

## **COP29 & The Oil Lobby**

### **UN Climate Fails: Still Expecting a Different Outcome**

Turkeys do not usually vote for Christmas. Still, some people seem genuinely surprised and dismayed by the species' instinct for self-preservation.

Azerbaijan derives more than ninety percent of its export earnings from the sale of oil and natural gas. Each day, the country pumps about 750,000 barrels of oil and dumps 650,000 of those on the global market, bringing in close to \$20 billion annually. Over two-thirds of government expenditure is sustained by the proceeds of energy exports.

In November, Azerbaijan is to host COP29, the annual gathering of some forty thousand jet-setting government officials, NGO delegates, and assorted camp followers such as staff, guests, reporters, and 'parties overflow', i.e. the merely curious who are allowed to nose around the conference premises as long as they do not partake in the proceedings.

The 'Conference of the Parties of the UNFCCC' - leave it to the United Nation to confabulate glamorous names - was set up to assess progress in dealing with climate change. UNFCCC stands for United Nations Framework Convention on Climate Change, an agreement drafted and signed by 154 states during the 1992 Conference on Environment and Development, aka Earth Summit, celebrated to great fanfare in Rio de Janeiro, Brazil.

The main objective of the convention - that is the UNFCCC - is the 'stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system'. So now you know.

#### **Epic Fail**

Since its inception, 32 years ago, annual global emissions of carbon dioxide - one such greenhouse gas - have jumped from 22.8 to 37.6 billion metrics tonnes. By that measure, and by many others too, the UNFCCC is an unmitigated disaster - a failure to be assigned the epitaph 'epic'.

Yet, the United Nations keeps organising its annual COP events, each time expecting a different outcome. There is a name for that.

Of late, the UN has displayed a certain resignation, a fatalism perhaps caused by its own ineptitude, and agreed without demur to oil states hijacking its precious UNFCCC, laying bare the duplicity of it all.

Last year's COP28 was entrusted to the United Arab Emirates and presided over by none other than Sultan Ahmed Al Jaber, the former head of the Abu Dhabi National Oil Company under whose expert guidance output was jacked up by approximately one million barrels a day.

The sultan, now a born-again environmentalist, was exposed (by intrepid BBC reporters) for planning to use COP28 as a platform to pitch and seal oil and gas deals. Stuffing the organising committee with oil company execs, Mr Al Jaber planned to peddle his wares to sixteen countries in particular, according to leak email exchanges.

The sultan duly denied the charges, did so vigorously, and hired an American PR firm to add emphasis to his refutation. Coincidence or not, in 2023 the sultan's former employer, the Abu Dhabi oil company, managed to close deals with energy companies in twelve of the sixteen countries targeted.

This year, another country exploiting fossil fuel is allowed to host the UNFCCC festivities. However, the organisers are none too excited about plans to phase out the burning of fossil fuel and prefer mitigation instead. This option entails the capturing of noxious greenhouse gases at

the emitter's source. This, predictably, sparked the ire of the European Union and others that want to prioritise the phasing out of fossil fuel altogether. Last year in Dubai, almost two-hundred countries agreed to triple their renewable energy resources whilst transitioning away from coal, oil, and natural gas.

### **Oil Power**

However, a concerted push by a group of oil-producing countries is frustrating progress. Azerbaijan, the COP29 host, is one of them. Western officials fear that the G77, a club of developing nations, is set to block the fragile 'Dubai Consensus' by derailing the negotiations on the financing of the energy transition and climate change resilience.

Earlier this month, African nations demanded well over \$1.4 trillion in additional funding, adding to the estimated \$2.6 trillion the continent already received in development and humanitarian support since 1960.

During a mind-numbingly long speech, Azerbaijan chief climate envoy Yalcin Rafiyev last month commented on the COP29 agenda and managed to skilfully avoid mentioning both fossil fuel and renewable energy. Mr Rafyev is Azerbaijan's deputy foreign affairs minister and caused a few raised eyebrows after he appointed the affable Mukhtar Babayev to chair the conference. In a rerun of COP28, another oil-executive-turned-environmentalist is to preside over the proceedings.

In fairness to Mr Babayev, during his 26 years at state oil company Socar he managed to secure a position as vice-president of ecological affairs with a particular interest in the rehabilitation of polluted soil. In 2018, Mr Babayev was invited to join the cabinet of longtime ruler Ilham Aliyev who has been in power since 2003 when he succeeded his father Heydar. The Aliyev clan has reigned the country since 1993, using patronage, vote rigging, and oppression to maintain its grip.

### **Pipe Dream**

Whilst the United Nations and Azerbaijan prepare to put on their climate change extravaganza, most others are moving on. The European Union is witnessing the slow erosion of its flagship Green Deal initiative, rejected by voters, economists, and businesspeople as the flawed expression of a pipe dream - charming, no doubt, but also highly impractical and unlikely to make much of a difference.

With the excitement over electric vehicles waning, if not evaporating, the intention to outlaw the sale and registration of vehicles powered by internal combustion engines looks destined for the scrap heap. In the newly-elected European Parliament opposition to the ban is growing.

The reluctance of consumers (outside Norway) to embrace EV-technology and pushback from car manufacturers are undermining the policy even as EU Commission president Ursula von der Leyen assures all willing to hear that the post-2035 sales ban remains firmly in place.

Don't expect help from Italian prime minister Giorgia Meloni who earlier this week called the ban 'self destructive' and vowed to have it, well, banned in turn. In a statement as obvious as blasphemous, Mrs Meloni said: "The green transition cannot mean destroying thousands of jobs, or dismantling entire industrial segments that produce wealth and employment."

Italy joins Germany, the Czech Republic, and several East European countries in their demand for a review of both the outright ban and the car emission rules that precede it. German transport minister Volker Wissing warned that the continent is losing 'credibility' because it sets targets impossible to meet.

### **ESG Tanked**

In a parallel development, the ESG values celebrated and cherished by corporates until recently have also fallen by the wayside. Though never properly codified due to the vague nature of its

components (environmental, social, and governance), ESG was touted as the key to sustainability, risk mitigation, and outsized profits too. Fund managers went bananas as they cashed in on, and monetised, feelings of guilt amongst their clients. Green bonds, green funds, green energy, green everything: after all, green is the colour of money.

Although it is true that green investing can assure higher returns, such returns are routinely 'risk adjusted' by asset managers to fabricate and explain profits that do not reach the investor's pocket, or at least not in the short or medium term. This has considerably dampened the appetite for ESG-approved investment products, so much so that Blackrock, the world's largest asset manager, has abandoned the concept altogether.

As a set of ideas, ESG has become toxic after it was weaponised by the 'woke crowd' and 'activist' shareholders. Useful for 'greenwashing' corporate misbehaviour, ESG struggles to bridge the gap, a gaping one, between profitability and sustainability.

Markets reward short-term gains and remain largely uninterested in long-term resilience. Delayed gratification is not what drives markets - or, indeed, people. No matter how hard we collectively shout that the immutable laws of nature are being violated, the next quarter's result remain the only yardstick by which markets move.

Cover photo: The Baku Olympic Stadium, venue of the COP29 event.

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