

# Mind the Gap – Pledges at COP26 Give Hope But Significant Shortfall Still Exists

January 2022



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**S&P Global**  
Ratings

# Key Takeaways

More than 190 countries have agreed to "phase down" coal (and phase out fossil fuel subsidies), the biggest industrial source of greenhouse gas emissions.

The gap between a safe limit of 1.5 degrees Celsius, and the existing trajectory of global temperature remains significant.

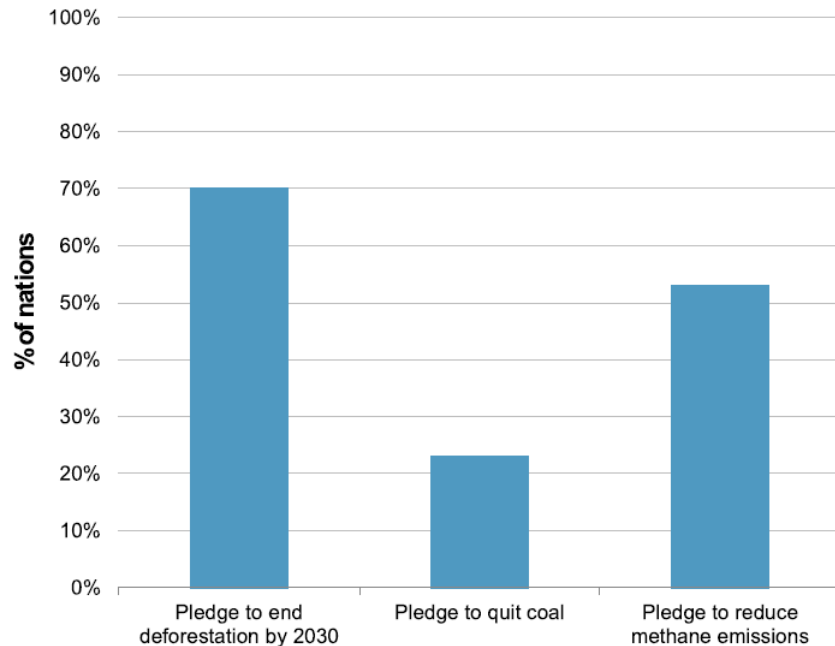
Rules to establish market mechanisms for trading carbon were agreed upon, potentially opening the door for more capital to flow into emissions reduction projects.

Countries agreed to a quantifiable target on adaptation finance--equal to \$40 billion per year by 2025--though this is only a fraction of developing countries' estimated adaptation needs.

Source: S&P Global Ratings

# Keeping 1.5 Alive

Pledges Nations Committed To In Glasgow



Source: COP26.

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## Outcomes:

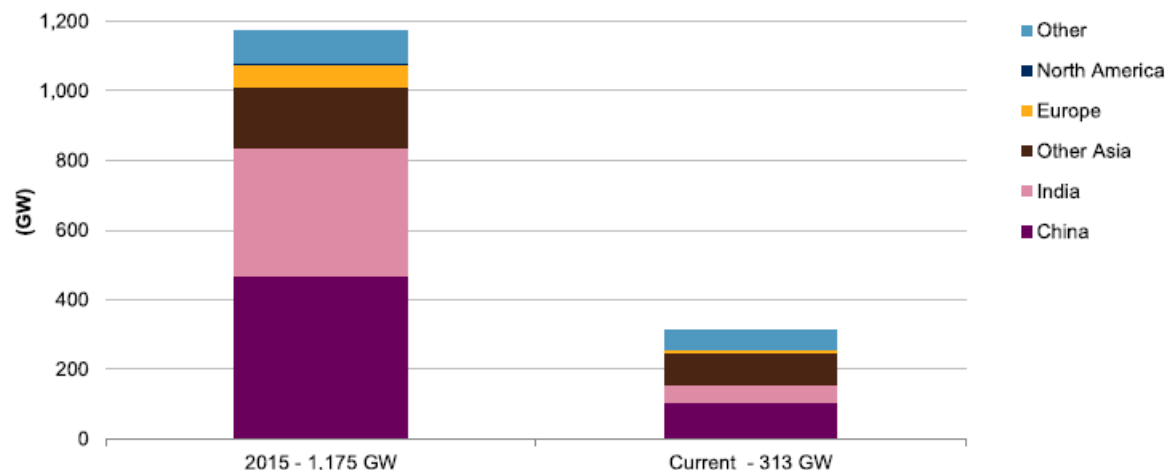
- Commitments to increase emissions reduction targets in 2022 and accelerating decarbonization plans by 2030
- Common reporting to track Parties' emissions and NDCs – *Enhanced Transparency Framework*
- Stronger commitments to limit global temperature are expected

## China and the U.S. joint statement:

- Reduce methane emissions and develop CCUS and direct air capture technologies
- Largest existing facility pulling 0.00012% of global annual energy-related CO<sub>2</sub> emissions at a current cost of \$1,200 per tonne

# Nations Commitment To “Phase Down” Coal

What A Difference Six Years Makes: Coal-Fired Power Pipeline Dries Up



Source: S&P Global Platts Future Energy Outlooks. GW--Gigawatts.  
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- Global pipeline for new coal plants has been collapsing since the Paris Agreement
- India by Vietnam, Indonesia, and the Philippines are increasing coal burn from 2019 to 2030\*\*
- Pledge to quit coal- *India did not commit, Indonesia and Philippines offered conditional support*

\*Latest announcements according to the SPGI Power Plant database

\*\* S&P Global Platts GIEM Reference Case

# Article 6 Rulebook



Supervisory body will  
oversee the market

5%

Levy taken at  
issuance partially for  
Adaptation Fund



Respect to Human  
Rights and grievance  
mechanism

## Article 6.4

Voluntary emissions  
reductions only count  
towards country's NDC

## Progress on Adaptation

79%

Countries that have  
adopted at least one  
adaptation  
instrument



Glasgow-Sharm el-  
Sheikh program

\$40

billion

By 2025 to double  
adaptation finance

\$356

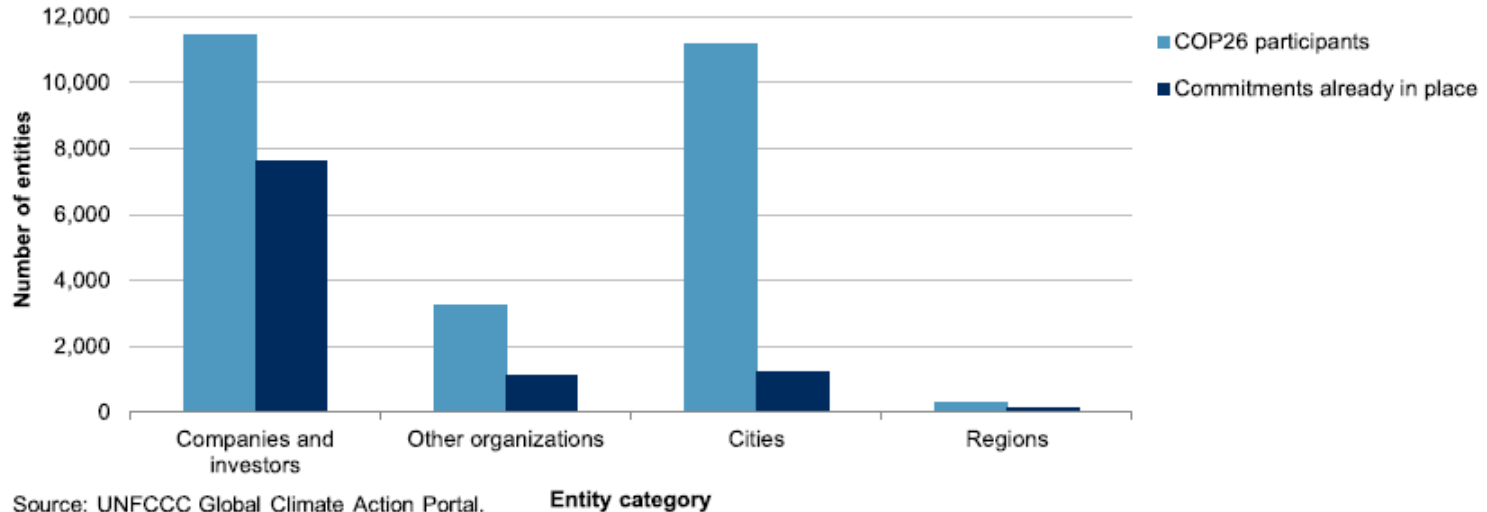
million

Total pledges for  
Adaptation Fund –  
developing countries

# Business, Finance & Cities Step Up

## Over 26,000 Entities Signed Up For Climate Action, With Business Leading On Commitments

Actions include commitments to reduce emissions, participating in initiatives, setting plans, and financing



Source: UNFCCC Global Climate Action Portal.

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### Agreements

- Track progress and accountability
- Offsets cannot be used if viable alternatives exist

### Other actions

- Protect people from climate change effects
- TCFD mandatory for countries
- Cooperation between sectors -zero-carbon shipping by 2040

# Industry And Regional Insights



Insurers own nearly 10% of the world's invested assets



GFANZ \$130 trillion in members' assets, steer capital toward greener investments

- Key sector in determining capital will flow to achieve 1.5°C
- Opportunity of new products from adaptation
- TCFD and ISSB will help on reporting and disclosure consistency

## Latin America

- Argentina signed a 2% improvement on its mitigation target and US\$8 billion investment in green hydrogen
- Chile and Ecuador pledge to phase out coal-fired power generation
- Brazil committed to end deforestation by 2030
- Colombia, Ecuador, Panama and Costa Rica will join protected marine reserves covering more than 500,000 sq. km

## Asia-Pacific

- India's pledge to net zero by 2070 is later than other big emitters
- US\$70 billion Japan's total investment in pledges
- £290 million funding for programs such as Climate Action for a Resilient Asia

# Appendix



# Research

## Related Research

- On One End, Trillions Of Dollars To Invest In Climate. On The Other, Huge And Urgent Need. How
- Do We Connect The Dots?, Nov. 12, 2021
- Natural Capital Valuation - An Incentive To Protect Nature?, Nov. 8, 2021
- Global Reinsurers Grapple With Climate Change Risks, Sept. 23, 2021
- Too Late For Net Zero Emissions By 2050? The Potential Of Forests And Soils, June 4, 2020
- COP25: There's Still Life In The Sputtering Climate Change Talks, Dec. 18, 2019
- Raising Ambitions: COP24 Tilts Toward Achieving 1.5 Degrees Climate Target, Dec. 19, 2018

## External Research

- UNFCCC Climate Action Portal
- Adaptation Gap Report 2021: The Gathering Storm – Adapting To Climate Change In A
- Post-Pandemic World, United Nations Environment Programme, Nov. 4, 2021
- IEA, World Energy Outlook 2021, IEA, October 2021
- Independent Assessment of UK Climate Risk, Climate Change Committee, June 16, 2021
- Climate Watch (CAIT): Country Greenhouse Gas Emissions Data
- AR6 Climate Change 2021: The Physical Science Basis

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