MSIZI KHOZA: Amid the COP28 frenzy, development banks can be game-changers

The fossil fuel majors are expanding, making it difficult to bring developing countries inside the tent

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by MSIZI KHOZA

A person walks past a "#COP28" sign in Abu Dhabi, UAE. The UN climate conference will be held in Dubai, UAE, in December. File photo: AMR ALFIKY/REUTERS

Those who have been following the global environmental, social & governance (ESG) framework debate would be forgiven for being a little dizzy and unable to make sense of it all. Of late, the debate has been particularly frenzied.

In early October the International Energy Agency released a sobering report. In summary, it said global demand for fossil fuels must fall by a quarter by 2030 if the world is to have any chance of limiting warming to 1.5°C by 2050.

However, in the past few weeks two global oil majors — ExxonMobil and Chevron — announced multibillion-dollar acquisitions to expand their fossil fuel exposures. And in October the UK pushed back the deadline for banning the sale of new internal combustion engine vehicles.

At the same time, prominent US climate activist Al Gore has launched a searing critique against what he terms the "buddy-buddy" relationship between political leaders and the fossil fuel sector, and took umbrage at the role played by the COP28 presidency in cementing these ties. And the EU has released draft regulations to clamp down on "greenwashing" by scrutinising carbon neutrality claims as well as the use of carbon credits.

This is all happening against the backdrop of an apparent failure among both developed and developing nations to reach consensus on the modalities of an envisaged loss and damage fund — one of the key successes of 2022's COP27 in Sharm El Sheik, Egypt.

A failure to resolve the disputes on the structure, funding mechanisms and governing principles for the loss and damage fund at COP28 would be a backward step in bringing developing nations "inside the tent" of global co-ordinated action against climate change. It is also likely to further strain the tenuous trust among the developed north and global south on climate action support.

Given all of this, how should Africa approach COP28? As with SA in 2022, India, Vietnam and Indonesia are expected to unveil the details of their just energy transition plans. There will no doubt be a lot of attention and scrutiny of the composition of these investment plans, and in particular the proportion of grant funding and highly concessional loans. This will bring into sharp contrast the intractable question of how to finance the transition and the role of multilateral development institutions.

It is not all bad news, though. A recent report commissioned by the Group of 20 and released on the sidelines of the World Bank and IMF annual meetings in Marrakesh, has made several sweeping recommendations for strengthening multilateral development banks and harnessing them as the primary weapon in the fight against climate change.

If implemented, the recommendations, which call for a dramatic rethink of how multilateral development banks can stretch their balance sheets, their risk appetite, their operating models and reset their relationship with the private sector, could be a game-changer in the climate finance debacle.

African countries must remove the grit from climate action by securing more concessions and demand follow-through on previous commitments. However, this can only happen if African countries themselves have comprehensive, detailed and fully costed climate strategies in place that have the broad support of all constituencies in their respective countries.

This is hard, but quite possible. Indeed, some countries could emulate the approach taken by SA's National Business Initiative to develop detailed sectoral transition strategies that identify the technological emissions reduction levers as well as the policy and legislative interventions required to enable them.

Developing country-level taxonomies that are fit for purpose and in line with climate strategy will help create standardisation and enable capital to flow. Historically, African countries have — correctly — argued that the transition to a net zero economy must not come at the cost of achieving transformative socioeconomic development. I believe the transition brings an opportunity for growth, reset and opportunity.

As we build up to COP28, African countries must find a way to tilt the balance of forces and ensure the deck is not stacked against meaningful progress.

• *Khoza is head of ESG at Absa Corporate & Investment Bank.*

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