

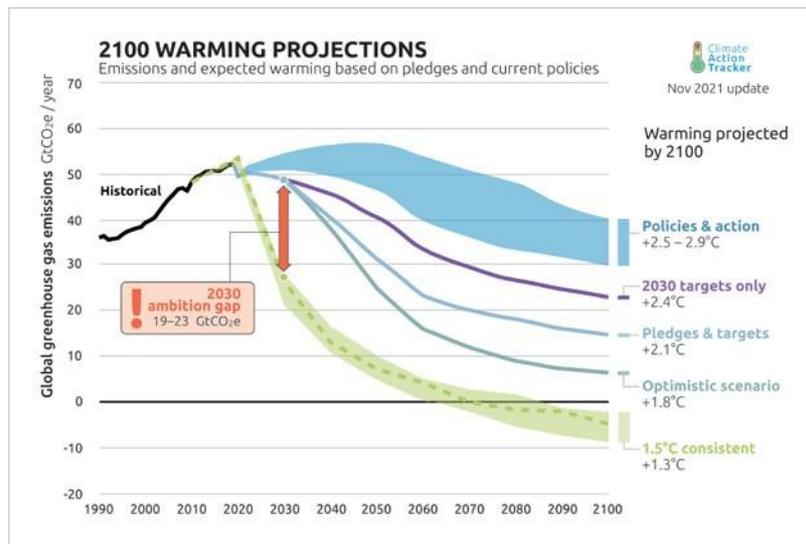
PREMIER SPONSOR ARTICLE SERIES

ESG Thema SPECIAL COP 26: From Paris to Glasgow – Are we moving fast enough?

The Conference of the Parties (COP) was established with the adoption of the United Nations Framework Convention on Climate Change (UNFCCC) at the Earth Summit in Rio de Janeiro in 1992.

Since the first COP in 1995 headed by the environmental minister of Germany Angela Merkel, the way world leaders think about climate change has fundamentally changed. The arguably most ground breaking contribution to this was the 2015 Paris Agreement, committing the world to limit global warming to well below 2°C and to pursue effort towards a 1.5°C trajectory. The COP26 (global change) which took place between October 31st and November 12th in Glasgow (Scotland, UK) has been described as the last chance to avert the most serious negative impacts of climate change. The current policies are likely to lead to global warming between 2.7°C and 3.1°C by the end of the century, far off the 1.5°C trajectory.

The following sections present the main achievements of COP26 in getting the world on a Paris-aligned trajectory, structured along the four main goals.



Source: climateactiontracker.org/global/temperatures

1. Securing global net zero by 2050

- Countries must accelerate the phase-out of coal, curb deforestation and speed up the transition to greener economies.
- Countries' carbon market mechanisms are part of the negotiations (Article 6 of the Paris Agreement).

2. Adapting to protect communities and natural habitats

- Countries already affected by climate change must protect and restore ecosystems, as well as build resilient defences, warning systems, and infrastructure.

3. Mobilizing finance

- International financial institutions are key to help secure funds.

4. Working together to deliver

- Opportunity to establish partnerships between governments, businesses and civil society and to finalise the Paris Agreement to make it fully operational.
- In addition to the formal negotiations, new initiatives and coalitions play a key role to drive climate action.

Source: [United Nations](https://www.un.org/en/climatechange/2021-11-24-cop26-outcomes)

1. Securing global net zero by 2050

The Global Methane Pledge

A major commitment announced by the US and the EU (as agreed to by more than 100 countries aimed to cut methane emissions by 30% by 2030 compared with 2020 levels) as global methane emissions (coming from oil, gas, coal, agriculture and landfills) grow faster than anytime in the past.

- The Global Methane Pledge covers countries which emit nearly half of all methane and make up 70% of global GDP.
- Roughly 30% of global warming since the industrial revolution is due to methane emissions, methane causing 80 times more global warming than CO₂ (global change).
- A 30% cut in methane emissions could reduce projected warming by 0.2°C according to European Union estimates

[Learn more](#)

The Glasgow Declaration on Zero Emission Cars and Vans

Over 100 public and private actors including the UK, Luxembourg, as well as manufacturers such as Volvo, Daimler, GM, Ford, IKEA, Siemens and Uber have signed the Glasgow Declaration on Zero-Emissions Cars and Vans.

- Similar to the plan of the EU to phase out international combustion engine ICE vehicles by 2035 presented earlier this year, the Glasgow Declaration on Zero Emission Cars and Vans promises to deliver more impact due to its global scope.
- A pledge to end the sale of internal combustion engine ICE vehicles in leading markets by 2035 in major markets and by 2040 worldwide.
- This has great potential for impact, as road transport is responsible for more than a quarter of all CO₂ emissions in the EU and the US.

[Learn more](#)

Transitioning from coal to clean power

More than 60 countries and companies made new commitments to phase out coal.

This is an important objective as fossil fuels dominate the global energy mix, adding up to around 80% of world energy consumption. After oil, coal is the second most consumed energy source, accounting for 27% of the global energy mix. Furthermore new coal development locks in future emissions, closing the window of opportunity to move onto a Paris-aligned transition pathway.

- Signatories agreed to end all investments in new coal power generation domestically and internationally, as well as phasing out coal in the 2030s for developed and 2040s for emerging markets.
- This major commitment could shift \$17.8bn annually out of fossil fuels and into the clean energy transition.

[Learn more](#)

In addition, The Powering Past Coal Alliance, launched and co-chaired by the UK and Canada working to advance the transition from unabated coal power generation to clean energy, has been joined by 28 members (of which 7 new subnational governments, 3 energy companies and 11 financial institutions).

[Learn more](#)

The Breakthrough Agenda: Acceleration and deployment of green technologies

More than 40 world leaders (including the UK, the US, India, China and the EU) have made a new commitment, the Breakthrough Agenda, aiming to accelerate the development and deployment of clean technologies needed in the fields of power, road transport, steel and hydrogen by 2030 to meet Paris agreement goals.

- It will stimulate investment in green technologies, to make them more affordable and accessible.
- According to the Agenda, these commitments could create 20 million new jobs globally while boosting the world's economy by \$16 trillion.

[Learn more](#)

- The steel section of the breakthrough agenda brings together 30% of global steel producers, committing to make near-zero emission steel 'the preferred choice in global markets'. This shift has the potential to open up new investment opportunities in a sector previously widely considered unsustainable.

[Learn more](#)

- With official scenarios by the International Energy Association (IEA) relying on the use of technologies which are mostly existent but not yet fit for commercial use, accelerating the deployment of clean technologies is crucial to moving towards a Paris-aligned future. This especially holds true for industrial sectors such as steel, which are more difficult to transform.

[Learn more](#)

India sets net zero target for 2070

India, the world's third largest emitter and where energy demand has doubled since 2000 (with 80% of demand still being met by oil, coal and solid biomass according to IEA) announced during the conference that it has set net zero target for 2070.

- Interim target of providing 50% of the country's energy needs from renewable means by 2030 and to reduce total projected carbon emissions by one billion tonnes.
- This important commitment will require massive investment in green technologies for a country which will have to address major issues: conciliate economic growth, lift people out of poverty and reach net zero commitments by 2070.

[Learn more #1](#)

[Learn more #2](#)

2. Adapting to Protect Communities and Natural Habitats

The End Deforestation Pledge: Halt and reverse deforestation and land degradation by 2030

More than 100 world leaders accounting for more than 86% of the world's forests have promised to end and reverse deforestation by 2030.

- Considered as a one of the major announcement of the COP26 as forests absorb nearly a third of CO2 emissions released from burning fossil fuels every year and that human activities have already cut down by half all earth's forests.
- More than a dozen countries and philanthropic donors pledged to provide \$13.7bn of climate finance.
- Will support activities in developing countries including restoring degraded land, tackling wildfires and supporting the rights for indigenous communities.
- This pledge differs from the New York Declaration on Forests in 2014 as this time in Glasgow, Brazil and Russia which have the most extensive forest area have decided to join this commitment.

[Learn more](#)

The Global Agenda on Transforming Agricultural Innovation

The Global Action Agenda on Transforming Agricultural Innovation has received the support from more than 160 actors including the World Bank, WWD, the World Food Program and the World Economic Forum.

- Aims at mobilizing finance for agricultural research and innovation to create more climate resilient practices and facilitate dialogue among food and climate actors worldwide.

[Learn more](#)

The potential impact is significant, because agricultural pollution originates both from pesticides that contaminate the world's air and water, and from fertilizers that in turn produce greenhouse gases. The agriculture, forestry, and land use sector is responsible for over 18% of the world's greenhouse gas emissions.

Leading financial institutions commit to tackling deforestation

33 financial institutions with \$8.7trn in assets under management agreed to phase out agricultural commodity-driven deforestation from their portfolios by 2025.

[Learn more](#)

3. Mobilizing finance

The Glasgow Financial Alliance for Net Zero

The Glasgow Financial Alliance for Net Zero (GFANZ) which amounts to \$130 trillion in capital across 450 financial institutions in 45 countries announced that they committed to transforming the economy and achieving net zero (it was only \$5trn at the beginning of the year according to Mark Carney, UN special envoy for climate action).

- The GFANZ announced that “these commitments, from over 450 firms across 45 countries, can deliver the estimated \$100 trillion of finance needed for net zero over the next three decades”.
- GFANZ signatories commit to make TCFD disclosures which include climate stress-testing their own activities and to science-based transitions plans.
- In the GRANZ report, it has been mentioned that “a key step in decarbonizing finance is to develop common industry standards and best practices on how to measure alignment with the Paris Objectives. At this stage, no consensus on which tools and metrics to use or how and when to apply them. However they are crucial for bringing a forward-looking view to a counterparty's future emissions and its level of alignment to net zero”.

[Learn more](#)

Mobilizing \$7bn for climate related projects in Asia

The Asian Development Bank (ADB) launched the new ASEAN Green Recovery Platform.

- A catalytic \$665 million fund pledged by the UK, Italy, EU and GCF that aims to mobilize \$7 billion for low-carbon and climate-resilient infrastructure projects..

[Learn more](#)

- ADB also launched an Energy Transition Mechanism which will use blended finance to retire existing coal plants.

[Learn more](#)

Mobilizing climate finance for Asia is crucial, as the region remains one of the strongest proponents of coal, with just four Chinese regions accounting for nearly a quarter of all proposed coal mine capacity worldwide and almost three quarters of coal mining capacity currently under development.

Public climate finance for developing countries

After falling more than \$20bn short of the \$100bn pledged during COP25 in Copenhagen, this time at the COP26, developed countries committed to ambitious climate finance plans, further increasing their deployment of money to developing countries by 50% on average.

- Over the 2021-2027 period, the budget from European Commission to support climate action in developing countries will exceed EUR28 billion (around half of this amount will continue to serve climate adaptation objectives).
- The United States intends to further double by 2024 its annual public climate finance to developing countries to around USD11.4 billion.

[Learn more](#)

4. Working together to deliver

The Clean Green Initiative: Infrastructure and technology for developing countries

The UK launched the “Clean Green Initiative” to support the rollout of sustainable infrastructure and green technology in developing countries, in an effort to tackle climate change and accelerate economic growth.

[Learn more](#)

Global disclosure standards for the Financial markets

The International Financial Reporting Standards Foundation, whose standards are used in 140 jurisdictions around the world (though not in the U.S. and China), announced the new International Sustainability Standards Board (ISSB) to develop globally consistent climate and broader sustainability disclosure standards for the financial markets.

[Learn more](#)

Conclusion

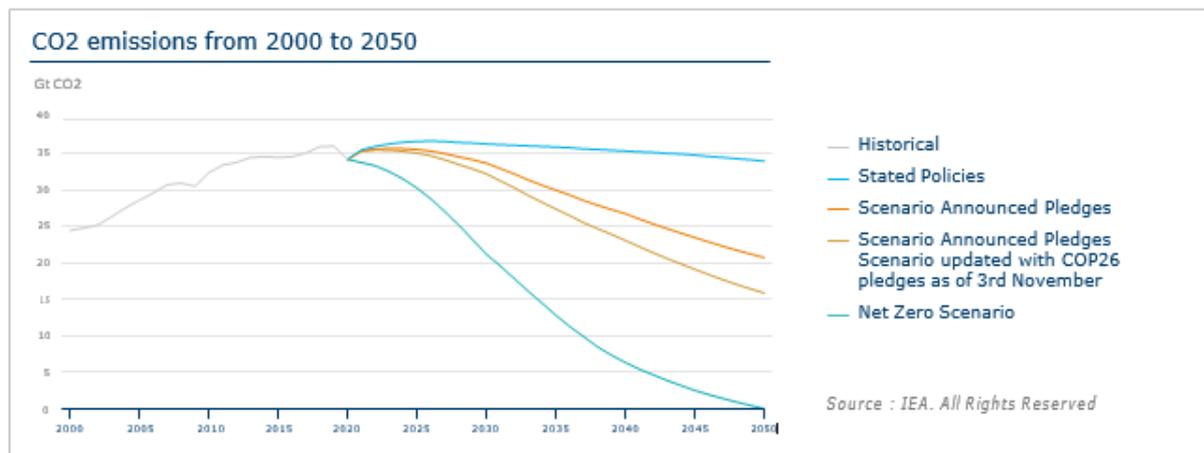
More than a day after the originally scheduled end date, the negotiators from nearly 200 countries reached an agreement, the “Glasgow Climate Pact” aimed at keeping the goals of the 2015 Paris Agreement alive and committing countries:

- to comply with standards set by the Paris Agreement (including the carbon emission mechanisms known as Article 6). The pact which completes the Paris rule book is an important development and creates a global and consistent framework for countries.
- to phase down unabated coal (and not finally to phase out as India and China led opposition to it) as well as ending inefficient fossil fuel subsidies. For the first time, the agreement makes unprecedented mention of the role of fossil fuels in the climate crisis.
- to ask countries to come back next year for the COP27 in Egypt with more ambitious 2030 reduction targets (i.e. their Nationally Determined Contribution) in line with the Paris Agreement. Important to note that under the Paris Agreement, countries are only obliged to update their goals by 2025.
- to align countries to a common time frame and methodology for “national commitments on emissions reductions” introducing more transparency on how countries will report on their climate goals.
- to support a just transition for developing countries.
- to provide a greater assistance from developed countries to developing countries (technical assistance, knowledge and resources) to address climate issues.

Before the COP26, the world was on track for a 2.7°C rise in temperatures by the end of the century. Thanks to the commitments announced by the countries representing 90% of the world’s GDP, this scenario now looks very different. According to the International Energy Association (IEA), the COP26 pledges (e.g. the global methane pledge, ending deforestation, phasing down coal, the breakthrough agenda) will put the world on track for 1.8°C warming by the end of the century.

[Learn more](#)

Revisiting the projected emissions from earlier, the outcome of COP26 is quite visible:



However, this does not necessarily mean the goals of COP26 have been achieved. As EU climate negotiator Jacob Werksman pointed out, none of the pledges made at COP26 have been implemented just yet and it is for the following years to show if we can really steer the world successfully onto a 1.5°C trajectory. The pledge announced by the US and China (the two biggest CO₂ emitters in the world) just before the end of the COP26 “to recall their firm commitments to work together” in achieving the 1.5°C limit agreed upon at the Paris summit illustrates this willingness to go beyond political divisions. Antonio Guterres (UN Secretary General) qualified it as “a major step to move in the right direction”.

At the COP26, public and private actors worked hard to build on the promises of the 2015 Paris Agreement and many commitments were made. In order to go from statements to concrete actions, public and private actors now have to take their responsibility on a global scale.

About HKRSA

The Hong Kong Retirement Schemes Association (HKRSA) was established in 1996 to promote the interests and best practices of retirement schemes in Hong Kong including provident and pooled retirement funds. The HKRSA is a not-for-profit, non-political association, which represents retirement schemes and their members, providing a forum for discussion of issues of current and topical interest.

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