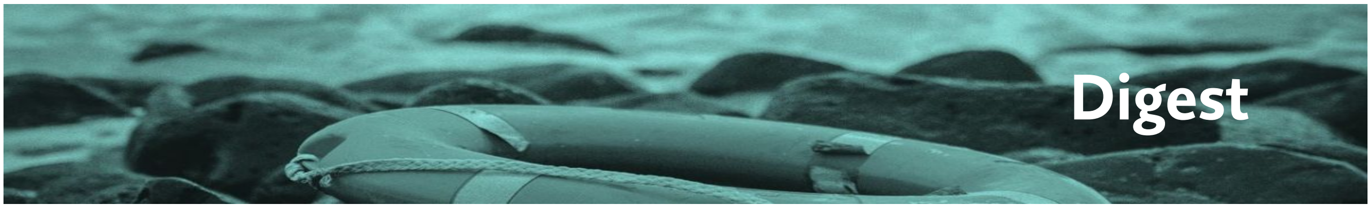

We must judge progress at COP27 against the demands of the science, not the constraints of our economics and politics

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When world leaders, negotiators, academia, private sector and civil society met in Sharm El Sheikh for this year's UN Climate Change Conference (COP27), they faced a very different backdrop to last year's gathering in Glasgow. At COP26 – for many participants the first big in-person event since the start of the pandemic – minds were focused on "building back better" across governments, regulators, development banks and the private sector. The US was keen to show that "America is back" in the climate agenda, issuing together with China a joint declaration for the first time since the Obama years.

Fast forward to a year later, and minds are dominated by worries over a global recession, central banks have shifted attention back to inflation-fighting, the World Bank is battling to recover its damaged reputation on climate leadership, and international political friendships are fraught reflecting tensions over Taiwan and Russia's invasion of Ukraine.

But the past year has not only been the year of wars, energy crisis and inflation. It has also been the year of historic droughts in the Horn of Africa, catastrophic floods in Pakistan and intensifying extreme weather events across the Global North too, from heatwaves in the UK to hurricanes in Florida. These events have acted as yet another unnecessarily painful reminder that no matter how tight the economic and financial conditions get, the planetary boundaries remain exogenous. The longer we delay action, the costlier it gets.

One way in which these greater costs are becoming visible is through the demand for 'loss and damage' finance for vulnerable developing countries most affected by climate change. And so the announcement that attracted the most attention at COP27 was the commitment – after arduous negotiations – to establish a fund for "Loss and Damage". This was an important breakthrough: the proposal had been a red line for many developed countries since first suggested 30 years ago. It was also seen as a litmus test for the success of the COP and ability of countries to compromise against a backdrop of frictions across developed and developing economies.

Still, the devil is in the detail and questions remain open over who will pay and who will receive the finance, and what types of interventions will be eligible. Lack of progress on mitigation is making these questions even more prescient. And even in the – increasingly unlikely – scenario of managing to limit temperature increases to 1.5 degrees and invest strongly in our ability to adapt, the destruction caused and associated needs for loss and damage finance will intensify compared with today.

Beyond the loss and damage headlines, it was positive that COP27 was able to preserve many of the commitments made in Glasgow, notably keeping the '1.5 degrees' goal alive. Still, government pledges made in countries' Nationally Determined Contributions remain dangerously off-track the 1.5 degree course and pledges by private finance – hailed as one of Glasgow's major achievements – can still lack integrity and impact as warned by the UN Secretary General's High-level expert group on the net zero emissions commitments of non-state entities.

Discussion on finance needs to move even faster from the 'why' to the 'how' to the 'how quickly'. Developments such as the Sharm El Sheikh Guidebook for Just Financing exercise prepared by Egypt's Ministry of International Cooperation, and pilot country coordination mechanisms such as Egypt's NWFE and Indonesia's Energy Transition Mechanism (agreed the week after COP at the G20 meetings in Bali) can provide useful blueprints for wider application.

Ultimately, whether the outcome is deemed as a success or failure depends on what standard we hold it against. Compared to expectations – low in the context of fractured geopolitics, an energy and food price crisis, and risks of a global recession – COP27 delivered surprising progress. But compared to the task at hand, progress remains disappointingly slow. Failure to act now will translate into a higher price tag of doing so when the planetary boundaries become even more difficult to ignore. In contrast, investing in climate action not only helps protect our planet, economies, financial systems and societies from risks, but will also deliver opportunities for sustainable growth, stronger productivity, improved health and a real breakthrough on achieving progress across all SDGs.

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The E-axes Forum is an independent nonprofit, nonpartisan research organization on macroeconomic policies and sustainability. The Forum is dedicated to aggregating knowledge from around the globe with the aim to catalyze the engagement of economists and decision makers who are working on policies towards achieving a sustainable economy.

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