

United Nations Climate Change Conference

COP26 – Key Takeaways

Relevant to M&M – Auto, MRV, Group Sustainability

Introduction

The Conference of Parties comes under the UNFCCC which was formed in 1994. The UNFCCC was established to work towards “stabilisation of greenhouse gas concentrations in the atmosphere. COP is the apex decision-making authority of UNFCCC. It laid out a list of responsibilities for the member states which included:

- i. Formulating measures to mitigate climate change.
- ii. Cooperating in preparing for adaptation to the impact of climate change.
- iii. Promoting education, training and public awareness related to climate change.

Meetings - COP members have been meeting every year since 1995. The UNFCCC has 198 parties including India, China, and the USA. Generally, it meets in Bonn, the seat of the secretariat, unless a Party offers to host the session.

Presidency - The office of the COP President normally rotates among the five United Nations regional groups which are - Africa, Asia, Latin America, and the Caribbean, Central and Eastern Europe and Western Europe and Others. The President is usually the environment minister of his or her home country. S/he is elected by acclamation immediately after the opening of a COP session.

COP 26 Goals

According to the United Nations Climate Change Framework Convention (UNFCCC), COP26 will work towards four goals:

- i. **Net Zero by 2050:** To secure Global Net-Zero by Mid-Century and keep 1.5 Degrees within reach. Countries are being asked to come forward with ambitious 2030 emissions reductions targets that align with reaching net zero by the middle of the century. To deliver on these stretching targets, countries will need to: Accelerate the phase-out of coal, curtail deforestation, speed up the switch to electric vehicles and Encourage investment in renewables.
- ii. **Adapt to Protect Communities and Natural Habitats:** Countries will work together to ‘protect and restore ecosystems and build defenses, warning systems and resilient infrastructure and agriculture to avoid loss of homes, livelihoods and even lives.’
- iii. **Mobilise Finance:** Developed countries must make good on their promise to mobilise at least USD100bn in climate finance per year.
- iv. **Work Together to Deliver:** Another important task at the COP26 is to ‘finalise the Paris Rulebook’. Leaders will work together to frame a list of detailed rules that will help fulfil the Paris Agreement.

COP 26 concluded on November 12th, 2021

The COP 26 United Nations Climate Change Conference will be hosted by the UK from 31st October to 12th November. Earlier, Intergovernmental Panel on Climate Change (IPCC) published its assessment report on Earth’s climate, highlighting heat waves, droughts, extreme rainfall, and sea-level rise in the coming decades. The climate talks brought together heads of state, climate experts and campaigners to agree coordinated action to tackle climate change.

After 13 days of intense negotiations, COP26 concluded on Saturday 13th November 2021 with every Party at COP26 - representing almost 200 countries - agreeing the Glasgow Climate Pact. This global agreement will accelerate action on climate this decade.

By the end of COP26, 151 countries submitted new climate plans (known as nationally determined contributions, or NDCs) to slash their emissions by 2030. To keep the goal of limiting temperature rise to 1.5 degrees C within reach, global emissions need to be halved by the end of this decade.

Key Points

- For the first time, COP agreed a position on phasing down unabated coal power.
- Countries from all over the world agreed to come back next year to submit stronger 2030 emissions reduction targets with the aim of closing the gap to limiting global warming to 1.5 degrees C (2.7 degrees F)
- The Washington and Beijing governments set aside their strategic differences to issue a **joint climate announcement** recalling their ‘firm commitment to work together’ to keep emissions below 1.5C.
- It was agreed that developed countries should urgently deliver more resources to help climate-vulnerable countries adapt to the dangerous and costly consequences of climate change that they are feeling already — from dwindling crop yields to devastating storms.
- Countries also made collective commitments to curb methane emissions, to halt and reverse forest loss, align the finance sector with net-zero by 2050, abandon the internal combustion engine, accelerate the phase-out of coal, and end international financing for fossil fuels, etc.

Key Achievements

- ✓ **New Global and Country Targets:** The Glasgow Summit has urged countries to consider strengthening their 2030 targets by COP27 to be held in Egypt in 2022.
- ✓ The summit targeted global warming not to exceed +1.5°C and **got about 140 countries to announce target dates** for bringing emissions down to **net zero**.

- ✓ The achievement is significant as in the Paris Agreement, the developing countries did not agree to reduce emissions but just the “emissions-intensity” of GDP.

✓ **India has also joined the consensus and announced its net-zero target of 2070.**

This is a step ahead from India’s past position where it never accepted the need to reduce emissions.

- ✓ **Glasgow Breakthrough Agenda:** A potentially important development which emerged out of COP26 (but outside the COP process) is the Glasgow Breakthrough Agenda endorsed by 42 countries (including India). This is a cooperative effort to accelerate the development and deployment of clean technologies and sustainable solutions in areas such as clean power, road transport, steel, and hydrogen.
- ✓ **Phasing-Down Coal Consumption:** Coal is the dirtiest of fossil fuels and an early phasing out of coal is clearly desirable. European countries have pushed hard for its phase out; however, developing countries have resisted this.
- ✓ **A middle path, as suggested by India,** was referred to at the COP26 calling for a “phase-down” of coal-based power.
- ✓ **Best Case Scenario:** An early assessment by Climate Action Tracker (CAT), an independent organisation, suggests that the targets declared, if fully achieved, could limit global warming to around $+1.8^{\circ}\text{C}$. However, it also warns that the targets for 2030 are insufficiently ambitious. Unless significantly tightened, the world is more likely to end up seeing global temperatures rise by 2.1°C to 2.4°C .

Setbacks of the Meeting

- **Voluntary Targets:** The targets set at the meeting are voluntary with no mechanism for enforcement or penalties for non-compliance. Many targets are conditional on availability of adequate financial support.

- **Lack of Specific Details and Actions:** Many countries have not provided details on specific actions to be taken which would determine the actual trajectory to net zero which creates uncertainty about what will be achieved.
- **Failure in Securing Climate Finance:** The summit's mild admonition only urges the developed country parties to scale up their provision of climate finance. It failed to firmly secure funding commitments from developed nations.
- **Unequal Distribution of Carbon Budget:** The world's top three largest emitters (China, USA, Europe) which account for about 30% of the world's population, would take up 78% of the carbon budget.
 - ✓ China intends to hit peak emissions only by 2030, before going down to net zero in 2060; it would take up 54% of the global carbon budget against a global population share of only 18.7%.
 - ✓ The US, with 4.2% of the total population, would take up 14.2% of the budget and Europe, with 6.8%, would take up 9.5%.
 - ✓ This problem reflects the fact that focusing on net-zero dates does not ensure a fair apportioning of the available carbon space if the initial position in terms of emissions varies so greatly.

Suggestions for Largest Emitters

- **China**, instead of increasing emissions up to 2030, as currently declared, may need to keep them at their current level for a few years and then go down to net zero by 2050.
- The **US should achieve a sharper reduction in emissions by 2030**, and also advance its net-zero date to 2040. The US should achieve a sharper reduction in emissions by 2030, and also advance its net-zero date to 2040.

- **Europe as a whole should follow the German/Swedish example and aim at net-zero by 2045.** With this recalibration, the carbon emissions of this group would fall to 32% of the carbon budget, much closer to their population share.

Suggestions & Implications for India

- i. Update its Nationally Determined Contributions (NDCs)
(NDCs detail the various efforts taken by each country to reduce the national emissions)
- ii. Sector by sector plans are needed to bring about development.
- iii. Decarbonisation of the electricity, transport sector and starting to look at carbon per passenger mile is needed.
- iv. Aggressively figure out how to transition the coal sector.
- v. India's 2070 target would take up 18.1% of the carbon space, which is a little higher than our population share of 17.7%.
- vi. India should be willing to consider a modification in its trajectory as part of an agreed global package, in which other countries also take appropriate action.
- vii. **Coal-Based Power and India** - India has made no commitments regarding phasing-down of coal-based power; however, its renewable energy goals 2030 are likely to reduce the share of the same from current 72% to about 50% by 2030. Also, the government shall consider ordering against establishment of any new coal-based plants apart from those currently under construction. What more is needed is a policy of accelerated retirement of older, inefficient, and polluting plants, provided suitable financing can be obtained.
- viii. **Encouraging Electric Vehicles (EVs)** - India's net-zero by 2070 also requires phasing out petrol and diesel in transport and shifting to Electric Vehicles (EVs) that use electricity from renewables. In order to make the country's entire fleet emissions-free by 2050, the government may consider announcing against the

sale of fossil fuel-based vehicles after 2035. This would give the automotive sector about 15 years to restructure its production.

- ix. **Need of Policy Changes** - Expanding renewable capacity requires policy action aimed at resolving problems such as stabilizing intermittent supply from renewables, building transmission infrastructure, creating efficient electricity markets, and fixing the financial weakness of India's discoms. These actions are not specified in the Nationally Determined Contributions but will have to be built into the domestic policy agenda in the years ahead.

Making difference to Businesses

- Greater pools of capital required for low-carbon infrastructure (with a particular emphasis on the developed world) aligned with a strong emphasis on the quality of corporate disclosures.
- On accounting standards, greater standardisation and regulation of disclosures will simplify the process. However, in the future companies will require much greater discipline to capture data in a way that enables comparison across time, companies, and geographies and a generates greater understanding of carbon risk and opportunity.
- As the cost of carbon rises, businesses will feel the pressure to reduce their carbon footprints and those of their supply chains. It is expected that more companies to sign up to tangible net-zero and science-based commitments and invest in delivering against their goals to avoid carbon penalties.
- With the Sino-US declaration, it is expected that regulation on decarbonisation and enhanced market access for low-carbon products and technologies as well as improved Sino-US collaboration across industries and supply-chains.
- There would be a scaling up of support for renewable technologies over time, possibly at the expense of fossil fuel subsidies.

- Reduced deforestation creating demand for recycled and secondary sources of wood. This will have a significant impact on the construction and pulp and paper sectors, while the meat industry (a significant contributor to forest loss) will need to adjust.

Conclusion

- It needs collaboration both within and across the industries to achieve the sustainable climate goals for equitable growth and development.
- The growing call from concerned citizens across generations, geographies and political boundaries would lead the political and business leaders to take tangible and sometimes radical action. When this concern changes voting and purchasing behaviour, the 1.5C goal might appear much more achievable.
- The COP26 of Glasgow is a promising start on emissions reduction, however, on the part of global largest emitters, much more is expected to be done.
- In India's context, it needs to work out a detailed plan of action with reference to phasing-down coal-based power generation and encouraging electric vehicles.