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COP28, Dubai: $30B Investment Fund, Carbon Markets Initiatives Reflect Increasing Momentum Behind Private Financing for Climate Solutions and Energy Transition

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At the 28th United Nations Conference of the Parties ("COP28") in Dubai, leading private markets investors committed tens of billions of dollars to finance energy transition and climate solutions, as major oil and gas companies signed a decarbonization charter and governments agreed to accelerate action in support of the energy transition.

Transition Finance: Private Capital Opportunities in the Spotlight

Private capital will have to provide most of the approximately $5–7 trillion estimated to be required annually to achieve net zero by around 2050, according to the UAE Leaders' Declaration on a Global Climate Finance Framework.

Momentum behind climate investing has been building in recent years. Since the Paris Agreement was adopted in 2015, dozens of private investment funds — including growth, infrastructure, private equity and private credit strategies — have been launched to pursue the potential value creation and impact opportunities of the global transition to a lower-carbon economy. Major banks have also earmarked trillions of dollars for sustainable finance products, including sustainability-linked loans.

Significantly, at COP28 the UAE launched the $30 billion ALTÉRRA investment fund in partnership with asset managers BlackRock, Brookfield and TPG. ALTÉRRA, now the world's largest private climate fund, is "dedicated to catalyzing climate change investment and solutions and aims to mobilize $250 billion worldwide by 2030, with a particular emphasis on emerging markets and developing economies."

Among other climate finance initiatives at COP28, governments announced additional funding for the UN's Green Climate Fund, and the World Bank and other multilateral development banks committed to unlock $180 billion in additional climate finance.

Carbon Markets: Voluntary Initiatives Continue and Regulators Weigh In, But Article 6 Unresolved

Following a year of reputational and legal concerns, voluntary carbon market ("VCM") participants continued to focus on market integrity initiatives at COP28, with support from the U.S. and other governments that consider the VCM to be an important tool to finance nature- and tech-based climate mitigation projects. Singapore also announced the Transition Credits Coalition (TRACTION) initiative to study the potential use of "transition carbon credits" to finance the early retirement of coal-fired power plants in Asia.

Several private sector initiatives that are seeking to establish rules on both the supply and demand sides of the VCM — including the Voluntary Carbon Markets Integrity Initiative (VCMI), Integrity Council for the Voluntary Carbon Markets (ICVCM) and Science Based Targets initiative (SBTi) — agreed at COP28 to collaborate to provide greater alignment of the voluntary frameworks applicable to sellers, intermediaries and buyers of carbon credits. Separately, six of the independent carbon crediting programs announced a collaboration to increase the impact of activities under their standards.

National regulators also used the occasion of COP28 to signal increasing focus on the VCM. Although governments failed to reach agreement on the rules governing international transfer of carbon credits under Article 6.4 of the Paris Agreement — which market participants had hoped would provide a legally robust international framework for the VCM — the U.S. Commodity Futures Trading Commission ("CFTC") announced proposed guidance and request for public comment regarding the listing for trading of carbon credit derivative contracts. The global association of regulators, the International Organization of Securities Commissions (IOSCO), also launched a 90-

day public consultation on a report outlining a set of good practices for national regulators to promote the integrity and orderly functioning of the VCM.

Decarbonization and Transition: Landmark Public and Private Sector Commitments

Energy transition was widely discussed in Dubai, including the role of carbon capture and storage ("CCS") technology in helping to achieve net zero in hard-to-abate sectors.

At the conclusion of COP28, representatives of nearly 200 countries agreed on a landmark deal that calls on governments to contribute to global climate efforts, including "[t]ransitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050." The agreed text also calls for an acceleration in zero- and low-emission technologies, which for the first time includes reference to nuclear energy alongside CCS and low-carbon hydrogen production.

More than 120 countries also signed the Global Renewables and Energy Efficiency Pledge, committing to triple global 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 from around 2% to more than 4% every year until 2030.

Separately, 24 countries including the U.S. and Japan supported a Declaration to Triple Nuclear Energy Capacity by 2050, which recognizes the key role of nuclear energy in achieving net zero and "invit[es] shareholders of international financial institutions to encourage the inclusion of nuclear energy in energy lending policies."

Additionally, 50 state-owned and private sector oil and gas companies, including several U.S. majors, signed the Oil and Gas Decarbonization Charter, committing to net-zero operations by 2050 and to end routine methane flaring by 2030.

Building on the work of the UN High Level Expert Group on Net-Zero Commitments, a Taskforce on Net Zero Policy was also established at COP28 to help establish consistent guidance on credible corporate net-zero claims around the world.

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The macro, policy, and legal aspects of climate change and energy transition are highly dynamic, and stakeholders' views differ on transition pathways and implementation. Nevertheless, COP28 appears to signal the increasing alignment of private capital with net-zero policymaking and related regulation, with leading investment managers focusing on the value creation opportunities of the transition to a lower-carbon economy.

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