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Introduction

My name is Alden Meyer and I am a Senior Associate with E3G – Third Generation Environmentalism. E3G is an independent climate change think tank headquartered in London that operates with a global outlook. We work on the frontier of the climate landscape tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action. Prior to joining E3G last December, I worked for 31 years for the Union of Concerned Scientists, concluding my tenure as its Director of Strategy and Policy and co-director of its Washington office. I have attended the climate negotiations since they first started in 1991 and have served as an informal adviser to numerous United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties presidencies.

I have been invited to testify today on the outlook for the 26th meeting of the Conference of the Parties to the UNFCCC that will open this Sunday in Glasgow, as well as the summit of G20 leaders that will be held this weekend in Rome. I will discuss why these meetings are important, the geopolitical context in which they are taking place, what needs to be accomplished at each of them, and what the prospects are for success.

First let me provide some context. As this committee knows well, the Paris Agreement, adopted by 196 countries on December 12, 2015, sets out a goal of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change."[1] But in releasing its most recent Synthesis Report on Nationally-Determined Contributions under the Paris Agreement, the UNFCCC Secretariat noted that "The available NDCs of all 191 Parties taken together imply a sizable increase in global GHG emissions in 2030 compared to 2010, of about 16%. According to the latest IPCC findings, such an increase, unless actions are taken immediately, may lead to a temperature rise of about 2.7C by the end of the century."[2] Along similar lines, the 2021 Production Gap report produced by the United Nations Environment Program together with four research and policy organizations including E3G found that "Governments plan to produce more than twice the amount of fossil fuels in 2030 than would be consistent with limiting global warming to 1.5°C."[3]

[1] https://unfccc.int/sites/default/files/english_paris_agreement.pdf
[2] https://unfccc.int/news/full-ndc-synthesis-report-some-progress-but-still-a-big-concern
[3] https://productiongap.org/wp-content/uploads/2021/10/PGR2021_web_rev.pdf

Clearly, the challenge we face in reversing these trends in less than a decade is a daunting one. COP26 will serve as a litmus test of whether countries are serious about delivering on the temperature limitation goals they set under the Paris Agreement, accelerating adaptation to climate change, and mobilizing support for climate action including on loss and damage. This COP represents a pivot point from a system that for the last 30 years has been primarily focused on negotiation of treaties, protocols, agreements, and rules to one focused on the implementation of existing commitments and the need to ratchet them up quickly. National leaders, ministers, and negotiators coming to Glasgow will need to take a page from the growing number of governors, mayors, business leaders, investors, universities, and others who have taken bold action on climate change in recent years and are creating a culture of true collaboration and learning by doing. In a process that needs to focus on generating results on the ground, these "non-state actors" should be seen as active partners, rather than as mere observers.

This COP faces several challenges:

-- while the recent joint US-EU commitment to vaccinate 70% of the globe by September 2022 signals progress, developing countries and NGOs continue to express frustration that wealthier nations are still not taking sufficient action to address issues of vaccine inequity and enhance global recovery through the G7, G20 and other multilateral spaces.

-- the current global energy crisis which has seen sharp spikes in energy prices worldwide represents a potential wildcard for COP26 that as has been reported[4], could either make long-term decisions on climate action more difficult or instead could reinforce the narrative around the benefits of a diversified energy portfolio for building economic resilience.

-- geopolitical tensions – especially between the US and China – are inevitably spilling over into multilateral spaces like the climate summit; we can see this dynamic at play in recent comments from Chinese officials reacting to calls for China to increase its domestic climate ambition by calling into question the ability of countries like the United States to fully implement their 2030 and 2050 commitments.

-- increased public awareness of climate impacts is increasing expectations for action, and all the major powers say they want a successful outcome in Glasgow; but different perceptions of what "good" looks like could still derail negotiations while at the same time the fossil fuel industry and other incumbents continue to hold political sway in all too many capitals and many of them are using that influence to frustrate bold action.

Benchmarks for Success

Raising Mitigation Ambition: In the run-up to COP21 in Paris in 2015, countries put forward the emissions limitation objectives that they proposed to meet in the five- or ten-year period after 2020; these were referred to as "intended nationally determined contributions," or INDCs. It was clear at the

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[4] https://www.washingtonpost.com/world/2021/10/08/global-energy-crisis-cop26/

time that these INDCs were collectively insufficient to meet the Agreement's temperature limitation goals; the decision adopting the Paris Agreement noted that "much greater emission reduction efforts will be required than those associated with the intended nationally determined contributions in order to hold the increase in the global average temperature to below 2˚C above pre-industrial levels."[5] That decision requested countries to "communicate or update" their final Nationally Determined Contributions by late 2020 (when COP26 was originally scheduled to be held), in hopes that many countries would use that five year period to identify ways to raise the ambition of their initial Paris pledges.

While quite a few countries – including the United States – have put forward substantially enhanced NDCs, several of the largest emitting countries have yet to do so, and it's clear that we will leave Glasgow with a huge gap between the collective level of effort put forward by countries and the level required to meet the UK's declared goal of "keeping 1.5 alive." There needs to be language in the final COP26 decision acknowledging the need for additional efforts to raise ambition over the remainder of this decade and setting out a process to help make that happen. If we wait for 2025, when the next round of NDCs for 2035 or 2040 are scheduled to be put forward, it will be too late – we will have blown past the 1.5°C limit and condemned future generations to ever more devastating climate impacts.

The 48 nations that are part of the Climate Vulnerable Forum have called for "annual ambition raising platforms" at each COP through 2025 where countries can come forward with increased ambition on both mitigation and adaptation.[6] There have also been suggestions that COP28 in 2023 should be positioned as the next big political moment for countries to put forward more ambitious NDCs and finance commitments, as that is when we will see the culmination of the first Global Stocktake[7] mandated by the Paris Agreement, which will assess collective progress on climate mitigation, adaptation and finance flows and means of implementation and support. As we can already anticipate that the results of this stocktaking process will demonstrate a huge continuing gap in ambition, it should not only be used for its original purpose of informing the post-2030 NDCs that countries are expected to submit by 2025, but to also drive additional improvements to their existing Paris pledges out to 2030.

The question, of course, is whether the UK can produce an agreement on such "ambition accelerator" language as part of the final COP26 political package; while such an agreement would be consistent with the spirit of the Paris Agreement, it would clearly be a deviation from the letter of the decision adopting it in 2015, which envisioned just one such revision deadline in 2020. The UK presidency has indicated it will conduct intensive consultations on this issue -- which is not part of the formal negotiating agenda – over the two weeks in Glasgow.

At what the UK is touting as the "ambition COP," national governments, states, cities, companies, investors, and others are expected to sign up to a range of significant 'sector deals' on energy, nature and land, transport, adaptation, finance, innovation, industry, and other sectors, aimed at signaling an

[5] https://unfccc.int/sites/default/files/resource/docs/2015/cop21/eng/10a01.pdf
[6] https://thecvf.org/our-voice/news/press-releases/climate-vulnerable-nations-lay-out-expectations-for-glasgow-cop26/
[7] https://unfccc.int/topics/global-stocktake

acceleration of the transition to a 1.5°C pathway. Deals will be announced to phase down coal consumption, cut methane emissions, fund clean power, further constrain fossil fuel finance, restore nature and protect biodiversity, boost uptake of zero emission vehicles, and grow high ambition alliances like the Race to Zero campaign[8] launched by the UNFCCC Climate Champions from Chile and the UK. It is critical that these pledges are backed by real and urgent implementation actions which are transparent and independently verifiable, so we know how much these initiatives really add up to.

Ramping Up Finance for Climate Action: This past Monday, Canada's Environment Minister Jonathan Wilkinson and Germany's State Secretary Jochen Flasbarth released a Delivery Plan[9] intended to provide confidence to developing countries that developed countries will meet the commitment they made in Paris to mobilize $100 billion annually in public and private climate finance for mitigation and adaptation activities over 2020 to 2025. This $100 billion commitment has taken on iconic status in the climate negotiations process since it was first made in Copenhagen in 2009 and then reiterated in Paris in 2015, and the failure to meet this goal has been a barrier to building trust and confidence between developed and developing countries.

Whereas OECD data shows that climate finance only reached $80 billion in 2019 -- $20 billion below the 2020 target – the delivery plan shows that the gap will be bridged by 2023, after being nearly attained in 2022, and would be surpassed thereafter. Using conservative assumptions for mobilization of private finance, the Plan estimates that developed countries' collective mobilization of climate finance could reach almost $120 billion by 2025.

While the Plan is a step towards restoring trust, more actions will be required to meet developing country expectations around scaling up the quantity and quality of predictable adaptation finance (which represents less than a third of total climate finance to date, despite the Paris Agreement calling for a balance with finance for mitigation), as well as improving access to finance, particularly amongst smaller vulnerable countries.

The UK presidency needs to broker agreement by the end of the COP on the terms of reference, process and timeline for negotiations on the post-2025 finance goal that countries in Paris agreed should be established. While there is broad agreement that the goal needs to be greater than the $100 billion developed countries committed to mobilize annually starting in 2020, there isn't consensus on just how much greater the target should be, and there is resistance to the proposition advanced by the US and other developed countries that the base of donors needs to be expanded to include China, some of the OPEC countries, and developing country members of the OECD. This is likely to be one of the crunch issues occupying ministers in the final hours of the COP.

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[8] https://unfccc.int/climate-action/race-to-zero-campaign
[9] https://ukcop26.org/wp-content/uploads/2021/10/Climate-Finance-Delivery-Plan-1.pdf

Of course, sums much greater than $100 billion a year are required to help developing countries such as India, Indonesia, and South Africa make the transition from fossil fuels to clean energy resources. A report released in June by the International Energy Agency, the World Economic Forum, and the World Bank finds that "clean energy investment in emerging and developing economies declined by 8% to less than USD 150 billion in 2020, with only a slight rebound expected in 2021. By the end of the 2020s, annual capital spending on clean energy in these economies needs to expand by more than seven times, to above USD 1 trillion, in order to put the world on track to reach net-zero emissions by 2050."[10]

Unlocking this nearly order of magnitude higher level of climate finance for the decarbonization of developing country economies is not on the formal negotiating agenda in Glasgow, but it has been the focus of discussions that developed country officials – including Special Presidential Climate Envoy John Kerry and others from the United States – have been having in recent months with investors, developing country leaders and ministers, and others. The ability of the US and other G7 countries to increase confidence that the Build Back Better for the World (B3W) initiative[11] launched at their leaders' summit in Cornwall last June will deliver clean infrastructure investments at the scale needed could go a long way to persuading some of the major developing countries to support the "ambition accelerator" language that is needed in the COP26 decision. Beyond Glasgow, further efforts to scale up the share of the portfolios of the World Bank and other multilateral development banks going towards climate-friendly investments could also make a major contribution towards this goal.

<u>Loss and Damage</u>: This term refers to the now-unavoidable impacts that many countries and communities are experiencing as a result of climate change, both extreme events such as hurricanes and typhoons, torrential floods, and out-of-control wildfires, and so-called slow onset impacts such as desertification, droughts, and sea level rise. These consequences will continue to mount as a result of past and ongoing emissions of greenhouse gases, even if we succeed in meeting the Paris Agreement temperature limitation goals.

Vulnerable countries and NGOs such as the Climate Action Network are pushing for loss and damage to become a standing agenda item on COP agendas in order to create a political space to address the fact that seven years after creation of the Warsaw International Mechanism on Loss and Damage, there has been little progress made on mobilizing financial resources to help address the economic losses and the severe damage that all too many people are now experiencing as a result of climate impacts. They also want the Santiago Network on Loss and Damage agreed to at COP25 to be operationalized at COP26 and to go far beyond being merely an informational website, with adequate funding for a secretariat and activities of the Network. Finally, they want a process coming out of Glasgow that will tee up real

[10] https://iea.blob.core.windows.net/assets/6756ccd2-0772-4ffd-85e4-b73428ff9c72/FinancingCleanEnergyTransitionsinEMDEs_WorldEnergyInvestment2021SpecialReport.pdf
[11] https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/12/fact-sheet-president-biden-and-g7-leaders-launch-build-back-better-world-b3w-partnership

deliverables at COP 27 in Africa late next year on finance for loss and damage, above and beyond the current flows for adaptation and resilience.

These are tough issues (they almost led to the collapse of negotiations at the end of COP18 in Doha), and the UK presidency has been slower to take them up than would have been desired; but reports out of the pre-COP ministerial consultations in Milan two weeks ago indicate that they are now clearly on the political radar screen. Discussions with the US and other developed countries also show they recognize the need to take a more constructive stance in their engagement with vulnerable countries on loss and damage, which in the past has been too often polarized by developed countries' concern about creating open-ended liability for their past emissions. But how far we can get towards agreements in Glasgow that meet the legitimate needs of the vulnerable countries on the loss and damage issue remains to be seen.

<u>Completion of the Paris rulebook</u>: while COP26 does represent a pivot from negotiations to implementation, there are still some unfinished pieces of business on the Paris rulebook, including agreement on the rules for market mechanisms under Article 6 and finalization of the transparency guidelines and tables for reporting on progress towards each country's nationally-determined contributions under the Paris Agreement.

On Article 6, this will be negotiators' third swing at resolving the sharp differences that blocked agreement at COP24 in Katowice, Poland and at COP25 in Madrid. Major issues include how to avoid double counting of emissions reductions by countries engaging in such market transactions, whether some portion of the credits generated by the emissions trading mechanisms of the Kyoto Protocol – particularly its Clean Development Mechanism – can be carried forward into the Paris Agreement regime and sold in the market, and whether a share of the proceeds generated by such market transactions should be dedicated to funding adaptation activities in developing countries. In the run-up to COP25, a group of 32 countries put forward the San Jose Principles for High Ambition and Integrity in International Carbon Markets[12], which are supported by most international NGOs and set the high bar for an acceptable outcome. While there are reports[13] that Brazil, which has been one of the main obstacles to reaching agreement on an environmentally robust set of Article 6 rules, may be softening its stance, a lot of work remains to get this issue over the finish line in Glasgow.

Ensuring transparency on how well countries do in meeting their commitments under Paris – both on constraining domestic emissions and on providing finance and other means of support for developing country action – was a centerpiece of the agreement in Paris, and bringing China and other major developing countries closer to parity on the frequency and robustness of reporting on emissions inventories and domestic actions has been an objective of both Democratic and Republican US administrations throughout the history of the climate negotiations. The detailed reporting guidelines and tables to operationalize the Paris transparency rules are supposed to be finalized in Glasgow, but

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[12] https://cambioclimatico.go.cr/press-release-leading-countries-set-benchmark-for-carbon-markets-with-san-jose-principles
[13] https://www.bloomberg.com/news/articles/2021-10-23/brazil-opens-door-to-carbon-market-deal-at-cop26

China and some other developing countries are pushing for more flexibility in how they are to be applied than the US and other developed countries are willing to accept. Given that this issue is both technical and intensely political, I expect it to be resolved only in the final hours of COP26.

The G20 Leaders' Summit

The G20 Leaders' Summit will take place in Rome this Saturday and Sunday. The leaders of China, Russia and Japan are expected to participate virtually, while President Biden and the other leaders will attend in person. Climate and health are the driving themes of the Summit and Italian Prime Minister Draghi will be chairing the meeting and pressing for agreement on the need for more rapid decarbonization to get the world on a pathway that limits the rise in global temperature to 1.5°C through a commitment to global net-zero greenhouse gas emissions by 2050 and increasing the ambition of their 2030 Nationally-Determined Contributions in the early 2020s; these proposals build on the communique[14] issued by G20 Climate and Energy ministers at their meeting in Naples in July. Prime Minister Draghi will also be pushing for commitments to phase down coal consumption and finance as well as to eliminate subsidies for fossil fuel production and use, both issues that ministers were unable to resolve in July. It is expected that the G20 Sherpas will be unable to resolve these issues in their meetings today and tomorrow in Rome, and that it will be left to the leaders' discussion of climate and energy issues on Sunday morning for the disagreements to be hammered out.

The G20 leaders who are in Rome will then go to Glasgow to join leaders from over 100 other countries for the "World Leaders Summit" component of COP26 on November 1st and 2nd. The UK presidency has called on leaders, "alongside heads of international organizations, civil society and business leaders, to show that they are serious about working together to tackle climate change…and to set out the ambitious actions that they are taking to reduce emissions, scale-up adaptation and mobilize finance, and to collectively signal their commitment to ensuring that COP26 keeps 1.5°C in reach."[15]

The outcome of the G20 leaders' summit is important to success in Glasgow. If Prime Minister Draghi can forge consensus on tough issues such as ramping up climate action in this decade to keep 1.5°C alive and constraining use of unabated coal, it will provide important impetus for agreement on ambition accelerator language in the COP26 final decision. Conversely, if Italy's proposed language for the G20 leaders' communique on these issues is blocked by leaders from China, India, Russia, Saudi Arabia and other countries, it will make the UK COP26 presidency's work on this front much more difficult.

There are also several finance issues in the purview of the G20 that are essential to make the progress we need in the real economy, including use of a portion of the new general Special Drawing Rights allocation implemented by the International Monetary Fund in August to help vulnerable developing countries deal with the risks to their financial stability posed by both the COVID19 pandemic and climate change, further development of international standards for what qualifies as sustainable finance, and

[14] https://www.g20.org/wp-content/uploads/2021/07/2021_G20-Energy-Climate-joint-Ministerial-Communique.pdf

[15] https://ukcop26.org/wp-content/uploads/2021/10/Presidency-Programme-COP26.pdf

policies on corporate risk disclosure, stress testing of financial institutions and other ways of addressing climate-related risks to the global financial system. Some progress was made on these issues at the meeting of G20 finance ministers in Washington earlier this month[16], but much more work remains to be done, including by the German and Indonesian incoming presidencies of the G7 and G20.

Scenarios for COP26 outcomes

As the renowned Danish physicist Niels Bohr is reported to have said, “Prediction is very difficult, especially if it's about the future.” But I will nonetheless attempt to lay out a few possible scenarios for the outcomes of COP26.

A good outcome would see the final COP26 decision laying out pathways over the next several years to close the gaps on the emissions reductions needed to secure 1.5°C (via more ambitious NDCs and side agreements on key sectors), increasing climate finance (via near-term action to mobilize resources well above the annual $100 billion pledged by developed countries as well as a robust start to the post-2025 finance goal negotiations), and adaptation (via a mandate on further development of the global goal on adaptation), along with a mandate to pursue new sources of finance to address loss and damage.

This outcome would see environmental integrity prioritized in the agreement on the Article 6 rules and agreement of a transparency framework that will enhance understanding of how well countries are doing in carrying out their commitments on both climate action and support. The slew of announcements and progress reports in Glasgow on sectoral initiatives to cut emissions would send strong signals to investors, companies, and the public on the irreversibility of the shift from fossil fuels to a clean energy economy.

A disappointing outcome would see no consensus for political agreements on ways to close the ambition gaps, with only small groups of countries agreeing side deals on key sectors and a subset of high ambition countries committing to enhance their NDCs before 2023. While mandates would be secured for additional diplomacy in the run-up to COP27 diplomacy to address the gaps on finance, adaptation and loss & damage, there would be little confidence that they would lead to the results needed.

The Paris rules on Article 6 and transparency would be agreed, but with compromises made that raise concerns about generating real benefits to the atmosphere (on Article 6) and providing the full level of information needed on country progress (on transparency).

An ugly outcome would see COP26 ending without agreement on the remaining elements of the Paris rulebook and no real engagement on ways to close the ambition gaps on 1.5°C, finance, and impacts, with sharp divisions and finger-pointing between countries over who needs to do more on each of these fronts. A lack of progress on climate finance, adaptation, and loss and damage issues would be used by some developing countries as justification for their resistance to doing more to decarbonize their

[16] https://www.g20.org/wp-content/uploads/2021/10/G20-FMCBG-Communique%CC%81-Fourth-G20-FMCBG-meeting-13-October-2021.pdf

economies, and the serious doubts that some are already expressing about the ability of the multilateral climate regime to come to grips with the climate crisis would gain traction.

Over the course of the next few weeks, we are likely to see competing narratives at play: one narrative will emphasize the successful progress made since Paris, the rapidly falling prices of clean technologies, and the growing number of both countries and non-state actors making transformational climate commitments; the other narrative will focus on the failure to get even close to where science requires us to be to secure a tolerable future for current and future generations, and the lack of a meaningful response to the increasingly devastating impact of climate change on vulnerable countries and communities. The paradox is that each narrative contains elements of truth, and it is certainly possible to embrace both of them simultaneously; what is needed in this moment is a mix of equanimity, realism, and respect for expressions of both grief and hope.

Regardless of the outcome at the end of COP26, 2021 has unlocked a new level of integration on climate action and positioned climate change as a top-tier geopolitical issue for world leaders, which provides a foundation for further progress in 2022. Unlocking much greater investment in accelerating climate implementation must be a key focus of the German and Indonesian G7 and G20 Presidencies, while progress on the issues of adaptation, resilience and loss and damage – which have received insufficient attention throughout 2021 – can hopefully be made under the likely Egyptian COP27 Presidency. Of course, both goals will be more attainable if we come out of COP26 with a positive outcome.