



Can COP26 Live Up To The World's Expectations?

October - 2021

Webinar Series
Whitepaper

The Al-Attiyah Foundation



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INTRODUCTION



CAN COP26 LIVE UP TO THE WORLD'S EXPECTATIONS?

The race towards carbon neutrality by mid-century has certainly gathered momentum in the years since the Paris Agreement, with about 70% of the global economy now covered by firm or indicative net-zero targets.

However, widescale changes are required if the terms of the agreement are to be met and temperatures kept "well below" 2°C above pre-industrial levels by 2100.

Webinar Series

H.E. Abdullah Bin Hamad Al-Attiyah founded the Foundation as a platform for knowledge exchange and support for the global community in the quest towards a sustainable energy future. The Webinar Series, which have been hosted in Qatar for two years, are a crucial networking and learning opportunity in the calendar of industry CEOs, Members, and Foundation Partners.



CAN COP26 LIVE UP TO THE WORLD'S EXPECTATIONS?

In the Al-Attiyah Foundation's latest webinar, "Can COP26 Live Up to the World's Expectations?", globally renowned experts answer, what should the energy industry expect from the 2021 United Nations Climate Change Conference? Will financial institutions and governments make fresh climate pledges? And will such promises lead to meaningful and lasting change?

In 2020, the Foundation, in partnership with Refinitiv, began hosting a webinar series to gather expert insight and explore key trends as the coronavirus pandemic impacts the energy industry and hastens the transition to renewables.

"Can COP26 Live Up to the World's Expectations?", was held as devastating wildfires and record temperatures ravaged parts of the world, underlining the importance of coordinated, immediate action to limit global warming to 1.5 degrees Celsius.

Glasgow will host 2021 United Nations Climate Change Conference (COP26) in November amid a growing clamour for the world's top energy consuming nations to take greater action to shrink their carbon footprint – no matter the economic costs.

There are hopes that COP26 will call on all countries to phase out polluting vehicles, decarbonise the energy system, abandon coal power, and halt deforestation. The two-week summit also provides an opportunity for developing countries to sit face-to-face with the world's biggest polluters and discuss how they can turn longstanding pledges into action.



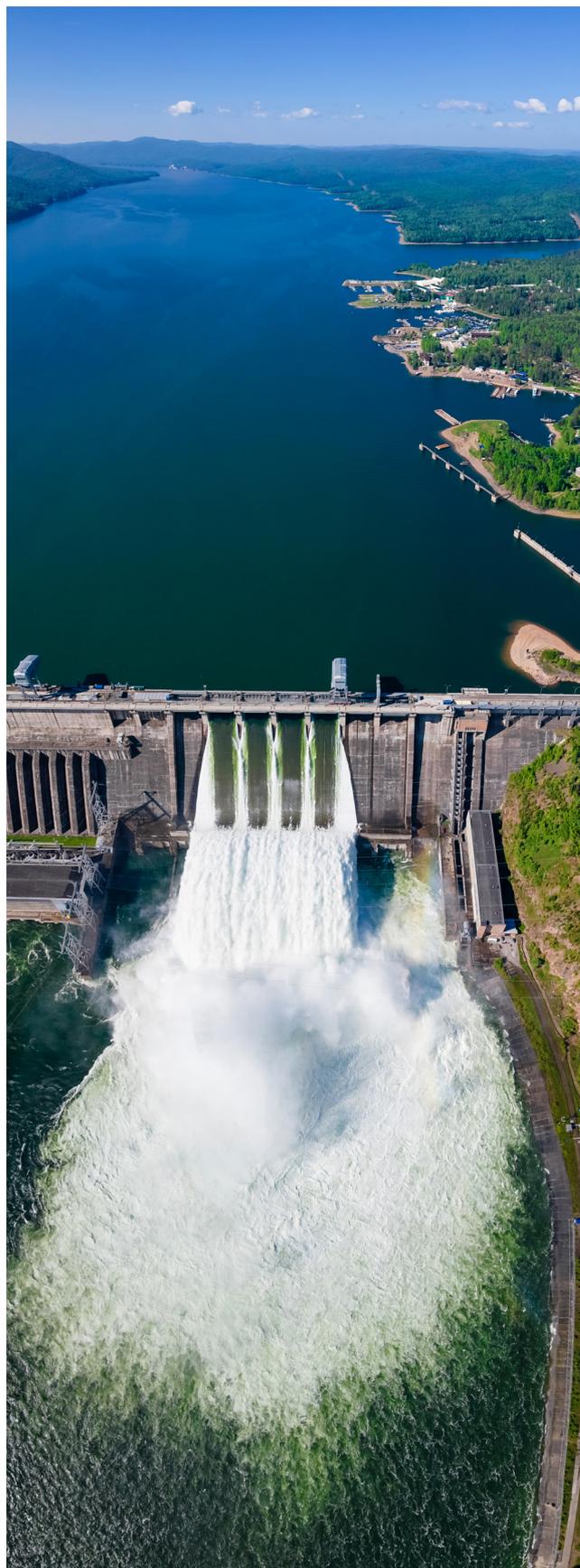


Lisa Jacobson, President, Business Council for Sustainable Energy.

The energy sector seems keen to embrace change, with numerous international oil companies including Shell, Equinor, Repsol and Occidental setting 2050 net zero targets, but scepticism abounds over whether an industry so reliant on hydrocarbons can truly reinvent itself.

During the webinar, Lisa Jacobson, President of the U.S. Business Council for Sustainable Energy, described COP26 as a globally significant event but stressed the conference would not itself be a transformational moment in the fight against climate change.

"The transformation is happening at the individual community level. That's where we need to be focused, and it must be affordable and durable," she said. Providing such communities with clean and reliable power is essential, she noted.



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Robin Rix, Chief Policy & Markets Officer, Verra.

The webinar's first poll asked what is the most important issue that should be addressed at COP26. Among audience members, 33 percent said setting common timeframes for national climate commitment, 22 percent said determining how carbon markets will work, 5 percent said agreeing new goals for global climate finance after 2025, and 40 percent said establishing stronger rules for transparent reporting.

"We are optimistic. We want to see a strong and clear outcome (from) Glasgow," said Robin Rix, Chief Policy and Markets Officer at Verra. He said corporations worldwide were "working extremely constructively" with developing countries on climate change abatement. Since the 2015 Paris Agreement, the biggest advances in terms of reducing carbon emissions have come from bottom-up, grassroots initiatives, Mr Rix noted, echoing Ms Jacobson's emphasis on community-level change.

More than half of the corporate sector's carbon emissions derive from small businesses, according to Andrew Wilson,

a Permanent Observer at the International Chamber of Commerce. As such, multinationals will only be able to achieve their net zero targets if they also ensure similar levels of compliance across their supply chain.

Small businesses want to reduce their carbon footprint but doing so involves a twofold challenge. "First, getting the right policy frameworks to ensure a level playing field. Second, recognising the short-term costs," said Mr Wilson.

At COP26, agreeing on Article 6 of the Paris Agreement will be key, according to Simon Henry, Director of Carbon Market Development at the International Emissions Trading Association.





Andrew Wilson, Permanent Observer, International Chamber of Commerce (ICC).

"Article 6 is the framework for how carbon markets internationally can operate ... but these negotiations have got very bogged down," said Mr Henry.

At COP23 in 2017, participants approved a rule book to implement the Paris Agreement, albeit with one major omission: Article 6. Subsequent COP events have failed to agree on this article and Glasgow could produce a similar stalemate.

But were Article 6 to be resolved, "that could lead to very significant investment quite quickly after", predicted Mr Henry.

A poorly written Article 6 would fail, he warned. Yet "there's also a risk we wait for perfection, and we get stuck in this perpetual loop of negotiations. We need pragmatism and compromise in the discussion," Mr Henry said, noting COP26's year-long delay due to the pandemic could prove beneficial. "It allows everyone to reflect on positions and think about compromise."

A second poll asked the audience what they saw as the key challenge to decarbonise the energy sector. Among respondents, 27 percent

said high capital requirements, 28 percent cited competition among energy sectors for decarbonisation options, 18 percent chose inconsistent environmental policies, and 27 percent opted for public acceptance of energy use changes.

In 2009, developed countries pledged to "mobilise" \$100 billion annually to address the needs of developing countries. Yet a 2020 report by Oxfam found that in 2017-18 rich countries only provided \$12.5 billion in grants per year, with a further \$46 billion in loans (p14) – far below what was promised.

Developed countries' reluctance to help poorer nations vaccinate their populations has also further eroded trust between the two blocs, warned Mr Wilson.



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Simon Henry, Director of Carbon Market Development, International Emissions Trading Association.

"Going into the conference, there's a big job to be done to restore trust between nations, and I don't think we should be overly optimistic in terms of potential outcomes," said Mr Wilson. "We need to see a fundamental shift in policy away from the focus on commitments and voluntary actions towards something much more tangible about how to get policy frameworks to speed investment in decarbonisation and build climate resilience. Its onus is on the world's richest economies to make good on that (\$100 billion annual) promise and to lay the groundwork for proper implementation of the Paris Agreement."

In 2012, the European Union sought to impose its carbon pricing regime beyond the bloc's borders. Its attempt to levy such duties on all flights travelling through EU airspace failed following a huge backlash from the likes of China, the United States and India. Yet the EU's idea endures.

"This is almost a second go at trying to extend carbon pricing beyond the EU's borders. This time, the EU is far more emboldened than it was nine years ago," said Mr Henry.

"One criticism of this carbon border adjustment is that it would damage global trade but look at what climate change is doing to global trade today," he said.

Should two territories have the same carbon pricing system – for example, the EU and China – no border adjustment mechanism would be required.

"You're then operating on a level playing field. It could act as a very big carrot for countries to follow the EU's equivalent ambition. That's where we hope it will go," said Mr Henry.

The moderator, Mr Axel Threlfall, Editor at Large at Reuters, questioned whether it was now too late to rely on market-based mechanisms – such as carbon credits – to reduce carbon emissions.



In response, Mr Wilson said: "It would be premature to dismiss the utility of carbon pricing or cap and trade systems as a means of achieving net zero, and clearly they can deliver results." He nonetheless acknowledged the lack of consensus on how such systems would be structured and operate. "That's where the Article 6 discussions are absolutely pivotal in terms of enabling a trusted trading emissions across borders."

Ms Jacobson, too, supported market-based mechanisms to limit carbon emissions effectively.

"We need to leverage private sector investment in the tens of trillions of dollars year after year, and we need market signals. Market-based mechanisms deliver that," she added.

For example, the world's rainforests, which are largely located in developing countries, face intense pressure from many industries including logging, agriculture, and mining.

"The entire point of carbon crediting in this area is to give people, countries and stakeholders an economic incentive to protect their forests as opposed to cutting them down for these other purposes" that offer "strong economic and development benefits", added Mr Rix.

As COP26 approaches, preparatory talks among technical negotiators from participating nations are already underway and seem more advanced than previous iterations of the event. That increases the likelihood that meaningful agreements can be struck, with the energy sector poised to play a pivotal role in slowing climate change.

WEBINAR SPEAKERS

Moderator:



Axel Threlfall,
Editor at Large,
Reuters.

Speaker:



Lisa Jacobson,
President, Business
Council for
Sustainable Energy.

Speaker:



Robin Rix,
Chief Policy &
Markets Officer, Verra.

Speaker:



Andrew Wilson,
Permanent Observer,
International Chamber
of Commerce (ICC).

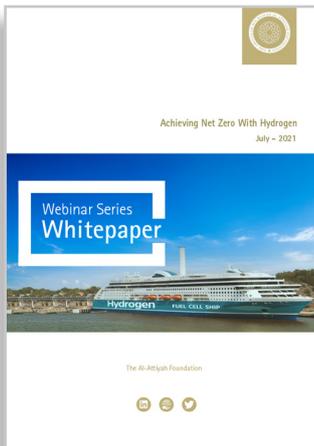
Speaker:



Simon Henry,
Director of Carbon
Market Development,
International
Emissions Trading
Association.

PAST ISSUES

Have you missed a previous issue? All past issues of The Al-Attiyah Foundation's Research Series, both Energy and Sustainability Development, can be found on the Foundation's website at www.abhafoundation.org/publications



July – 2021

Achieving Net Zero With Hydrogen

To continue delivering interactive content during the COVID-19 pandemic, the foundation started a webinar series in partnership with Refinitiv. In the series, internationally renowned experts offer their unrivalled knowledge and opinions as we discuss key trends in the energy industry, and debate the need to transition to cleaner resources.



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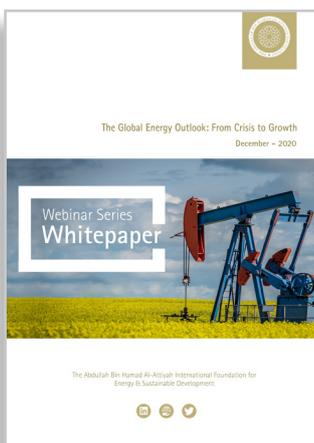
February – 2021

Opportunities And Challenges In The Energy Industry

In 2020 and continuing into 2021, the Al-Attiyah Foundation hosted a webinar series, in partnership with Refinitiv, to explore key trends and insights, in the wake of the continuing impact of the coronavirus pandemic on the energy industry, and the increasing debate on the need to transition to renewable energy.



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December – 2020

The Global Energy Outlook: From Crisis to Growth

The Al-Attiyah International Foundation for Energy and Sustainable Development, in partnership with the Financial Times, held a webinar on "The Global Energy Outlook: From Crisis to Growth", on Tuesday, 8 December 2020. The purpose of the webinar was to reflect upon the highs and lows of 2020, and what might unfold in 2021.



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OUR PARTNERS

The Al-Attiyah Foundation collaborates with its partners on various projects and research within the themes of energy and sustainable development.



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