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COP27: The fight against the climate crisis is not progressing

The more than 35 thousand delegates have begun packing their bags in Sharm El-Sheikh, Egypt. The COP27 climate summit is drawing to a close after almost two weeks of negotiations and discussions. From the beginning, the discussions were overshadowed by war, energy crisis and global economic recession fears. Expectations were correspondingly low. And so it came to pass: Apart from largely non-binding declarations of intent, the delegations left empty-handed.

The North-South Conflict in the Climate Crisis

A central line of conflict ran in Sharm El-Sheikh between the rich nations and the "global South". Specifically, it was about the commitment made by the rich countries at the COP15 climate summit (2009 in Copenhagen) to support the poor countries with \$100 billion from 2020 to deal with the consequences of climate change. Annually! Because while the rich nations are responsible for the lion's share of greenhouse gases trapped in the atmosphere, the consequences of the climate crisis primarily affect the poorer ones.

The funds have never flowed to anywhere near the extent promised. The budgets of the OECD countries are extremely tight in the face of a pandemic, a war and an energy crisis. Promises like these tend to fall by the wayside.

But it is no longer just a matter of compensating for the consequences of climate change in the global South. In fact, poor countries also need to take more action to reduce their own emissions. Sub-Saharan Africa and South Asia emitted only 30% of the emissions of the OECD economies in 2000. In the meantime, this share has risen to 60%. In the early 2040s, it will

As expected: no breakthrough in Sharm El-Sheikh

The global South is becoming increasingly important as an emitter of greenhouse gases

exceed 100%. This will be driven by population growth. The global South is gradually moving from being an emissions victim to an emissions perpetrator.

The prospects of achieving the Paris climate targets are fading fast (see figure). The global community can no longer afford to wait for public finances in industrialized and emerging countries to recover at some point. More important than a "net zero" date in the distant future is the path to get there. After all, CO₂ will remain in the atmosphere for decades. Rapid emissions reduction is therefore of paramount importance, even in poorer countries. This "frontloading" requires investment, i.e. it costs money. And that is precisely what is in short supply in public budgets, in the North as well as in the South.

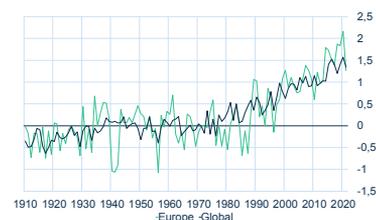
Mobilize private capital!

In the short term, private capital needs to be mobilized. A financing facility could issue green bonds that finance emission reductions in developing countries. Guarantees from donor countries ensure good credit ratings without the need to budget public funds in the short term.

You can't? Yes, it can! This innovative form of financing has already been successfully implemented to fund vaccination campaigns in Africa. The EU's NGEU bonds for financing the Corona reconstruction ultimately obey the same logic.*

At the latest when the government delegations meet again next year in Dubai for COP28, more creative thinking is needed and private investors must be brought on board. Otherwise, it will just be another pompous palaver without results.

Annual temperature deviation compared to the 20th century average (in °C)



Source: NOAA (National Oceanic and Atmospheric Administration)

The 1.5 degree target is no longer achievable

* I and my co-authors make a concrete proposal for establishing a mechanism for private pre-financing of emission reductions in developing countries in the article "Build now, pay later: Frontloading poor countries' climate mitigation investment" at <https://cepr.org/voxeu>.

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