

# COP27: Leave No One Behind

## Asia's voice must be heard in calls for a just climate transition

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### Introduction

**As global economies slowly emerge from and adjust to the prolonged impacts of the pandemic, policy makers again turn their focus to the existential threat of the climate crisis and how to deal with this challenge.**

The 2022 United Nations Climate Change Conference (COP27) taking place in Sharm El Sheikh, Egypt brings together governments, the private sector and civil society with a common ambition to address climate change. However, one of the most important, yet often overlooked, realities of making progress remains unaddressed. This one reality, if not dealt with, threatens to hamper the landmark commitments made at COP21 in Paris in 2015.

There is almost universal agreement that any transition to a low carbon future should be based on the principles of fairness and equity. Commonly referred to as a 'just transition,' it implies the need for a transition that is not only environmentally sustainable, but also socially inclusive. This paper highlights the need for a just transition from the perspective of developing economies and how taking

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proper account of their specific circumstances and responsibilities is central to the success of international climate negotiations. This paper also argues that western economies and businesses need COP27 and future climate agreements to have successful outcomes, which won't be possible if the needs of developing economies supporting their own green transitions aren't taken into account.

Whilst last year's COP26 in Glasgow brought many related issues into sharp relief with the Just Transition Declaration<sup>1</sup>, pressure is now mounting in the Global South for more actions to accelerate the transition to greener economies. However, uncertainty remains as to the impact on wider employment, livelihoods and communities. It appears that the all-important voices of the south are lost in the noise around the need for collective action, top-line commitments to achieving net zero, pandemic recovery, severe weather events and exacerbated geopolitical tension.

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It is well understood that this is a time for clear and concerted action, but the debate surrounding what that means in practice, and the pathways required to get there have been largely western-focused. The debate now needs to be refocused, rebalanced and re-centred so that the specific and significant challenges and opportunities for developing countries are highlighted in UN climate negotiations and are at the core of future international agreements.

Under current international climate commitments, developing economies are expected to move from fossil fuels to cleaner energy sources at a velocity and trajectory in keeping with their developed counterparts, yet they face seismic and unprecedented challenges in doing so.

Nowhere is this more pertinent or profound than in Asia – a continent which, as a strategic global economic powerhouse, faces the daunting prospect of dealing with the most significant adverse impacts of future climate change, while also having one of the most difficult paths to achieve this transition.

A growing number of voices from Asia are now calling on policy makers to ensure that the region's specific circumstances and opportunities are not overlooked at COP27 and beyond.

## **Decarbonisation challenges**

Since the landmark Paris Climate Accord<sup>2</sup> came into force in 2016, it has become clear that to meet its central commitment to limit global warming to well below 2 (preferably to 1.5) degrees Celsius, more meaningful and rapid progress is required on all fronts. Additionally, it is accepted that more needs to be done to accelerate the transition from a global economy dependent on fossil fuels to a low carbon economy powered by cleaner, renewable energy sources.

Developing and emerging economies occupy a critical position in the global climate change landscape. Despite lower historical greenhouse gas emissions compared to their more developed counterparts, future emissions growth will be an issue and a reality for the developing world. As energy demand rises substantially in the coming years as a result of economic growth in these countries, their transitions away from coal, on which many remain heavily reliant at present, is particularly important to address. The importance of these countries in the success of global climate change negotiations and climate outcomes should not be underestimated.

Coal consumption remains highly significant in many developing economies. Consumption in Southeast Asia, for example, has more than doubled in the last decade, with significant growth in Indonesia, Vietnam, Malaysia and the Philippines<sup>3</sup>. With most existing and planned coal-fired power stations in developing countries, a successful global energy transition depends on their ability to replace coal power with renewables. However, such countries face particularly acute challenges.

<sup>1</sup> <https://ukcop26.org/supporting-the-conditions-for-a-just-transition-internationally/>

<sup>2</sup> [unfccc.int/process-and-meetings/the-paris-agreement/](https://unfccc.int/process-and-meetings/the-paris-agreement/)

<sup>3</sup> International Energy Agency (2021) global report

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Developing and emerging economies are not only required to find the necessary large-scale investment needed to finance this switch away from coal, but they also have to support other important development priorities such as poverty alleviation and livelihoods programmes, infrastructure, sanitation, education, housing and healthcare. Critically, they are also typically the most vulnerable to the impacts of climate change.

Developing economies will continue to generate an increasing proportion of future global emissions unless fiscal support can be provided at an unprecedented scale to support their energy transitions. At present, they are disadvantaged in terms of finding the investment needed to achieve a transition to net zero emissions. Excluding China, emerging markets comprise two-thirds of the global population but hold only 10% of financial wealth and, to date, have accounted for only 10% of the global issuance of sustainable debt<sup>4</sup>. Their governments will also struggle to raise finances as sovereign borrowing capacity has been reduced by the economic impacts of COVID-19<sup>5</sup>. The IMF estimates developing countries require US\$2.5 trillion of external financing through 2030 to meet the Paris Agreement and the UN's Sustainable Development Goals (SDGs). Critically, as the impacts of climate vulnerability are not confined within national borders, financing global mitigation and adaptation efforts is in the best interest of both developed and developing countries<sup>6</sup>.

The World Economic Forum (WEF)<sup>7</sup> has highlighted the needs of developing countries in this regard, stating that “developing countries need assistance from the international community in the form of funding, technology transfer and capacity building to help enable

rapid, wide-scale development and deployment of renewable energy infrastructure.” Most importantly, the WEF emphasises the need for a “just transition for affected workers and communities, including the creation of ‘green’ jobs that position them to build a productive and sustainable future that leaves no one behind.”

Taken together, this makes the need for a just and inclusive transition for emerging markets not only desirable, but the only viable option for the future sustainable development of such economies. This central argument – the need for a just transition which leaves no one behind – is particularly pertinent from an Asian perspective.

### **Asia's voice must be heard**

Home to over half the world's population, Asia is at risk. It faces increasing emissions and more complex and pressing challenges for socio-economic development. It is also the location of 99 of the world's 100 most at-risk cities to environmental and climate-related threats<sup>8</sup>.

The growing contribution of Asia to global greenhouse emissions has been well documented, accounting for as much as 50% of the total, given its rapid economic growth and reliance on traditional forms of energy, specifically coal. Coal-fired power plants currently represent a quarter of total global CO<sub>2</sub> emissions, and nearly 75% of emissions from the electricity sector. Asia's share of emissions is expected to rise as the region recovers from the pandemic.

Similarly, the potential benefits and wider sustainability impacts of phasing out coal and the need for a just transition have been thoroughly articulated by the International Labour Organisation (ILO)<sup>9</sup>. This included Southeast Asia, where Indonesia, Philippines and Vietnam are particularly highlighted. Continued reliance on coal in Asia will further exacerbate emissions and intensify the physical impacts of climate change through extreme weather events in the region, leading to significant damage to property and livelihoods, economic losses and loss of life.

4. IEA, Financing Clean Energy Transitions in Emerging and Developing Economies, June 2021

5. Prudential Plc (2022) Supporting a Just & Inclusive Transition

6. Townsend, R (2022) What are the key issues at COP27?, Chatham House

7. World Economic Forum (2021) Principles for Financing and Just and Urgent Energy Transition

8. See, for example, Prudential Plc (2022) Supporting a Just & Inclusive Transition White Paper

9. See, for example, Prudential Plc (2022) Supporting a Just & Inclusive Transition White Paper

**The ILO's research finds that an orderly phase-out of coal and a shift to investing in renewables will confer significant benefits to Southeast Asia, including:**

	<b>Reduced risk of stranded assets</b>
	<b>Greater energy security</b>
	<b>The creation of 'green' jobs</b>
	<b>Access to electricity in remote areas</b>
	<b>Significant environmental and health benefits</b>
	<b>Improved education, productivity and technology access</b>
	<b>Support for poverty alleviation and reduced inequality in less developed areas</b>

In the broadest terms, for these benefits to be fully realised and for Asia to capitalise on the opportunities provided by the phase-out of coal and a shift to renewables, it is imperative that the region is at the centre of pragmatic solutions and agreements under the UN climate change process. Access to the necessary capital, fiscal support and technical capacity building are therefore critical components of future climate agreements from an Asian perspective. This is necessary to ensure that the continent's successful economic and social development are preserved and enhanced, and with that, environmental sustainability and protection which benefit its populations.

Moreover, the extent to which Asia (and other developing regions) can afford to decarbonise at the same velocity or trajectory as its developed counterparts may well resurface at COP27. This is particularly likely in light of the recent floods in Pakistan, which have reignited the debate around developed nations supporting their less developed counterparts under the UN principle of 'common but differentiated responsibilities' (CBDR) first agreed to in 1992. Until COP21, this principle had been a source of debate,

which hampered progress on global climate change negotiations. Importantly, it remains a consideration within the Paris Accord.

Some have recommended that science-based decarbonisation trajectories take a more overt account of the situation of developing economies with both an aggregate global trajectory for transition and differentiated regional or national trajectories<sup>10</sup>.

This, they argue, would preserve the principle of CBDR and recognise the respective capabilities of developing countries regarding their ability to decarbonise in accordance with their existing development and societal goals.

### **Climate impacts in Asia affect the West**

What happens in terms of climate impact in Asia is not simply Asia's concern, it has clear implications for the West. Asia's share of emissions is already significant and continues to rise, meaning western economies cannot ignore the reality that although they may be able to reach their own agreed country-level targets, i.e. Nationally Determined Contributions (NDCs), the collective goals agreed in Paris will not be achieved without rapid and significant inward capital flows to address climate change in Asia. It is therefore clearly in the West's best interest to ensure that financing is agreed to on an equitable basis, at scale and directed to where it is most needed.

As the global production powerhouse, Asia is critical to supplying the raw materials and manufactured components that drive western economies' climate ambition. From the bauxite, iron ore (steel), zinc, gypsum and copper required to produce wind turbines, to the rare earth elements needed for solar panels and batteries, the West's appetite for these materials is growing in conjunction with the increasing pace of their green transitions, with some global studies estimating that a tenfold increase in current production will be required<sup>11</sup>.

This implies a need for significant additional investment in mining to power the green transition, a point that has caused concern to development agencies. The International Energy Agency (IEA)<sup>12</sup> acknowledges

<sup>10</sup>. See, for example, Prudential Plc (2022) Supporting a Just & Inclusive Transition White Paper

<sup>11</sup>. Drexhage et al., 2017; Hund et al., 2020; IEA, 2021

<sup>12</sup>. IEA (2021), p192

that “while increased mining may foster growth and employment benefitting millions, it also carries significant environmental, governance, national security, human rights and social risks. Failure to address these risks could lead to increased fragility, poverty and conflict in many developing countries. That, in turn, could create bottlenecks that affect global mineral supply, create market uncertainty and slow the global clean energy transition.”

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Asia also represents an all-important locus of production and sourcing facilities for some of the world's largest multinationals, many of which are headquartered in the West. In many cases, such production represents a significant proportion of their Scope 3 emissions<sup>13</sup>. This is an area of increasing scrutiny and focus for companies themselves, as well as investors, regulators and other stakeholders seeking greater transparency and understanding of companies' emissions impacts throughout the entire value chain.

Given this, it is within the interest of western businesses looking to meet their own net zero and interim targets to pledge support for Asia's green transition, via at-scale fiscal flows, capacity building and innovation. Furthermore, some of the largest players in the food, agriculture and apparel value chains, often headquartered in the West, procure vast quantities of raw materials from Asia, particularly from rural economies. These areas face acute impacts from climate change that put supply chains at risk, further underscoring the need for businesses to support the green transition in Asia.

## Shifting sands

Whatever emerges from COP27 and the forthcoming COP28 in 2023 taking place in the United Arab Emirates (UAE), the centre of gravity on climate change and solutions to the crisis is shifting to the Global South. The agreed upon US\$100 billion annual climate financing contribution from developed to developing countries between 2020-25 remains unmet, so it is likely that climate financing will remain at the heart of the international debate around net zero and a focus for policy makers for years to come.

From a chronological perspective, Paris set the level for broad global ambitions and showed the possible pathways to achieve its goals. Moving forward, Glasgow confirmed a groundswell of support, particularly from developed economies, for a just transition and an all-important phase-down of coal. But Sharm El Sheikh potentially represents an important shift in the balance of power in climate negotiations, for the South is poised to take the lead in hammering out plans for a just transition, and Asia is set to take a seat at the table.

If a just transition which leaves no one behind is to be achieved, now is the time to acknowledge and embrace those that most need the support of policy makers and the private sector. The harsh reality is that the economies and livelihoods of millions across Asia and the South currently depend on fossil fuels. The opportunity to move from such energy sources is significant and a transition is necessary and arguably inevitable in the face of climate change.

However, the issue remains that a truly just transition that puts the needs of developing regions at the forefront will not be possible without planning and effective participation by all relevant players, including businesses. International climate negotiations are a high stakes game and as the impacts of climate change and the threats intrinsic to all our lives become increasingly obvious, each meeting of COP becomes increasingly important to the future of our planet and its people.

<sup>13</sup> Greenhouse Gas Protocol [ghgprotocol.org/standards/scope-3-standard](https://ghgprotocol.org/standards/scope-3-standard)

## Why it matters for business

At Teneo, we increasingly see clients moving well beyond the traditional business case for sustainability to far more complex motives around climate risk exposure, stranded assets, supply chain management, reputation, investor engagement, investment/divestment, being ahead of regulations, employee engagement and talent attraction/retention.

In essence, we are at last seeing a move towards the comprehensive integration of ESG into core business strategy and the recognition of ESG as a tangible contributor to value creation, instead of as a standalone or marginalised function within organisations.

As businesses map out their own roadmaps towards decarbonisation and net zero, they must make sure that their plans take account of not only the opportunities to pivot to a more sustainable business strategy for the longer term, but of the full impacts of a transition on their workforce, customers, suppliers and the communities in which they operate. It is therefore incumbent on businesses to ensure that their own decarbonisation and climate action plans mitigate the potential risks on people and not just the environment.

It is also important that enlightened organisations closely monitor and, where possible, seek to engage with the climate dialogue. Those with best-in-class performance or aspirations should view such meetings as a chance to have their own voices heard. Our clients are increasingly joining their counterparts from civil society, academia and governments at meetings such as COP to socialise their own sustainability strategies and commitments on a global platform.

The role of business is critical in this arena. Not only do businesses have a responsibility to address their emissions, they are also a vital part of the wider solution. Without effective planning, participation and action from the private sector, the ambitious international

decarbonisation goals set by governments cannot be attained. Businesses can add an important commercial perspective and influential voice that policy makers need to hear and can play an integral role in shaping the outcomes.

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It is therefore vital that businesses are engaging in and prepared to respond to the outcomes of UN climate processes, as it will enable them to effectively plan and take the necessary actions. This is especially true now, given the increasing responsibility governments are placing on businesses to be enablers of change, particularly in terms of climate finance.

For businesses with manufacturing operations and those which procure goods and other materials from Asia, it is within their own best interest to speak up and support the case for a just transition. Asia needs their support, and the livelihoods of millions depend on it.



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