



December 8, 2021

## WHAT YOU NEED TO KNOW ABOUT COP26 climate deals

### PRO POINTS

• **Governments at November's COP26 climate conference** reaffirmed the goal of seeking to limit global warming to 1.5 degrees Celsius from the pre-industrial era, an aggressive target that's still out of reach based on national targets countries have submitted under their Paris climate agreement pledges.

• **On top of those "nationally determined contributions,"** several countries and companies stepped up with commitments on action to curb methane pollution and deforestation that have the potential to significantly curb planet-heating emissions.

• **The private sector said it was prepared to commit to large investments to drive a clean energy transition,** as governments and environmental groups work to lay out the rules around how carbon credit markets should operate.

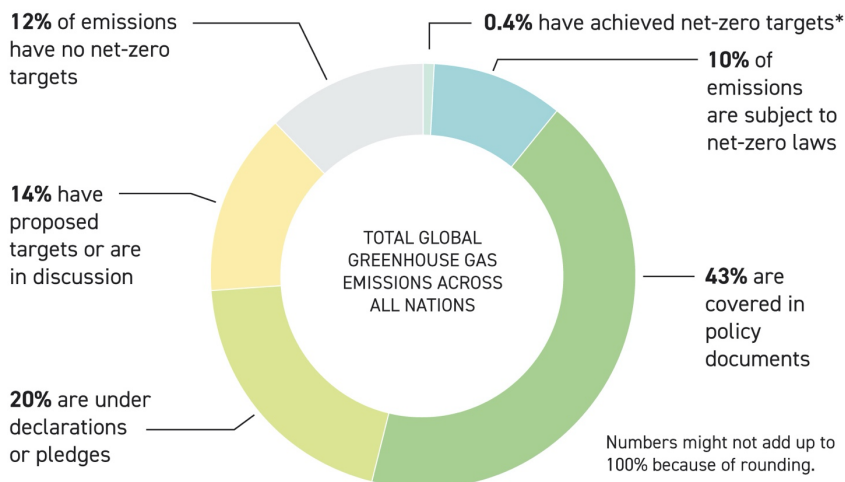
### HOW WE GOT HERE

Delegations from nearly 200 nations arrived for global climate talks in Glasgow, Scotland to update their pledges under the 2015 Paris climate agreement and cut planet-warming pollution enough to slow the temperature increases that scientists say are causing more violent storms, devastating floods and punishing droughts.

Entering the conference, the U.N. projected that governments' climate plans would put the planet on course for warming 2.7 degrees Celsius over the pre-industrial era by 2100, far higher than the 1.5 degrees C goal scientists and nations like the United States, the United Kingdom and the European Union had set as a target. But a spate of new commitments from businesses and nations in Glasgow would help put the planet on a lower trajectory, and if met would hold the average global temperature increase to 2.4 degrees C of warming, according to the Climate Action Tracker, which is run by an environmental analytics firm.

### Most countries have some goal for reducing emissions

Some form of net-zero emissions targets from 127 countries cover 88 percent of greenhouse gas emissions, representing 90 percent of world GDP and 85 percent of the global population.



Source: ZeroTracker.net

\*Self-declared by countries

Among the new promises from companies and countries at Glasgow were to curb releases of methane, shift trillions of private investment dollars to clean energy, end deforestation, halt most overseas oil and gas finance and ditch coal-fired power.



But failing to meet these targets incurs no penalties, since the Paris agreement contains no enforcement mechanism for governments, and the new agreements are outside the scope of that pact. Instead, whether countries or companies live up their promises will depend on their accountability to their citizens, peer pressure from other nations or economic competitors, market trends and government policies.

### **WHAT'S NEXT**

One of the most significant announcements was the Glasgow Financial Alliance for Net Zero, which brought investors, banks and asset managers into alignment with a goal to eliminate or offset all greenhouse gas emissions by 2050. The firms that joined that new alliance collectively hold \$130 trillion in assets under management, so it provides a strong private sector signal for decarbonizing the economy.

That pledge came under scrutiny, with detractors saying its targets and measurements are not clearly defined. Transparency around those institutions' actions also remains an issue, with climate activists wary of potential greenwashing, especially with the possible use of carbon offsets to enable continued carbon pollution. U.N. Secretary-General António Guterres has invited the alliance to join a new U.N.-backed audit regime to ensure net-zero compliance.

The accounting around carbon offsets should get more clarity after nations hammered out a deal to set up guidelines for carbon trading. The compromise plan set in Glasgow established a long-awaited structure for a burgeoning market of voluntary carbon credits for projects that can offer varying degrees of quality for storing carbon.

Under another pact dubbed the Global Methane Pledge, more than 100 nations joined a U.S.- and EU-led effort to slash methane pollution by 30 percent this decade. Scientists say that curbing methane is the quickest, easiest way to slow near-term temperature increases, since the gas traps heat at least 80 times more effectively than carbon dioxide in the first two decades after it's released into the atmosphere. Reducing methane emissions quickly under the voluntary deal would help buy governments valuable time to achieve the carbon dioxide reductions needed in the coming years.

Monitoring methane emissions, which come from oil and gas production, coal mining and agriculture, has become easier in recent years, and environmental advocates hope the advent of satellite monitoring of plumes of the gas will help keep countries honest. And since the target is global rather than national, countries will have some flexibility to take action. That means heavy oil and gas producers like the U.S. that can reduce emissions by fixing energy infrastructure leaks and reducing natural gas venting might account for a greater percentage of reductions than more agriculturally based economies whose emissions come from cattle, rice paddies and other natural systems.

In another side pact, more than 100 nations signed an agreement to stop and reverse illegal deforestation. Natural systems like forests are also crucial for meeting climate goals, since they are key for absorbing carbon dioxide. Climate research has also shown that the world will need to add more forest land to keep temperatures in check.



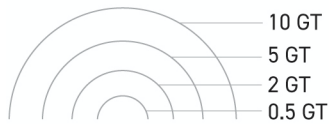
## 127 countries have set deadlines for net-zero emissions

Another eight countries say they have already achieved carbon neutrality. The timeline below includes goals described as “net-zero,” “climate neutral” and “carbon neutral.”

### Strength of goal



GIGATONS OF YEARLY CO<sub>2</sub> EQUIVALENT, AS OF MOST RECENT INVENTORY



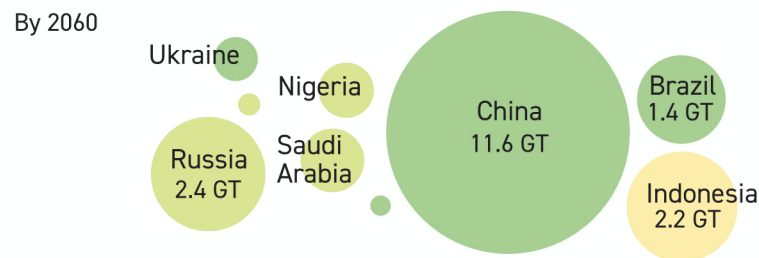
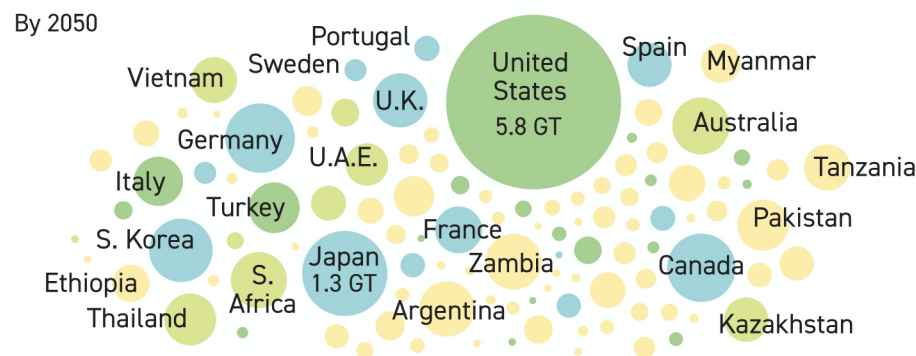
*Cambodia, Madagascar, Guyana, Benin, Liberia, Suriname and Guinea-Bissau report being carbon neutral. Bhutan says it is carbon negative.*

### Goals

By 2030 Barbados, Maldives, Bangladesh

By 2035 Finland

By 2040 Austria, Antigua and Barbuda, Iceland



Source: Zerotracker.net

But that forest pledge quickly encountered complications. Brazil was a signatory, which raised questions over whether the promises would be kept, since President Jair Bolsonaro, who did not attend the Glasgow conference, has overseen massive illegal deforestation in the Amazon. And Indonesia's government in Jakarta, which has permitted illegal razing of forests for palm oil, repudiated the agreement just hours after its delegates in Glasgow had signed up for it.



## POWER PLAYERS

- **U.S. special envoy for climate John Kerry:** The ex-secretary of state was at the center of virtually every pledge announced at Glasgow. He played an integral role in drawing signatories for the pledge on methane. Kerry was also able to convince China to account for its methane emissions for the first time under a new partnership with the U.S., though Beijing declined to join the larger alliance to cut 30 percent of methane pollution.
- **U.N. special envoy on climate action and finance Mark Carney:** The former Bank of England and Bank of Canada governor spearheaded the Glasgow Financial Alliance for Net Zero. He has become the de facto leader of the financial industry's climate push, but whether he can wrest credible commitments and transparency from the finance world could go a long way toward gaining public trust in private sector climate efforts.
- **Indian Environment Minister Bhupender Yadav and Chinese climate envoy Xie Zhenhua:** Yadav and Xie introduced a last-minute wrinkle in the climate negotiations to water down language concerning the future of coal. The gambit on the negotiating floor left other nations sour, as the U.S., EU and United Kingdom agreed to demands from China and India for a coal phase "down" instead of a phase "out." The move to placate China, the world's top emitter, and India, No. 3 emitter in the world, underscores the heft each nation has and how crucial their buy-in is for global climate movement — and, at the same time, shows just how much each nation can complicate a swift global decarbonization.