twelve-day program consisted of multiple topics being discussed over a number of various sessions. Some of the highlighted topics were “powering the net-zero future” which has shed light on the energy sector as a major contributor to global emissions that drive climate change. It also addressed the importance of developing innovative technologies to meet rising energy demands by making it available and accessible worldwide. Another crucial topic was the “Investor Innovation for Real Economic Impact.” The topic's main focus was on using green finance instruments and their vital impact on the existing economy.

### 3. Main Outcomes

This COP was exceptional in several ways. One can say that there was a clear benefit from holding it in an African country, as this has shed the light on the impacted African countries that have very low influence on climate change as compared to developed countries. As the COP began, the topic of "loss and damage" was raised for the first time, entailing financial support by developed countries to developing countries suffering from climate change effects. Though the topic of "loss and damage" did not involve liability or binding compensation, seven countries pledged \$105.6 million to Global Environment Funds for urgent measures to adapt to climate change.

There were also calls for taxation on the big five oil companies (Chevron, ExxonMobil, BP, Shell and Total), that are collectively responsible for 11.38 per cent of global historic CO2 emissions, and for \$32.5–\$64.9 billion a year of loss and damage to the Global South. In addition, several countries and companies pledged to fund adaptation measures in developing countries. In this regard, a coalition of leading climate investment of \$500 million over the next three years was formed to accelerate a just and equitable energy transition in low and middle income countries. Moreover, SouthBridge Investments and the Arab Bank for Economic Development in Africa announced a US\$2 billion fund to support landscape restoration in Africa, and UK announced £200 million to the African Development Bank. Furthermore, rich nations have set a timetable for the delivery of \$100 billion per year to help developing countries green their economies and build resilience against future climate change. The promise is already two years past due and remains \$17 billion short, according to the OECD.



## 4. Key Initiatives

The COP27 saw several Middle–East focused initiatives, such as Masdar's (ie. Abu Dhabi Future Energy Company) partnership with two Egyptian firms to develop a 10GW onshore wind farm project in Egypt, which is one of the largest projects of its kind in the world. Moreover, Egypt has also issued the region's first sovereign green bond to finance projects in clean transportation and sustainable water management. Other global initiatives at the COP27 included:

- **Adaptation initiative** which includes a full package of support, pledges and initiatives of over \$150 million to accelerate adaptation in the African continent.
- **Decent life initiative**, which is a foundational case study into sustainable rural development in Africa and enhancing the implementation of the UNFCCC and its Paris Agreement in supporting African countries in implementing their NDCs.
- **Food and Agriculture for Sustainable Transformation (FAST) initiative**, which is a multi-stakeholder partnership to accelerate and transform agrifood systems and catalyze effective action.
- **The Initiative on Climate Action and Nutrition (iCAN) initiative** to help foster collaboration to accelerate transformative action to address the critical nexus of climate change and nutrition.
- **Climate Response for Sustaining Peace(CSRP)**, which addresses the nexus for sustainable peace, development and climate change. The initiative will be implemented across four pillars: the climate adaptation and peacebuilding nexus; resilient food systems; the climate –displacement nexus; and accelerating climate finance for sustaining peace.
- **The African Women's Climate Adaptive Priorities (AWCAP) initiative** which aims to increase opportunities for women in the just transition to green economy, as well as to promote gender – sensitive perspectives in adaptation and mitigation, while also promoting educational and behavioral change on women and climate change.
- **Action for Water Adaptation and Resilience (AWARe) initiative**, which catalyzes inclusive cooperation to address water as key to climate change adaptation, resilience and their co–benefits. It aims at reducing water loss, improve supply of clean water, promote cooperation and interlinkages between water and climate action, while offering mutually agreed policies and methods of cooperation including in relation to adaptation and its co–benefits.
- **Africa Just and Affordable Energy Transition Initiative (AJAETI)** which provides the opportunity to develop a new model for cooperation to meet the commitment to universal access by 2030 and energy demands of Agenda 2063. The initiative has a special focus on just transition and green hydrogen as a potential green energy source for the future.
- **Enhancing Nature –based Solutions for an Accelerated Climate Transformation(ENACT)**, which will produce an annual state of nature–based solutions (NBS) report to inform COP28 and subsequent meetings on progress in implementing NBS models.
- **Friends of Greening National Investment Plans in Africa and Developing Countries initiative** which aims at shaping the process of planning and designing the economic policies in a manner that factors in the impact of climate change, quantifying the efforts made in mitigation and adaptation, while also identifying the gaps and support needed, and proposing a set of essential guidelines, criteria, and policy advice, to expedite the implementation of the UNFCCC, Paris Agreement and the NDCs.
- **Low Carbon Transport for Urban Sustainability (LOTUS) initiative** which aims to activate systemic change to improve and decarbonize the urban mobility landscape.
- **Sustainable Urban Resilience for the next Generation (SURGe) initiative** which will track buildings and housing, urban water, urban mobility, urban waste and consumption, and urban energy, all of which will be supported by partnerships and collaborations with organizations from all over the world.
- **Global Waste Initiative 50 by 2050:** The initiative seeks to treat and recycle at least 50% of the solid waste produced in Africa by 2050. It will leverage voluntary engagements from over 180 countries at the international level for Africa to achieve this target.



## 5. Private Sector’s Role

The private sector has a crucial role to play in the fight against climate change, as the number of companies with voluntary adoption of climate-related strategic targets continues to escalate. Each company sets its own targets depending on multiple factors, such as the company’s products, production methods, policy environment, and current operational business models.

Set targets may range from sustaining energy efficiency use to reducing greenhouse gas (GHG) emissions and resource management. Energy efficiency being set as a target in an organization has shown its benefits. Being energy efficient has extended beyond corporate satisfaction and has given the opportunity to more smaller scale businesses to participate with similar targets. Green pricing programs (green tariffs) allow customers to directly buy energy at a premium from a renewable energy project. Allowing them to utilize alternative energy sources such as solar, wind, biomass, landfill gas and geothermal.

## 6. Net-Zero Pledge

To Further mitigate climate-related risks, governments, financial organizations, international bodies, energy companies among other businesses are committing to a “Net Zero” pledge. The pledge was first popularized by the Paris Agreement, and was later agreed to during the 21st COP.

The term “Net Zero” simply refers to the balance between the amount of GHGs produced, and the amount removed from the atmosphere. By 2020 more than 110 countries committed to a net zero emissions target by 2050, and China, the largest emitter by 2060.

## 7. Where the GCC Stands

Zoning in on the Gulf Cooperation Council (GCC) countries, The United Arab Emirates was the first Gulf country to take the pledge setting the target of net zero by the year 2050, followed by Saudi Arabia and Bahrain for the year 2060. The Sultanate of Oman has joined its peers recently by setting 2050 as the target year for net-zero emissions. Qatar on the other hand remains the only country without a target year for net-zero emissions, however it has set a 25% emission reduction target by 2030. Kuwait was the most recent country to declare a set target for emission reductions at 7.4% by the year 2035. At COP 27, Kuwait announced its net zero target by 2050 for the oil and gas sector, and in the whole country (across business sectors) a decade after that.

Transition to net-zero discussions at the COP concluded that a total of USD 3–5 trillion is needed as the biggest capital transition is required. To mobilize this transition emerging markets will have a very important role to play. In addition, partnerships and alignments are key to net zero. The current investment allocation ratio between existing energy mix and renewable energy is 1–1, however this needs to become 1–4 by 2030. Furthermore, Governments need to be clear in setting direction for energy and what to invest in with long term ambition in focus. Details on GCC countries and their emission reduction targets are illustrated in the following table.

GCC Countries	Net-Zero Pledge	2030 Emission Reduction Targets
Bahrain	2060	N/A
Kuwait	2060	7.4% (by 2035)
Oman	2050	7%
Qatar	N/A	25%
Saudi Arabia	2060	278 million tons
United Arab Emirates	2050	30%

## 8. The Paris Agreement

To ensure climate change is addressed across countries through regulations and policies, the Paris Agreement was developed. Currently signed by 196 countries, The agreement was drafted during the Paris climate conference in 2015 and was later adopted on December of the same year. The agreement focuses on limiting global temperature increase by reducing greenhouse gas emissions; providing a framework for transparency, accountability, and achievement of more ambitious targets, and mobilize support for climate change mitigation and adaptation in developing nations.

Out of the 196 countries participating in the agreement, the following figure shows the GCC parties' ratifications of the agreement.

Participant	Signature	Ratification/ Acceptance
Bahrain	22 Apr 2016	23 Dec 2016
Kuwait	22 Apr 2016	23 Apr 2018
Oman	22 Apr 2016	22 May 2019
Qatar	22 Apr 2016	23 Jun 2017
Saudi Arabia	3 Nov 2016	3 Nov 2016
United Arab Emirates	22 Apr 2016	21 Sep 2016*

Key : \*Acceptance

## 9. Risk Management and Climate Risk

Climate risk refers to risk assessments based on formal analysis of the consequences, likelihoods, and responses to the impacts of climate change. While risk management is the process of identifying, assessing, and controlling threats to an organization's capital and earnings.

Usually, climate risk management approaches are categorized into four general brackets. **Mitigation**—efforts to reduce greenhouse gas emissions. **Adaptation**—increasing society's capacity to cope with changes in climate. **Climate engineering**—additional, deliberate manipulation of the earth system that is intended to counteract at least some of the impacts of greenhouse gas emissions. **Knowledge-based expansion**—efforts to learn and understand more about the climate system, which can help support proactive risk management.

## 10. How Can RSM Help?

When it comes to assessing, managing, and mitigating climate risks, multiple approaches can be taken. Having an Environmental, Social and Governance (ESG) maturity assessment that determines the current state of an organization's performance and informs the areas that require improvements is considered a steppingstone towards set goals. At RSM, we have the required expertise in the regulatory reporting frameworks and sustainability standards. We partner with clients that are on their ESG journey by providing a tailored approach to the current state of maturity.

Our goal is to empower your organization, to not only meet its requirements, but to drive innovation in ways that positively impacts the environment, communities, and the business. The road to net zero emissions has been a hot topic in multiple sectors and governments throughout the years. Providing net zero guidelines for organizations along with climate disclosure guidance is one of the main services provided by RSM, along with the establishment of an ESG risk management framework.



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<sup>1</sup><https://net0.com/blog/net-zero-countries#:~:text=By%202020%20more%20than%20110,the%20largest%20emitter%20by%202060>

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