



CATAVENTO



**UN CLIMATE
CHANGE
CONFERENCE
UK 2020**

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COP26 key takeaways

Catavento analysis

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COP26 key takeaways

Agenda



1. Overview
2. How did we arrive at COP26?
3. What did the Glasgow Climate Pact achieve?
4. Are we closer to the 1.5°C ambition?
5. Key topics
 - i. The relevance of financing
 - ii. The increased role of demand signals
 - iii. Civil society's rising calls
 - iv. An unprecedented business presence

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COP26: an overview

Climate at the center of the political, business and societal agenda



- 1** Urgent need to keep 1.5°C alive not yet fully translated into national commitments
 - New NDCs and 2030 targets leading to +2.4°C (vs +2.7°C with current policies)
 - Long-term **net zero pledges*** could limit global average temperature rise to +1.8°C
 - Several **commitments seen as *first-timers*** (e.g.: methane pledge, ending deforestation, coal phase down), as well as consensus on Article 6

- 2** Financing the transition has gained increased momentum
 - **Private sector** mobilized for climate finance – GFANZ with US\$ 130 tn AuM – need to monitor implementation phase
 - Divesting carbon intensive sectors or financing their transition?
 - Complementary role with **public funding** - matching funds and reducing risk exposure

An unprecedented business presence at COP

- Coalitions to create low carbon products marketplace and provide **demand signals**
- **Low carbon H₂** with increased attention regarding the full value chain
- **100% zero-emissions vehicle sales** pledge underdelivered, lacking major automakers and countries

A civil society increasingly vocal

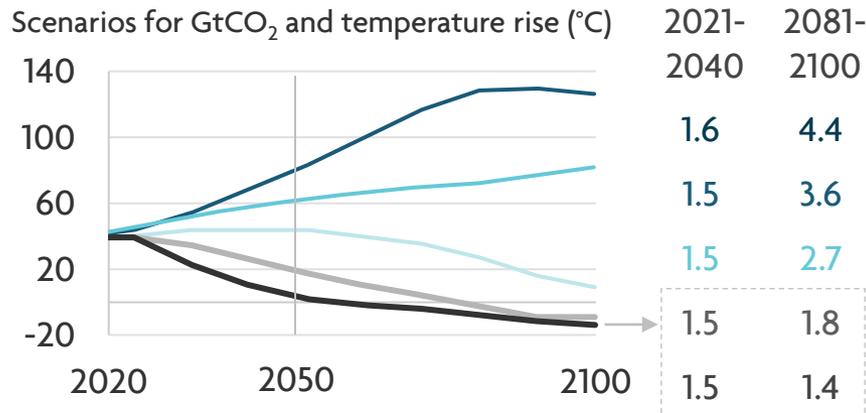
- Young, indigenous, black people and women reinforced the demand for an **urgent and just transition**
- **Adaptation** set to be at the center stage of COP27 in Egypt

How did we arrive at COP26?

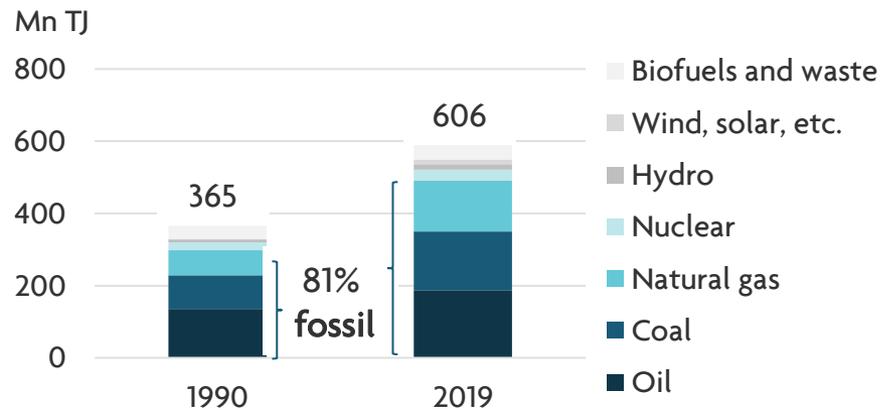
A challenging political environment to address the climate crisis



IPCC report shows that the world already warmed 1.1°C and needs to reach net zero to limit rise to +1.5°C



Global dependence on fossil fuels has not changed over the last 30 years



Society's awareness of climate risks



Nearly 2/3 of people in 50 countries believe that climate change is a global emergency



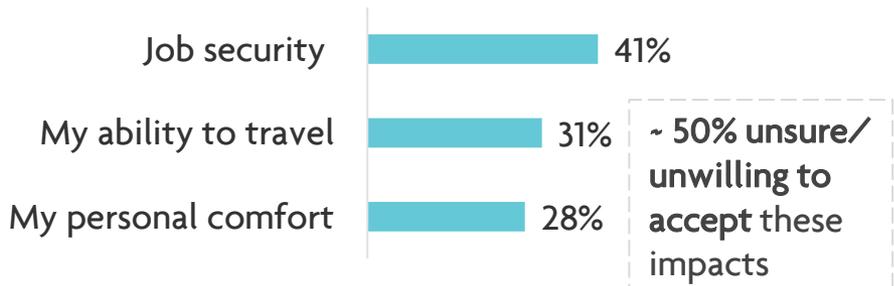
80% of planet area and 85% of population already exposed to climate change impacts



US\$ 1.8 tn in economic costs from extreme weather events in the last 40 years in the US

Society not willing to deal with the transition costs

% negative impacts expected from climate solutions



Sources: Catavento analysis based on IPCC – “Climate Change 2021 – The physical science basis”, 2021; UNDP – “People’s Climate Vote”, 2021; Met Office – “One billion face heat-stress risk from 2°C rise”, 2021; Edelman Trust Barometer – “Special Report: Climate Change”, 2021

What did the Climate Pact achieve?

The herculean task of building consensus among 195+ countries



The Glasgow Climate Pact received both praise and criticism



Room for higher ambition with NDC revisions - national targets to be updated more frequently, with countries that still have not submitted more ambitious targets requested to do so by the end of 2022



Article 6 creating international carbon market - unified standards for carbon credits trade among countries, including guidelines to avoid double counting and promote partial cancellation. So far, REDD+ projects are not to be accepted



Financing gap remains Although lagging the US\$ 100bn goal, it urges countries to **double** provisions from 2019 levels by 2025 to tackle mitigation and adaptation in a balanced manner



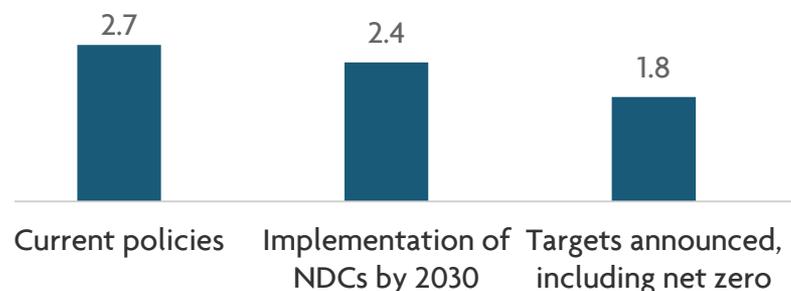
Fossil fuels and coal mentioned for the 1st time – focus on the **supply side** rather than on reducing demand. Criticism for fighting inefficient subsidies and phasing-down coal, instead of phasing-out

Are we closer to the 1.5°C ambition?

Relevant advancements but still not where we need to be



Projections of global temperature increase by 2100
°C



India pledged to achieve net zero by 2070, reduce emission intensity in 45% (vs 33% in previous target) and have 50% of renewables in power mix by 2030 (vs 40% initially)



US and China, although announcing a surprising deal to collaborate, did not set more ambitious targets given internal political pressures

Announcements to keep 1.5 °C alive

90% of global emissions covered by net zero pledges

The **Global Methane Pledge** to deliver a 30% reduction by 2030

140+ countries promised to end deforestation by 2030

Positive signal

Updated NDCs

100+ countries (~50% of CH4 emissions)

91% of global forests, including Brazil

Reality check

Lack of implementation plans for long-term targets

China, Russia and India (together ~33% of CH4 emissions) did not sign up

Indonesia already backtracked

Sources: Catawento analysis based on Climate Action Tracker – “Glasgow’s 2030 credibility gap”, 2021; “Glasgow sectoral initiatives currently close the 2030 emissions gap by 9%”, 2021; European Commission – “Launch by United States, the European Union, and Partners of the Global Methane Pledge to Keep 1.5C Within Reach”, 2021; Bloomberg – “Modi Surprises Climate Summit With 2070 Net-Zero Vow for India”, 2021; “Climate Deals Unravel Under Closer Scrutiny: COP26 Daily”, 2021; COP26 – “Global Coal To Clean Power Transition Statement”, 2021; “End Of Coal In Sight At COP26”, 2021; Financial Times – “COP26: Global leaders sign pledge to halt deforestation”, 2021

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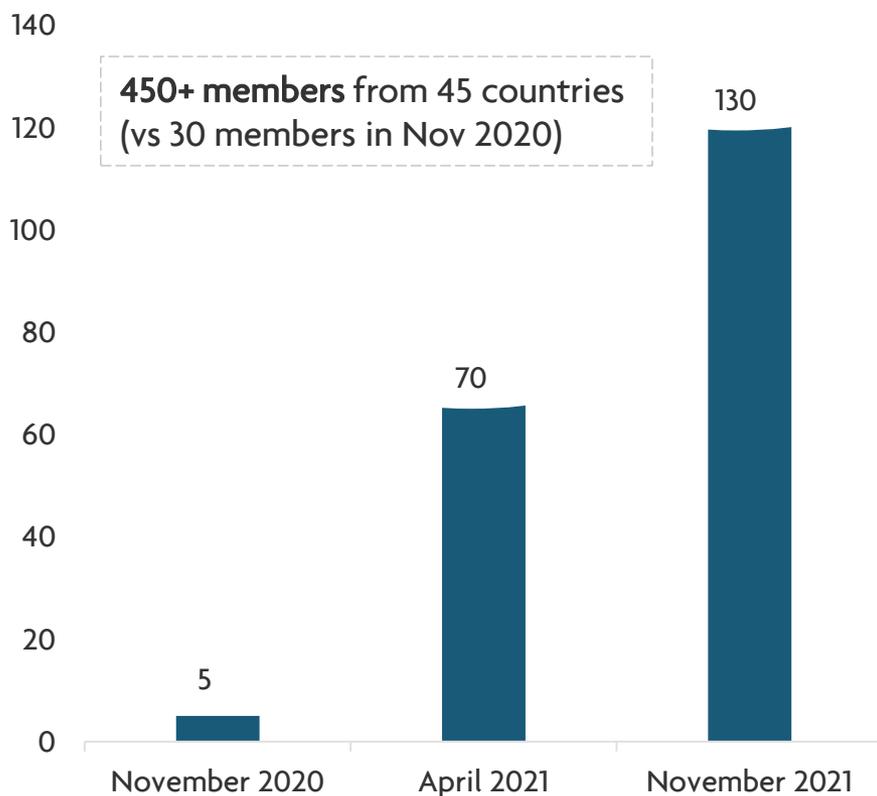
The relevance of financing

Financial flows to net zero at the center of the debate



Glasgow Financial Alliance for Net Zero (GFANZ)

US\$ tn in financial assets across member firms



Members of the coalition committed to **align their portfolio with net zero goals by 2050**, as well as setting interim targets, but the lack of information on transition-committed funds stirred criticism



IFRS, SASB and CDSB are consolidating into the new **International Sustainability Standards Board**, seeking to provide the technical foundations to prevent **greenwashing**



Given that many transition investments will have to be made in **emerging economies**, **public financing** could play a **complementary role** in reducing risk exposure (e.g.: exchange rate risk, match funding)

The increased role of demand signals

Partnerships for marketplaces and hard-to-abate decarbonization



First Movers Coalition – Led by WEF and the US, aims to build early demand for zero emission goods and services



Glasgow Breakthroughs – Governments, UN, IEA and IRENA driving scale and deployment of clean tech



Green Public Procurement - Clean Energy Ministerial and countries leveraging low carbon material procurement

Mobilization focusing on sectors and technologies also ramped up



Clydebank Declaration, signed by Japan, the US, the UK and Germany, to establish six green shipping corridors by 2025, likely relying on technologies such as **green ammonia or methanol**



H2Zero aims to accelerate the use and production of **low carbon hydrogen**, comprising of 28 companies from different sectors such as **mining, energy, transport and finance**

Sectors covered	First Movers Coalition	Glasgow Breakthroughs	Green Public Procurement
Power		✓	
Industry	✓	✓	✓
Transport	✓	✓	
Agriculture		✓	

Source: BCG – “Inside COP26: Kickstarting a decade of delivery”, 2021; World Economic Forum – “First Movers Coalition”, 2021; COP26 – “Clydebank Declaration For Green Shipping Corridors”, 2021; Bloomberg – “Zero-Carbon Shipping Plan Targets Container, Iron Ore Routes”, 2021; WBCSD – “28 companies pledge to accelerate use of decarbonized hydrogen at COP26”, 2021

Civil society's rising calls

Just transition and adaptation as the main priorities



- The voices of civil society were stronger than ever at COP26
- Scrutiny over what is seen as greenwashing has increased
- Demands for clear and immediate mobilization and fossil-fuel phase out were one of the key points of protest



- Indigenous leaders, youth and women were remarkably present at COP26
- The severe impact of climate change on these groups and the need to have their perspectives considered were present in discussions and speeches



- Vulnerable countries at immediate climate risk such as Tuvalu emphasized the urgency of action
- The South Africa's Just Transition US\$ 8.5 billion deal could become a model for financing the transition
- Adaptation will be at center stage of COP27 in Egypt

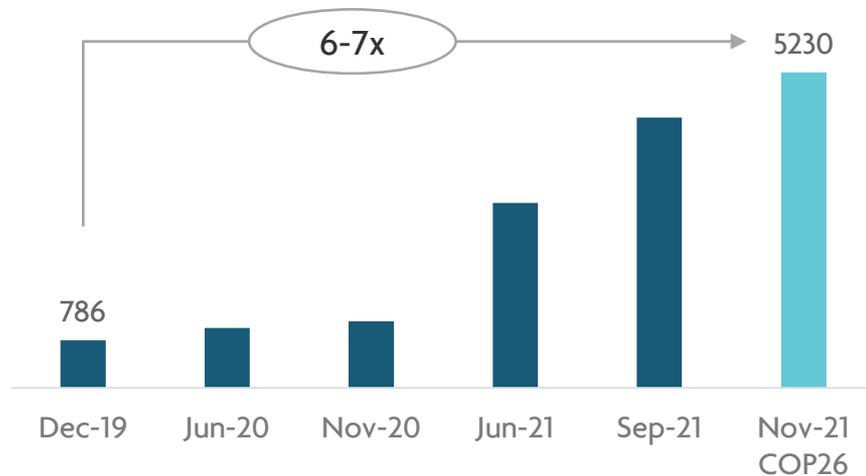
Sources: Bloomberg – “COP26 Protests: Inflatable Cows, Megaphones and a Rainbow”, 2021; “Greta Thunberg Attacks CO2 Offset Projects as ‘Greenwash’ at COP26”, 2021; BCG – “Inside COP26: Kickstarting a decade of delivery”, 2021; Folha de S. Paulo – “Jovens lideranças cobram soluções com viés social para a crise climática”, 2021; Reuters – Tuvalu minister stands in sea to film COP26 speech to show climate change”, 2021

An unprecedented business presence

That will need to be translated into implementation and delivery



The private sector showed a new degree of mobilization
of corporates that are members of Race to Zero



- **Private sector participation in COP26 ramped up**, with announcements, engagement in discussions and articulations around key themes
- **1.5 °C-aligned climate goals** consolidated as a new corporate climate paradigm

Looking ahead: 2020s as the decade of action



Climate intelligence – monitor external context developments in governmental policies, civil society claims, technological developments and peer pressure



Transparency – prepare for more stringent monitoring and focus on aligning with best practices (e.g.: TCFD, ISSB, SBTi)



Robust mitigation and adaptation plans – map physical and transition risks, set ambitious targets and align with strategy to promote resilient business models



Showcasing delivery – maximize collaboration and technological innovation in order to achieve short-term deliveries

Final remarks

Outcomes of COP26 present a mixed result regarding expectations



Keeping 1.5°C alive

90% of global emissions now committed to **net zero** (including India) 

Glasgow Climate Pact reinforces **1.5°C target** and need for **45% GHG reduction** by 2030 

US-China issued joint declaration on climate collaboration 

Current 2030 national pledges put world on track for **+2.4 °C** 

Methane

Methane pledge with 105 governments 

Need to tackle methane was mentioned for the first time in the **Glasgow Pact** 

Some of the **largest methane emitters** (China, Russia, India) **did not sign** the methane pledge 

Financing

US\$ 130 tn in AuM committed to net zero 

Failure to deliver US\$ 100 bn pledge, no clear funding for vulnerable countries 

Fossil fuels

Mentioned for the first time in final text 

Focus on **supply and not on demand** reduction 

Coal phase out not signed by major users, language “watered down” in the Pact 

Forests and carbon markets

Negotiations reach **deal on Article 6** 

Governments pledged to **end deforestation** 

REDD+ inclusion still unclear 



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First Movers Coalition

Overview



Coordinating entities

- World Economic Forum
- US State Department, through Special Presidential Envoy for Climate John Kerry

Participating entities and companies



Goals and targets

- Build early demand for low-carbon goods and services to help scale the next generation of emission mitigation solutions by 2030 for carbon-intensive sectors

Other key information

- The initiative goals will be pursued by
 - Defining purchasing commitments for emerging technologies needed for net zero by 2050 across hard-to-abate sectors
 - Secure 2030 commitments from critical players across the value chain to jumpstart action in the 2020s
 - Facilitate implementation of purchasing commitments

Glasgow Breakthroughs

Overview



Coordinating entities

- United Nations (Race to Zero)
- IEA, IRENA and United Nations High Level Climate Action Champions monitoring progress

Participating entities and companies

Over 40 countries, including:

- US
- EU
- India
- China
- UK
- Japan
- South Korea
- Australia

Goals and targets

- Make clean technologies the most affordable and accessible option through scale, innovation, and deployment in high-emitting sectors **globally before 2030**, those being
 - Power
 - Transport
 - Steel
 - Hydrogen
 - Agriculture

Other key information

- Progress will be assessed globally by ministers via an annual IEA report in collaboration with IRENA & UN HLCs1 – based on
 - Capacity increase
 - R&D
 - Deployment investment
 - Efficiency improvement
 - Cost and affordability
 - Infrastructure availability



Green Public Procurement

Overview



Coordinating entities

- Clean Energy Ministerial Industrial Deep Decarbonization Initiative (IDDI), coordinated by UNIDO
- UK and India

Participating entities and companies

- UK
- India
- Canada
- Germany
- United Arab Emirates



Goals and targets

- Leveraging public procurement to stimulate demand for low carbon materials, such as steel and concrete
- Encouraging a minimum of 10 governments to make public procurement commitments for low-carbon steel and cement within the next 3 years
- Sourcing and sharing data for common standards and targets
- Support the launch of reporting, evaluation and certification mechanisms in the next 3 years

Other key information

- Businesses can become first-movers to define standards & benefit by
 - Monitor federal and local government activity around priority GPP categories and targets, abatement paths and laws
 - Work with governments for a common set of standards for accurate and compatible data
 - Consider emission targets within tenders to ensure competitiveness

