

Client Alert

Energy

DECEMBER 14, 2023

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COP28: Key Takeaways for the Energy Industry

COP28, the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change, came to an end in Dubai on December 13, 2023. The nearly 200 states reached what has been labelled a “historic” agreement referencing the need for “transitioning away from fossil fuels” (as the final deal text states).ⁱ In addition, several initiatives were agreed during the climate conference that signpost the beginning of an era of increased ambition for, and investment in, energy innovation activities globally.

This short note summarizes the key takeaways from COP28 of relevance to the energy industry.

COP28 FINAL AGREEMENT: ACCELERATING AN ERA OF ENERGY INNOVATION

For the first time in the nearly-30-year history of COPs, the international community has agreed a final deal that recognizes the need for deep, rapid and sustained reductions in emissions and calls on states to contribute to the “*transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade*”. This text represents the compromise position that commanded the consensus required to reach a final deal, following all-night negotiations on the final day of COP28. The negotiators had previously considered various other options for this controversial provision, ranging from making no reference at all to fossil fuels, to language that called for “an orderly and just phase out of fossil fuels”, amongst others. This is the first time that fossil fuels have been explicitly mentioned in a closing COP text.

The final agreement also highlights the need to ramp-up zero- and low-carbon fuels supply chains and to accelerate the deployment of zero- and low-carbon technologies, with nuclear, carbon capture utilization and storage, and low-carbon hydrogen production all being specifically



referenced in the text alongside renewable energy. The international stage is therefore set for increased investment in these energy innovation technologies.

It was also agreed that COP29, in 2024, will be held in Baku, Azerbaijan.

KEY ENERGY-RELATED ANNOUNCEMENTS

In addition to the consensus in the closing deal, the following commitments were agreed during the COP28 climate conference that are of particular relevance to the energy industry.

Global Renewables and Energy Efficiency Pledge

- More than 120 countries signed the Global Renewables and Energy Efficiency Pledge, agreeing to triple worldwide installed renewable energy generation capacity to at least 11,000 GW by 2030, and to double the global average annual rate of energy efficiency improvements to over 4% every year until 2030.

Oil and Gas Methane Reduction Pledge and Decarbonisation Charter (OGDC)

- 50 companies, including 30 National Oil Companies, representing over 40 percent of global oil production have signed on to the OGDC, committing to zero methane emissions from their operations and ending routine flaring by 2030, and to total net-zero operations by 2050 at the latest.

Hydrogen Trade and Certification Schemes take Centre-Stage

- More than 30 countries have agreed in the Declaration of Intent on Mutual Recognition of Certification Schemes for Renewable and Low-Carbon Hydrogen and Hydrogen Derivatives to work towards mutual recognition and harmonisation of certification standards for low-carbon hydrogen, helping to unlock global trade in low-carbon hydrogen.
- In addition, the International Standardisation Organisation (ISO) also launched a new technical standard for calculation of the greenhouse gas emissions footprint of hydrogen.ⁱⁱ
- The Public-Private Action Statement to accelerate the establishment of cross-border trade corridors for hydrogen and derivatives was launched in partnership with the International Hydrogen Trade Forum (IHTF) and the Hydrogen Council.ⁱⁱⁱ

Declaration to Triple Nuclear Energy Capacity by 2050

- More than 20 countries launched the Declaration to Triple Nuclear Energy deployment capacity globally by 2050 and inviting shareholders of international financial institutions to encourage the inclusion of nuclear energy in energy lending policies.

KEY FINANCE-RELATED ANNOUNCEMENTS

The following are key developments relating to energy transition financing and carbon markets from COP28.

Loss and Damage Fund Launched

- The so-called Loss and Damage fund, aimed to assist funding energy transition and climate change adaptation initiatives in developing nations, was launched with an initial \$300 million of funding, reaching around \$700 million in commitments by the end of COP28. Although there have been calls from developing nations that this is insufficient and falls short of the \$100 billion committed to by developed nations in the Paris Agreement.
- Funding of climate initiatives in developing nations is likely to be a key focus of COP29 in 2024.



Multilateral Development Banks Announce over \$180 billion of Climate Finance

- The worlds' leading multilateral development banks announced commitments to provide an additional \$180 billion in climate finance through multi-year funding programmes. This recognises the scale of the investment needs and opportunities to fund the energy transition goals that states committed to at COP28.

UAE Launches \$30 billion Climate Fund ALTÉRRRA

- The UAE, together with private sector proponents, committed \$30 billion of funding for a climate-focussed fund, ALTÉRRRA. This aims to become the world's largest private investment vehicle for climate change action and aims to mobilize an additional US\$250 billion globally by 2030.
- The fund will focus on energy transition, industrial decarbonisation, sustainable living and climate technologies, particularly in the Global South.

Voluntary Carbon Credits and Carbon Market Mechanisms

- Leading voluntary carbon crediting standards agreed to collaborate on a framework to align on common principles for the quantification and accounting of emissions removals and reductions, and to improve transparency around carbon credit markets. These standards agreed to seek assessment under the Integrity Council for the Voluntary Carbon Market's Core Carbon Principles.
- Discussions on the guidance needed to operationalize the international carbon market mechanisms under Article 6.2 and 6.4 of the Paris Agreement will continue, with parties failing to reach a consensus at COP28.

King & Spalding lawyers continue to work on some of the largest, most advanced, and complex energy transition and energy innovation projects and energy-related financing transactions around the world.

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¹ <https://unfccc.int/news/cop28-agreement-signals-beginning-of-the-end-of-the-fossil-fuel-era>

² <https://www.iso.org/obp/ui/en/#iso:std:iso:ts:19870:ed-1:v1:en>

³ <https://hydrogencouncil.com/en/cop28-presidency-marks-the-launch-of-flagship-initiatives-to-unlock-the-climate-and-socio-economic-benefits-of-hydrogen/>