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The U.N. Climate Conference 2022 (COP27): Outcomes

The 27th Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) met November 6-20, 2022, in Sharm el-Sheikh, Egypt. Over the course of two weeks, Parties to each of the three primary international treaties and agreements on climate change (the 1992 UNFCCC, the 1997 Kyoto Protocol, and the 2015 Paris Agreement [PA]) took part in negotiations. Several issues received particular attention, including (1) the realism of avoiding a global temperature increase of 1.5° Celsius (C) above the pre-industrial level and how to phrase related policy language; (2) the provision of climate finance to assist developing countries to mitigate greenhouse gas (GHG) emissions and adapt to climate change; and (3) the establishment of new funding arrangements to assist vulnerable countries with addressing the loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events. The principal decisions from COP27 were procedural. They were laid out in the “Sharm el-Sheikh Implementation Plan” and additional decisions, currently in advanced unedited versions.

Selected Outcomes at COP27

GHG emission pledges and implementation are not on track to achieve Paris Agreement aims

The language of the COP27 decisions largely repeated the temperature-aim language of COP21 PA and the COP26 Glasgow Climate Pact. It requested Parties to revisit and strengthen their 2030 Nationally Determined Contributions (NDCs) by the end of 2023. Parties agreed to a new work program through 2030 to seek stronger GHG mitigation action.

At COP27, some Parties debated the realism of avoiding a 1.5°C increase in global temperature compared with pre-industrial levels or “keeping 1.5°C alive,” on which COP26 focused. The PA’s temperature aim is “[h]olding 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.” Researchers estimate that to avoid overshooting a 1.5°C increase, global GHG emissions would need to decline by 43% (uncertainty range: 34%–60%) by 2030 compared with the 2019 level. In contrast, Parties’ GHG pledges, if achieved, may lead to 2030 GHG emissions 0.3% below the 2019 level (uncertainty range: -6.6% to +6.0%). According to the UNFCCC’s October 2022 *NDC Synthesis Report*, “the best estimate of peak temperature in the twenty-first century [if current pledges were achieved] ... is in the range of 2.1°C–2.9°C depending on the underlying assumptions.” Many Parties likely view Brazil, China, India, Russia, and sometimes the United States as candidates to strengthen their GHG mitigation pledges.

U.S. GHG Mitigation Pledges in Its NDC

In 2021, the United States communicated a nonbinding pledge “[t]o achieve an economy-wide target of reducing its net greenhouse gas emissions by 50-52 percent below 2005 levels in 2030.” This “exceeds a straight-line path to achieve net-zero emissions, economy-wide, by no later than 2050.” Distinct from its NDC pledge, the Biden Administration also has pledged to achieve net zero emissions by 2050.

Demand for climate finance, including adaptation finance, exceeds delivery

The Sharm el-Sheikh Implementation Plan largely repeated the call of the PA and the Glasgow Climate Pact to mobilize and provide for the climate finance goals of past negotiations. It also highlighted that “delivering such funding will require a transformation of the financial system and its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors.”

At COP16 in 2010, developed country Parties pledged to achieve a goal of mobilizing jointly \$100 billion in climate finance per year by 2020. The COP21 decision to carry out the PA reiterated this \$100 billion pledge. That decision also called for continuing this collective mobilization through 2025 and for setting, prior to the 2025 meeting, a new collective quantified goal for mobilizing financial resources of not less than \$100 billion annually beginning in 2026. Further, the Glasgow Climate Pact called on Parties to at least double their collective provision of climate finance for adaptation assistance from 2019 levels by 2025 (i.e., to an estimated \$40 billion annually).

While assessments vary, most agree the climate finance pledge has not been met and may not be met until at least 2023. A report released during COP27 by the UNFCCC Standing Committee on Finance estimated climate finance provided and mobilized by developed countries for developing countries was \$83.3 billion in 2020, an increase of 4% from 2019 but \$16.7 billion below the goal. Of the \$83.3 billion, an estimated \$28.3 billion was for adaptation.

U.S. Pledged and Delivered Climate Finance

President Biden, in 2021, pledged \$11.4 billion annually, by 2024, for the U.S. publicly funded contribution to climate finance. Congress, as of September 30, 2022, provided budget authority of not less than \$1.1 billion of public finance for FY2022 (P.L. 117-103; Consolidated Appropriations Act, 2022).

There is general agreement among Parties that the demands for climate finance are many times higher than the current mobilization pledge of \$100 billion annually. Some estimates of demand are in the trillions annually. Others argue that these higher estimates of financing needs include broad developmental goals, or possibly income transfers, and may not be investments aimed strictly at addressing the incremental impacts of GHG-induced climate change.

Beyond the \$100 billion pledge, Parties included a call in the COP27 decisions to reform the existing international financial architecture, in particular, the International Monetary Fund and the multilateral development banks. Proposals for institutional reform of climate finance could take many forms, including (1) offering only grants as opposed to non-concessional debt instruments; (2) allowing countries to access funding irrespective of per capita income; (3) extending debt maturities and applying more affordable interest rates; and (4) suspending debt for countries facing loss and damage events, potentially by redirecting debt servicing payments to climate resilience and energy transition investments (sometimes referred to as “debt for climate swaps”).

Process continues regarding financing arrangements to address loss and damage

The Sharm el-Sheikh Implementation Plan noted, “with grave concern...the growing gravity, scope and frequency in all regions of loss and damage associated with the adverse effects of climate change, resulting in devastating economic and non-economic losses, including forced displacement and impacts on cultural heritage, human mobility and the lives and livelihoods of local communities.” After years of debate over ways to respond to loss and damage, Parties formally decided to establish “new funding arrangements” to provide for and mobilize “new and additional resources, and that these new arrangements complement and include sources, funds, processes and initiatives under and outside the Convention and the Paris Agreement.” “[I]n that context,” Parties decided “to establish a fund ... whose mandate includes a focus on addressing loss and damage.” Parties created a new Transitional Committee to develop recommendations on the funding arrangements and the fund and requested the Secretariat to hold workshops and deliver a synthesis report for consideration at COP28 in November 2023. Further, two initiatives were launched to help address loss and damage: the Global Shield against Climate Risks, largely an insurance, assistance, and capacity-building approach, and the U.N. Secretary-General’s Early Warnings for All to extend early extreme weather warning systems to all countries, especially those in Africa.

The European Union (EU) tied its support for a new loss and damage fund to deepening GHG reduction commitments, a view that did not prevail. The United States and some other countries continue to oppose any legal structure tied to compensation or liability, consistent with the provision in the COP21 decision to carry out the PA. In addition, the United States, the EU, the group of Small Island States, and others hold that China, India, and all high-emitting countries should be among those contributing funds to address loss and damage.

Selected U.S. Issues at COP27

Investments in natural gas and alignment with the aims of the Paris Agreement

The Sharm el-Sheikh Implementation Plan repeated the COP26 Glasgow Climate Pact’s call for “accelerating efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies.” At COP27, India proposed to expand this phasedown call to all fossil fuels. However, the recent curtailment of Russian gas supplies to Europe, and the rise of energy prices globally, have increased the use of coal-fired electricity and investment in new natural gas capacity above anticipated in some countries’ GHG mitigation plans. At COP27, Egypt, Nigeria, the United Arab Emirates, and other gas-producing countries promoted increased production and export of natural gas to Europe and elsewhere as a “transition fuel” toward zero-emitting options; the United States and others announced investments in new natural gas facilities. These circumstances raised questions about the consistency of energy security efforts with GHG mitigation pledges.

China’s role and effort

During the November 2022 G-20 meeting, the United States and China announced resumption of their bilateral dialogue on climate change. The United States and other developed country delegations at COP27 were largely allied about (1) pressing China to strengthen its pledge to abate its GHG emissions, currently set to peak carbon dioxide emissions before 2030; (2) resisting China’s positioning of itself as a “developing country,” thereby taking advantage of flexibilities and climate finance afforded these countries; and (3) confronting China’s policies and practices that may provide it economic and trade advantages.

Trade concerns

The PA recognizes that each country may design its strategies in line with domestic circumstances and preferences. At the same time, certain policy approaches raise trade concerns among countries. For example, the Director-General of the World Trade Organization praised free trade in support of the PA goals but warned against a “subsidy war” among countries. Subsidies have long been a subject of complaint against China and have arisen concerning the U.S.-enacted P.L. 117-169, often referred to as the Inflation Reduction Act of 2022 (IRA). The EU, the Republic of Korea, and others expressed concern about domestic content requirements for electric vehicle tax credits under IRA. President Biden, in meetings with European leaders, stated that he may revisit the implementation of these provisions, and the EU is considering new subsidies. In another policy example, the EU is working on a Carbon Border Adjustment Mechanism (CBAM) that would levy fees on imports of GHG-intensive goods. Though the United States and China have expressed concerns about the EU’s CBAM, similar measures were proposed in the 117th Congress (e.g., H.R. 4534 and S. 4355).

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