

## ESG Series – COP27: Achievements and Deficiencies

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After days of intense negotiations in Egypt, countries at COP27 reached an agreement on an outcome that established a funding mechanism to compensate vulnerable nations for “loss and damage” from climate-induced disasters. In this article, we will discuss the key decisions and responses from COP27.

### Background of COP27

The “Conference of the Parties” (or commonly known as “COP”) is a global climate summit organised by the United Nations with the goal of bringing all the countries together to tackle climate change. This year is the 27th time that nations met to discuss this critical yet thorny topic (thus it is called “COP27”). The summit ended on 20 November 2022, two days later than the expected conclusion date due to difficulties in coordinating different participants to come to a consensus.

### Loss and damage financing

COP27 reached a breakthrough agreement on the new “loss and damage” fund for vulnerable countries. Three decades ago, small island states and some developing

countries started calling for compensation for the damage climate change inflicts on their communities. The term “compensation” was very sensitive for the developed nations which worried that such a fund may expose them to huge liabilities for historic and continuing emissions. Thus, the introduction of the “loss and damage” fund at COP27 was a huge milestone for small islands and other vulnerable nations.

A transitional committee will make recommendations on how to operationalise the funding arrangements and report at COP28 next year. The funding for loss and damage may come through “existing funding arrangements” such as development banks and debt relief and “innovative sources” which could mean taxes on fossil fuels, aviation and/or shipping. The European Union requires that support should only go to

“vulnerable” countries, a term to be defined by the transitional committee.

## Fossil fuels

In COP26, the climate conference in Glasgow made a push to secure global net zero emission by mid-century and keep a maximum of 1.5 C degrees of warming within reach and singled out coal as a problem for the first time, with countries agreeing to phase down its use.

In COP27, the deal text largely reiterates wording from COP26, calling up parties to accelerate "efforts towards the phase-down of unabated coal power and phase-out of inefficient fossil fuel subsidies". "Unabated" coal power is described by the International Energy Agency (IEA) as the use of coal power that is not mitigated with technologies to reduce carbon dioxide emissions, such as carbon capture utilisation and storage.

The COP27 deal referred to a new term “low emissions energy” alongside renewables as the energy sources of the future. It is believed that the new term means natural gas. In fact, COP27 host Egypt and certain other fossil gas-exporting governments are promoting natural gas as the cleanest hydrocarbon fossil fuel and the transitional source of energy to strike the right balance between emission reduction and knock-on societal effects resulting from a phase-out. By contrast, IEA said that if the world is to have an even chance of limiting global warming to 1.5 C degrees, then there should be no new gas fields and the use of unabated

gas in the electricity system should fall 97% between 2021 and 2040. Although burning natural gas is a little over half as polluting to the climate as coal, methane venting and leaks from gas infrastructure can cause substantial pollution.<sup>1</sup>

When the goal is shifted towards a “low-carbon economy” rather than a “zero-carbon economy”, the commitment to phase out or at least phase down may be slowed down.

## Mitigation

Mitigation means avoiding and reducing emissions of heat-trapping greenhouse gases into the atmosphere to prevent the planet from warming to more extreme temperatures.

COP27 significantly advanced the work on mitigation that aimed at urgently scaling up mitigation ambition and implementation. The work programme will start immediately following COP27 and continue until 2030, with at least two global dialogues held each year. Governments are to revisit and strengthen the 2030 targets in their national climate plans by the end of 2023, as well as to accelerate efforts to phase down unabated coal power and phase out inefficient fossil fuel subsidies.

The decision text recognises that the unprecedented global energy crisis underlines the urgency to rapidly transform energy systems to be more secure, reliable, and resilient, by accelerating clean and just transitions to renewable energy during this critical decade of action.

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<sup>1</sup> <https://www.climatechangenews.com/2022/10/27/cop27-host-egypt-plans-to-push-gas-as-the-perfect-solution/>

## International response to COP27

Countries closed COP27 with a hard-fought deal to create a fund to help developing countries being battered by climate disasters. However, COP27 was also questioned by certain government officials and experts for not being strictly committed to phase out fossil fuels or adopt more ambitious emission-cutting targets.<sup>2</sup>

Overall, the deal achieved in COP27 was considered a success for responding to the devastating impact that global warming is

already having on vulnerable countries. But there are international concerns over the developed countries' commitment in meeting their funding obligations, when the earlier COP goal of developed country parties to mobilise jointly US\$100 billion per year by 2020 has not yet been met.<sup>3</sup> Also, the language used in the COP27 deal does not put stronger commitments on limiting global warming to 1.5 C degrees, thus arousing doubts on the achievement of that goal.

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<sup>2</sup> <https://www.reuters.com/business/cop/countries-agree-loss-damage-fund-final-cop27-deal-elusive-2022-11-20/>

<sup>3</sup> <https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries>

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