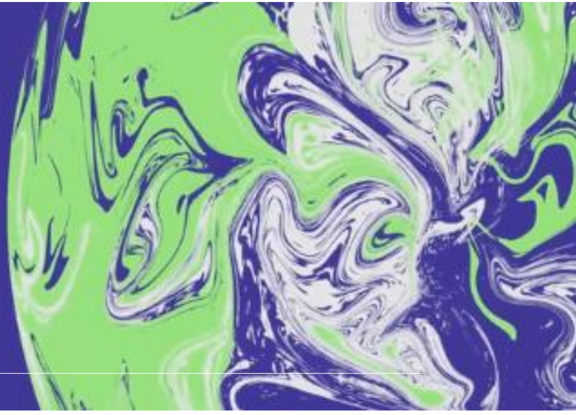
Teneo



Summary of COP26 Deal

15.11.21

The Glasgow Climate Pact

After negotiating overtime, the final draft of the COP26 agreement was completed on Saturday. The Glasgow Climate Pact focuses on the key areas of emissions cuts, fossil fuels, climate finance and adaptation, loss and damage, carbon markets and the Paris Agreement’s 1.5C target:

Emissions
One of the key aims of COP26 was to create a timetable for agreeing to more ambitious National Determined Contributions (NDCs), as the current NDCs are inadequate to limit temperature rises to 1.5C and, prior to COP26, nations were only required to set new NDCs every five years. While only one major emitter - India - produced a new NDC at COP26, the aim of the summit was not for numerous countries to produce new NDCs, but to agree to the faster roadmap. The Glasgow Climate Pact ensures that the question of revising NDCs will be discussed at COP27 in Egypt in 2022 and again for the following COP in 2023, providing a lever for more ambitious countries to ensure slower countries make the step up.

Fossil fuels
The use of coal provided the most contentious moment of the negotiations, as India and China insisted on changing the wording of the final text from a commitment to “phase out” coal power to “phase down” coal power, which the EU and US both accepted, angering the UK and smaller island nations. However, it is notable that this is the first COP agreement that has made a direct reference to phasing down fossil fuels, including a statement that inefficient subsidies for all fossil fuels should be removed and an acknowledgement of the need for a “just transition” to a clean energy system. Nations are also “invited” to reduce methane emissions this decade, again the first-time methane has been mentioned in a COP final agreement.

Climate finance and adaption
In 2009, it was agreed that developing nations would receive at least $100bn a year from public and private sources to help them cut emissions and cope with the impacts of the climate crisis. However, in 2019, it was found that only $80bn had been made available, and the Glasgow Climate Pact urges developed countries to “fully deliver” the $100bn goal through to 2025. The Glasgow Climate Pact also agrees to double the proportion of climate finance going towards adaptation following pressure from developing nations who argue that too much of climate finance is spent on funding emissions-cutting projects in middle-income countries that don’t need the funding.

Loss and damage
The EU and the US reportedly managed to veto the expansion of the loss and damage finance facility from the final agreement. The facility originated at the Paris Agreement and was designed to provide financial assistance for developing countries to deal with environmental damage incurred as a result of climate change. Going into the negotiations, nations including China and the G77, which represents 134 developing and emerging economies, expressed frustration that no further financial commitments to

combatting loss and damage had been made. Despite this lack of progress, the Pact does confirm that a "technical assistance facility" will be introduced to support loss and damage in relation to climate change in developing countries and will fall under the Santiago Network from the UNFCCC.

Carbon markets
The Glasgow Climate Pact also resolves some key issues in Article 6 of the Paris Agreement, the section pertaining to carbon markets and how emissions reductions under NDCs can and should be accounted for. The final text states that carbon offsetting should rely on "real, verified and additional" emissions removal taking place from 2021 onward and there is a requirement for co-benefits in terms of adaptation and the economy, and for nations to put at least 5% of the proceeds into adaptation. Plans for a potential two-tier system, and to transfer existing forest credits into Article 6, were deleted from drafts, in a move most green groups have praised.

Reaffirming the Paris Agreement
Prior to the summit, some nations opposed to stronger action had criticised the focus at COP26 on 1.5C as "reopening the Paris agreement", the main goal of which is to hold temperature rises "well below" 2C above pre-industrial levels while "pursuing efforts" to limit rises to 1.5C. The UK and supporters such as John Kerry, the US climate envoy, reiterated the importance of retaining the 1.5C global temperature increase limit and there were repeated references in the final deal to the "best available science", which since the Paris agreement shows clearly that 1.5C is safer than 2C. The final deal is evidence of the success of COP26 of maintaining the focus on 1.5C

Political and Business Reaction

Across the spectrum of business and politics, there is a feeling that the final terms of the COP26 deal do not go far enough:

- In the UK, **COP26 chair Alok Sharma** reacted emotionally to the final deal, commenting that he was "deeply frustrated" that the India and China deal over coal has been watered down. (The Guardian).
- More optimistically, **Prime Minister Boris Johnson** commented that the deal "sounded the death knell for coal power" (The Guardian). However, the PM also noted that despite the "game-changing" nature of the agreement, the pact remains "tinged with disappointment". The PM levelled subtle accusations at "sovereign nations" who lacked the ambition to make the deal a success. (LBC)
- **Kaveh Guilanpour, Vice President of International Strategies at the Center for Climate and Energy Solutions** commented that "whether COP26 was a success will only be known some time down the road. The test will be whether Glasgow marks the transition from promises made on paper to turning those promises into reality". (Reuters)
- In her speech on the final day of the conference, climate activist **Greta Thunberg** declared the summit a failure, equating small progress to losing. Thunberg called to her fellow activists, saying "the real work continues outside these halls". (The Independent)
- Tuvalu's Foreign Minister, **Simon Kofe** has expressed his disappointment at the outcome of the summit, suggesting that the final deal should have focused on the phasing out, rather than the phasing down, of coal use. Speaking on behalf of Pacific Island countries, Kofe expressed his frustration stating: "we would've liked to see bigger countries take bigger cuts on their emissions". (Reuters)
- Several global business groups have united with climate activists to express anger at the watering down of the COP26 agreement, believing it is not ambitious enough. **John Denton**, secretary-general of the **International Chamber of Commerce**, stated that the deal "is, most

certainly, not a cause for celebration". Head of **Greenpeace International**, **Jennifer Morgan** deemed the deal "meek" and "weak", whilst **Siemens** boss **Cark Ennis** stated that we must "focus our efforts on delivering what we can do right here, right now". (Financial Times)
- President of the **World Resources Initiative**, **Ani Dasgupta** has hailed the final deal, stating it has "finally put the critical issue of loss and damage squarely on the main stage". (Reuters)

Summary of wider announcements made at COP26

Net zero and emissions reductions

- Net zero targets now cover 90 percent of global emissions, up from 30% nearly two years ago. However, faster action is needed to meet the target of limiting global warming to 1.5C with several nations committing to dates beyond 2050, such as India's target of 2070.
- The US and China made a joint declaration to work together to reduce carbon emissions "in the 2020s", with the agreement covering transport, energy, industry and climate finance. The deal came as somewhat of a surprise to many and will aim to send a strong signal to the rest of the world.

Clean technology

- More than 40 world leaders, including the EU, US, India and China, agreed on a UK-led plan to speed up affordable and clean technology by 2030. This is broken down into five goals, which cover more than 50% of global emissions:
  - Power: Clean power to become the most affordable and reliable option worldwide;
  - Road transport: Zero-emissions vehicles to become the new normal and be accessible, affordable and sustainable in all regions;
  - Steel: Near-zero emission steel to be the preferred choice in global markets and the efficient use and near-zero emission steel production to be established and growing in all regions;
  - Hydrogen: For affordable, renewable and low-carbon hydrogen to be globally available and;
  - Agriculture: Climate-resilient, sustainable agriculture to become the most attractive and widely adopted option for farmers everywhere.
- 450 financial organisations, led by former Bank of England Governor Mark Carney, agreed to back "clean" technology and direct finance away from fossil fuel-burning industries. The Glasgow Financial Alliance for Net Zero has said it could deliver as much as $100tn of financing to help economies transition to net zero by 2050.
- 23 governments will collaborate through Mission Innovation, a global initiative of governments, international organisations and private sector investors, on four 'Missions' to catalyse investment and action in clean technologies for hard to abate sectors. The Missions are:
  - Urban Transitions Mission: To deliver 50 large-scale projects in urban environments to help cities reach net zero;
  - Net-Zero Industries Mission: To help put industrial sectors onto a net-zero pathway by 2050, co-led by Austria and Australia;
  - Carbon Dioxide Removal Mission: To enable a net reduction of 100 million metric tonnes of CO_2 per year globally by 2030, led by the USA, Saudi Arabia and Canada; and
  - Integrated Biorefineries Mission: To replace fossil fuel-based fuels, chemicals and materials with bio-based alternatives, led by India and the Netherlands.

Coal and methane

- 190 countries, banks and organisations have agreed to shift away from coal and end support for new coal power plants. However, it is worth noting that this is a non-binding agreement and has not been signed by the US or China, two of the world's biggest coal users.

- More than 150 countries have pledged to cut 30% of current methane emissions by 2030. China is noticeably absent from the agreement as one of the world's largest methane emission producers.

Climate finance

- A €1bn EU Catalyst Programme will finance new technologies and allow them to be used in Europe. The programme has been launched by the EU to finance breakthrough climate innovation alongside Bill Gates and the European Investment Bank.
- Chancellor Rishi Sunak pledged to make the UK the world's first "net zero financial centre", which will force all financial institutions and listed companies in the UK to publish plans on how they will transition to net zero from 2023.
- A group of countries and global charities, including the UK and US, pledged $1.7bn to support indigenous communities. in particular, this support will be focused on the conservation of forests and the strengthening of indigenous land rights.

Transport

- 34 countries committed to stopping the sale of non-electric vehicles by at least 2040, while other leading markets have agreed to do it by 2035. Car manufacturers, cities and financial institutions also pledged to the 2040 target, however three of the world's biggest car markets, the US, Germany and China, have not signed up.

Deforestation and farming

- More than 130 world leaders, representing over 90% of the world's forests, have agreed to stop and reverse deforestation by 2030. The pledge is backed by almost £14bn of private and public funds.
- 45 nations signed up to a new Policy Action Agenda designed to help policymakers make changes to deliver a food system that is low-carbon and deforestation-free.
    - The nations also signed up to the Global Action Agenda, with 150 organisations, which will aim to leverage $4bn of public investment in innovations such as climate-resilient crops, digital technologies and solutions that improve soil quality.