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CENTER FOR CORPORATE CITIZENSHIP

ARROLL SCHOOL OF MA

2024 Bulletin

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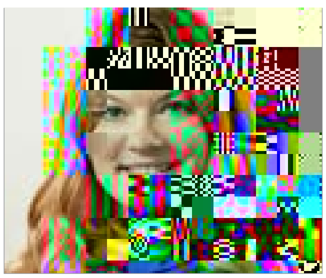

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What Happened at COP28?

The 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Dubai, United Arab Emirates at the end of 2023, marked a significant milestone in the global effort to address the climate crisis. With a record-breaking attendance of 85,000 participants, including more than 150 heads of state and government (and a couple member companies of our Advisory Board), COP28 concluded with crucial decisions and agreements aimed at accelerating climate action across all areas.

With rising carbon dioxide emissions, 2023 was officially declared the hottest year on record, and 2024 is expected to be warmer. This unfortunate, historic record called for urgent action during the COP28 conference. The main focus of deliberations was a recognition of the need to transition away from fossil fuels. At our current levels of emissions, the world is going to exceed the 1.5°C target outlined in the Paris Agreement. To aid in reducing emissions, Paragraph 28 of the agreement outlined key elements to achieve this goal, requiring immediate efforts in the following sectors: energy, food, finance, nature, and health.

Key elements of Paragraph 28:

- It provides a road map of seven to eight specific actions needed to transform the energy system, moving beyond the high-level statements typical of previous COP agreements.
- The actions ladder up to a “well below 2°C” pathway, in line with the Paris Agreement but falling short of 1.5°C.
- Nevertheless, if all the elements of Paragraph 28 are fully implemented at scale and across all countries and industries within the next six years, it could get the world much closer to the 1.5°C goal.
- The first and most important action item is a massive scaling up of renewable energy and energy efficiency improvements because this underpins the ability to electrify end-use sectors such as transportation and industry.
- However, even full implementation of Paragraph 28 would only address about 70% of emissions, with the remaining 30% coming from food and agriculture (the subject of a separate food declaration at COP28).

So, while Paragraph 28 represents an unprecedented level of specificity and ambition compared to previous COP energy agreements, it still highlights the immense challenge of rapidly transforming the global energy system in a very short time frame. Implementing it will require overcoming significant political, economic, and technical hurdles in every country.

Another major focus of discussions at COP28 was the global stocktake. The Paris Agreement established a five-year cycle of global stocktakes, with the first one to be completed at COP28. Subsequent stocktakes will take place in 2028, 2033, and so on. The purpose is to assess the collective progress of all countries toward achieving the Paris Agreement's goals of limiting global warming to well below 2°C (and pursuing eorts to limit it to 1.5°C), increasing adaptation to climate impacts, and aligning financial flows with low-emission and climate-resilient development. The stocktake is meant to be comprehensive, considering mitigation (emissions reduction), adaptation, finance, technology development and transfer, capacity-building, and transparency. It also includes consideration of equity and the best available science. At COP28, there was a focus on making the global stocktake more forward-looking and actionable, rather than just a backward-looking assessment. This means identifying concrete steps countries can take to ramp up ambition and implementation in the near term (by 2030).

During COP28, the International Accounting Standards Board released an interpretation of International Accounting Standards 37 (IAS 37) as it relates to climate-related liabilities and assets. IAS 37 is an international accounting standard that deals with provisions, contingent liabilities, and contingent assets. The interpretation suggests that, depending on the specific wording used, a company's net-zero targets or other climate commitments could create a contingent liability or a contingent asset that would need to be disclosed in its financial statements. As companies start to grapple with this interpretation, it could lead to more scrutiny of the costs and financial risks associated with meeting their climate targets. It could also drive greater engagement from accounting and finance functions in the setting of those targets. More broadly, the IAS 37 interpretation is part of a wider trend toward the integration of climate and sustainability factors into financial reporting standards and practices. This is being driven by investor demand for better disclosure of climate-related financial risks and opportunities.

Now What? What Does This Mean for Professional Services?

One of the major outcomes of COP28 was the agreement among over 100 countries to triple renewable energy capacity by 2030. This key transition away from fossil fuels in power systems (e.g., coal, oil, gas) and doubling the global rate of energy eiciency are massive steps toward creating a more sustainable future. By investing more in renewable energy sources and transitioning away from a reliance on fossil fuels in supply chains, corporations will be vital in reaching this goal. As we are entering what is expected to be the hottest year on record, corporations need to continue reducing their greenhouse gas emissions. The world is still behind on the 1.5°C warming limit, and companies have a responsibility to act toward that goal. This can be done by setting carbon budgets and prioritizing factors that are specific to your company and industry.

COP28 also resulted in unprecedented recognition and momentum for linking eorts to address the climate and biodiversity crises. Governments were called on to consider ecosystems, biodiversity, and carbon stores such as forests when developing their stronger national climate action plans. The decision emphasized the importance of conserving, protecting, and restoring nature and ecosystems to achieve the Paris Agreement temperature goal, including a pledge to halt and reverse deforestation and forest degradation by 2030. This is the first time such a pledge has garnered formal recognition under the UNFCCC.

Engaging employees is another key piece to this process because they can have a huge impact on corporate sustainability goals. As we continue to work from home or in a hybrid model, informing employees of how they can be sustainable at the office is equally as important as working from home. Companies can engage through employee resource groups or through climate training and small-group learning opportunities, empowering employees to connect with one another and offer new ideas.

Looking Ahead — COP29 and COP30

Looking ahead, there is hope for our future, especially with what was achieved and agreed upon at the COP28 conference. Moving forward, the focus will shift to climate financing for COP29, and COP30 will be integral to setting the plan for 2030-2035. There is a possibility that professional services firms may in the future be held accountable for their clients' emissions. Firms would be wise to proactively engage with this issue sooner rather than later. There is a lot of work to be done, but as long as we stay accountable, regulated, and resilient, we will have a productive and positive path forward.[4]

Engaging Employees in Sustainability Efforts

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COMPANY EXAMPLES

The Punch List

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Build your network
Advance your ideas

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