



## THE PETERSBERG CLIMATE DIALOGUE 2023

The Governments of the Federal Republic of Germany and the United Arab Emirates co-hosted the Petersberg Climate Dialogue (PCD) from 2 to 3 May 2023 in Berlin. Since its inception in 2010, the PCD has provided a forum for high-level political discussions on climate cooperation ahead of the UN Climate Conferences. Co-chairs COP28 President Designate H.E. Dr. Sultan Al Jaber and H.E. Annalena Baerbock welcomed H.E. Olaf Scholz, the Federal Chancellor of Germany, Ministers and high-level representatives of 36 countries, alongside the UN Secretary General's Special Advisor on Climate Action and Just Transition, the UNFCCC Executive Secretary, representatives of UNFCCC observer constituencies and youth delegates. Participants engaged in a dynamic and constructive exchange on the concrete solutions and transformations the world needs to finally embark on a track aligned with the goals of the Paris Agreement. The COP28 President Designate presented his vision and objectives for an inclusive, transparent and action oriented COP28. Ministers engaged in lively discussions about a just energy transition, a global response to climate impacts and a forward-looking Global Stocktake (GST).

Availability, affordability and access to finance for the necessary transition was a cross-cutting theme. The COP 28 President Designate, highlighted the importance of an assessment on the status of delivery of the 100bn USD pledged by developed countries. Minister Baerbock reported that contributors are confident in mobilizing the \$100 billion USD in climate finance this year based on the assumptions underlying the Climate Finance Delivery Plan (2021), H.E. Chancellor Scholz announced a 2 billion Euro pledge for the 2<sup>nd</sup> replenishment of the Green Climate Fund (GCF, a 33% increase). The COP 28 President designate welcomed this pledge and encouraged others to follow suit.

Many participants echoed the calls from UN General Secretary Antonio Guterres and Barbados Prime Minister Mottley, to make rapid progress on the reform of the international finance institutions and multilateral development banks. There was a broad sense that public funds are critical but will not be enough, and should be utilized to leverage private finance to enable the scale of transformation needed.

## A ROADMAP TO GET US ON TRACK

The first Global Stocktake (GST), set to conclude at COP28, is expected to reinforce the key messages of the recently published IPCC 6<sup>th</sup> Assessment report, which underlined the need for urgent global action and response. At the same time we have all the concrete solutions for mitigation, adaptation and finance that can still put us on the right pathways by the end of this critical decade to ensure that 1.5°C stays within reach. For the past two days ministers discussed how to use the political phase of the Global Stocktake, including a potential roadmap at COP28, to respond to these findings.

Many ministers saw the political phase of the GST, concluding at COP28 in the UAE, as an opportunity to not only recognise these findings – but also inform action going forward to get on track to achieving the goals of the Paris Agreement. There was broad acknowledgement that the first GST at COP28 should be used as an opportunity to assess gaps, course correct and set the direction to keep 1.5 degrees in reach. Many ministers recalled the potential of the GST to provide guidance, to inform the upcoming NDCs, as well as action to 2030, in order to enhance international cooperation and support.

Participants welcomed the Incoming Presidency's approach to set out a transformational roadmap as part of the political response to the GST, to deliver solutions and enact the transitions needed to deliver on the Paris Goals. The task at hand is how to understand where we are at, where we are going and what we need to get there.





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Plenary and break-out conversations allowed countries to discuss the building blocks of a just energy transition, decarbonisation, finance flows and the global response to climate impacts that a roadmap could take up. There was a strong focus on laying out the objectives that have to be met, but also setting in place the enabling conditions, in particular for developing countries, to deliver them.

## JUST ENERGY TRANSITION AND SECTORAL DECARBONISATION

- **THE POWER OF SIGNALS:** Alongside guidance for NDCs, a number of ministers voiced expectations that COP28 should send strong signals on the direction of travel in the energy system in order to support a pragmatic, well-managed and affordable transition to net zero emissions. Signals mentioned included a target for the expansion of renewable energies, e.g. to triple renewable energy capacity as part of the transition to phase down or phase out fossil fuels, as needed to deliver the necessary mitigation of emissions. Parties also stressed the need to improve energy efficiency and reduce energy consumption – particularly in the wealthiest countries. Several Parties referred to the need to phase out fossil fuels as a major source of emissions. Some Parties highlighted that fossil fuels currently are the most affordable form of energy, particularly in developing countries, given the high up-front costs of renewables deployment. In this regard, some Parties highlighted the importance of phasing out fossil fuel subsidies.
  - **JUST TRANSITION AND SOCIAL RISKS AND BENEFITS:** The need for a truly just transition was highlighted by a number of representatives. Many ministers highlighted the potential for positive societal impacts of an energy transition – such as creating new jobs and training workers for new industries and avoiding economic and social disruption. There was an emphasis on the need to ensure that those impacted by the transition are given the necessary skills and support to realise its benefits. Others noted the risk of rising energy costs during the initial period of transition and the need to ensure continued reliable energy access and minimizing energy poverty. Scaling up capacity building, technology transfer and support in bringing down the cost of capital would be needed to enable developing countries to capitalise on the benefits and minimize the risks.
  - **AFFORDABLE CAPITAL REMAINS A BARRIER:** Many also highlighted that high capital costs in developing countries are barriers for investments in large-scale renewables potential. Dedicated risk-reduction instruments need to be introduced and implemented. Broad consensus emerged on the urgent need for reforms of multilateral development banks and international finance institutions, especially considering their role in unlocking private finance for renewables and the necessary rollout of grid infrastructure. Many Parties highlighted the need for enabling policy frameworks, the importance of de-risking and reducing finance costs, to incentivize private investment in available low- or zero-carbon technologies. Many also mentioned the need to identify innovative sources.
  - **GRIDS AS A KEY ENABLER:** Many ministers highlighted the need to improve grid infrastructure as an enabler for integrating significantly higher shares of renewables. Grids of the future would need to be much more densely planned, interconnected, flexible, and smart.
  - **IMPORTANCE OF COOPERATION:** The importance of enhancing global cooperation was emphasized by many. The Just Energy Transition Partnerships were highlighted as good examples of international cooperation based on a programmatic approach. The work programmes on mitigation and just transition were also highlighted as important platforms to exchange best practices and identifying opportunities for international cooperation.
  - **A ROLE FOR CARBON MANAGEMENT:** There is a clear role for carbon management – through afforestation and technological solutions – in a just transition. However, the extent of the role of technical solutions outside of hard-to-abate sectors was the substance of much debate. While some representatives saw the need to support broader deployment of carbon management technologies for existing fossil fuel facilities, caution was voiced by other representatives due to concerns about the cost, unclear timescales, potential to delay the transition, and environmental impacts.
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## SOLUTIONS THAT A ROADMAP COULD HIGHLIGHT

- Parties discussed the idea of **a goal on renewable energy deployment, combined with a goal for energy efficiency uptake**. Some emphasized that this would need to facilitate substituting fossil fuels. Parties stressed the need for a goal to be underpinned by instruments to support developing countries in a just transition, and fully realising the economic and social benefits of their renewables potential.
- Some Parties highlighted their support for **new and sustainable formats for multi-partner investment coalitions** (such as the JETP-style approach).
- **Cooperation on grid expansion and integration** to unlock full potential of renewable power generation in all countries was also stressed. Technology transfer and capacity building would need to play a key role.
- Some Parties supported **shifting finance from high-polluting sectors into just transition** – options mentioned included carbon pricing or levies (e.g. on shipping, taxes on oil and gas), with income being used for the international transition to net zero, and shifting subsidies from fossil fuels to just transition.

## GLOBAL RESPONSE TO CLIMATE IMPACTS

- **USE THE GLOBAL GOAL ON ADAPTATION (GGA) TO FOCUS ADAPTATION ACTION:** Many participants highlighted the importance of a comprehensive GGA framework that guides policy and builds resilience. Many expressed hopes that the GGA framework could help bring coherence to a fragmented adaptation landscape. It was highlighted that the GGA should provide clear guidance into the Global Stocktake. In this regard, participants were aware that we are not on track, despite progress on adaptation action also happening on the ground in many developing countries.
  - **THE CLIMATE CRISIS NEEDS A HOLISTIC, COMPREHENSIVE AND COLLABORATIVE GLOBAL TRANSFORMATION:** Many Parties mentioned that halving emissions by 2030 could reduce the economic and non-economic costs of necessary adaptation efforts. Sectoral approaches were seen as possible means to achieve co-benefits across mitigation and adaptation action. Nature based solutions in particular also offer multiple benefits for climate adaptation, mitigation and biodiversity.
  - **CONNECTING THE GLOBAL AND LOCAL:** Many participants highlighted global trends, e.g. water scarcity or desertification, as well as transboundary impacts. This was contrasted with the very localised nature of effective adaptation action. Bringing the local experiences and targeted approaches together with these global trends was highlighted as a key challenge, also for elevating the adaptation agenda at COP28. In terms of global contributions to local adaptation challenges, financing as well as technology transfer and capacity building were mentioned as a global responsibility supported by many Parties.
  - **INCLUSIVE NATIONAL ADAPTATION PLANS AND PLANNING CYCLES:** Parties agreed that national adaptation plans can be key to mainstreaming adaptation, providing a necessary base for effective action and avoiding maladaptation. The adaptation policy cycle was welcomed as a practical and tested tool to support this process. During the discussions, the importance of inclusivity was mentioned several times. Inclusive adaptation means talking to all groups, making sure that all voices are heard, including the most vulnerable and youth.
  - **INNOVATIVE FINANCE AND MOBILISING THE PRIVATE SECTOR:** Constructive discussions took place on how to mobilise additional finance, including from the private sector, both for adaptation and capitalising of the fund and funding arrangements for loss and damage. Some participants focused on the need for a broad contributors base for the fund and others noted the importance of UNFCCC principles. Many advocated for also employing innovative sources of finance to deliver additional and sustainable support, including climate-related debt mechanisms and suspensions, pre-arranged climate risk finance and insurance, international levies and MDB
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reforms. Many also advocated system-wide approaches to pooling finance sources and technical and institutional capacity for adaptation.

- **SCALING ADAPTATION FINANCE:** The commitment to double adaptation finance was stressed frequently by participants, with many also emphasising the need for MDBs to increase concessional finance for adaptation. While development and climate action were perceived by some as two sides of the same coin, others highlighted that climate action should not crowd out other sustainable development objectives. Overall, Parties underlined the need for capacity building to access funds, develop projects and to build institutional capacities as well as the need to simplify administrative procedures.
- **MAKING THE LOSS AND DAMAGE FUND AND FUNDING ARRANGEMENTS A REALITY:** All participants agreed that making progress on the loss and damage funding arrangements and the fund was a priority for COP28. Many participants expressed their clear expectation that the Transitional Committee needs to deliver tangible and feasible recommendations for COP28, focusing on priority gaps, needs and systemic responses to loss and damage. Some participants highlighted the need to build on and scale up existing funding mechanisms such as the V20/G7 Global Shield against Climate Risks. There were strong calls for the fund and the funding arrangements to respond to key priority gaps, including slow onset events and non-economic losses.

#### SOLUTIONS THAT A ROAD MAP COULD HIGHLIGHT

- *Highlighting **pragmatic adaptation planning approaches**, including a data-based adaptation policy cycle.*
- *Facilitating **comprehensive risk management**, including data assessment, modelling and early warning systems.*
- *Strengthening the role of the **private sector** by updating relevant policy frameworks -such as building codes- as well as de-risking of investments across mitigation and adaptation.*
- *Unlocking **innovative finance sources for loss and damage measures** such as levies - for instance on international shipping or aviation. Further exploring the option of disaster provisions in debt instruments such as disaster clauses.*
- *Further developing **pre-arranged finance mechanisms** to protect the most vulnerable countries and communities such as the **Global Shield against Climate Risks**.*

#### NEXT OPPORTUNITIES

- Further concretise solutions to build transformational roadmaps towards the GST at key upcoming moments such as the G7 and G20, UNFCCC June Sessions, Summit for a New Financial Pact, regional summits such as the Africa Climate Action Summit, regional climate weeks, the UN General Assembly, GCF Replenishment Conference (October, Bonn), WB/IMF Annual Meeting, and Pre-COP28 (Abu Dhabi, 30 – 31<sup>st</sup> October, 2023).
- Ensure progress across the Global Stocktake, the Mitigation Work Programme, the Global Goal on Adaptation, the New Collective Quantified Goal on Finance, operationalizing the Loss and Damage funding arrangements and fund, the Sharm el-Sheikh dialogue on Article 2.1 (c) and the Just Transition Work Programme, amongst others.

