Good COP, Bad COP: Separating heat from light at the climate summit

COP26 was described as the 'last best chance' to save the planet. It probably hasn't delivered on that. Countries' climate plans still don't add up enough to meet the Paris Agreement; the final text does not sufficiently address the financial needs of the most vulnerable countries. That said, COP26 was far from pointless

The President of the COP26 summit, Alok Sharma, was visibly moved at the end of the summit

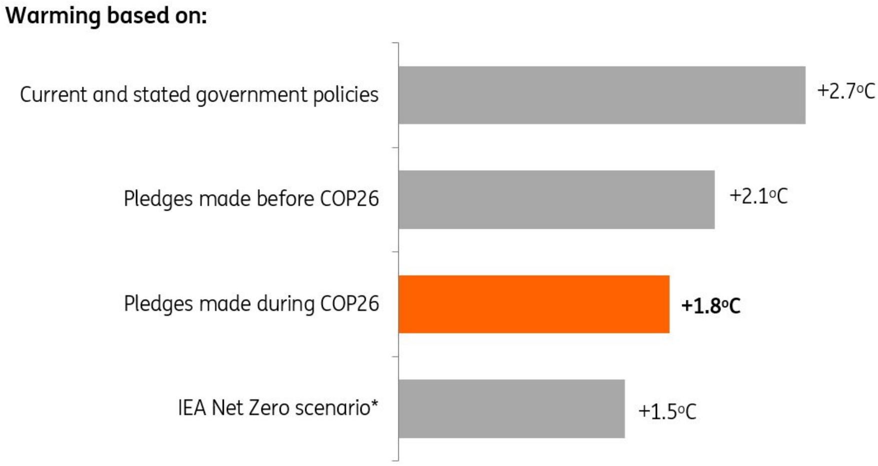
More countries than ever commit to net-zero but short-term plans remain vague and inadequate

33 new countries, including Brazil, Argentina and most notably India, announced net-zero targets at COP26. That brings the overall share of emissions covered by net-zero targets to around 90% of global emissions. India weighs in most, although its net-zero target applies for 2070, while other major countries aim for 2050 or 2060.

Thanks to the positive momentum of new announcements – notably on methane, deforestation and net-zero targets – updated analyses now show that in a best-case scenario, if all announcements are met in full and on time, they could hold global warming to 1.8°C by the end of the century. Still above the 1.5°C target, but a great improvement from the 2.7°C increase at the start of the meeting.

New pledges could bring the world below 2°C and closer than ever to the 1.5°C target

Temperature rise in 2100, by IEA scenario



*With a 50% chance of limiting the global temperature rise to 1.5ºC
Source: ING Research, based on IEA figures

But there is still a large gap between intentions and policy measures: new and updated Nationally Determined Contributions, together with announced pledges for 2030, remain inadequate to close the gap between where emissions should be in 2030 to be consistent with Paris-Agreement goals, and where those pledges will bring them. The emissions gap remains wide open with global emissions on track to rise 13.7% by 2030 compared to 2010; they would need to decline by close to 50% in this period to stay on the way to net-zero by the middle of the century.

Before COP26, we argued that Covid-19 recovery spending could foster low-emission and climate-resilient measures. Unfortunately, the window of opportunity for a multilateral initiative is closing with nothing or little new to 'green' pandemic recovery plans.

Countries agree to phase down coal, not to phase it out

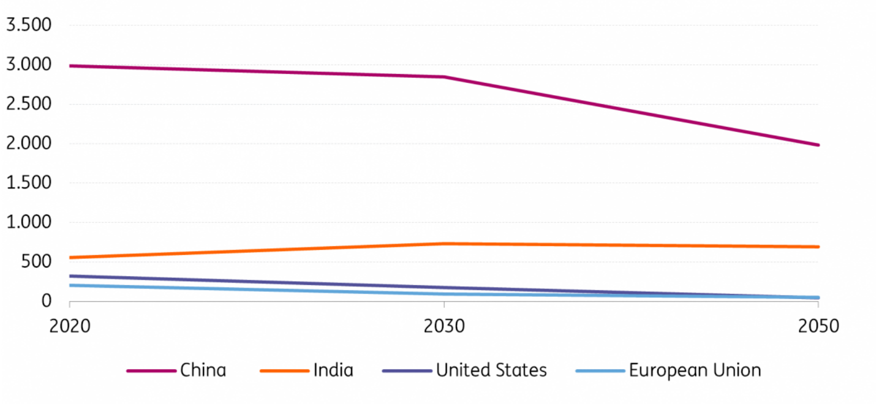
Coal is still the world's largest source of electricity generation (35% of the global electricity mix). It is the largest cause of greenhouse gasses too, responsible for 39% of global CO2 emissions. So stakes were high to reach an agreement on the phasing out of coal as only seven countries (notably France, the UK, Germany and Chile) were committed to doing so prior to the conference.

It took 26 COP meetings to take a position on coal. In that respect, the Glasgow COP was a good one. But, as always, the devil is in the detail. The final agreement talks about ‘phasing down unabated coal power’, not ‘phasing out’ coal, which was the wording of the draft text.

The subtle, but important change in wording came about after a last-minute intervention from India and China; the world’s biggest coal users.

China and India determine the future of coal

Coal demand in megatons of oil equivalent (Mtoe) in the IEA scenario based on current policy measures



Source: ING Research, based on IEA

Note that the declaration phases down 'unabated coal', but does not prohibit its use. This could foster abatement technologies such as Carbon Capture and Storage (CCS) on both existing and new coal-fired plants.

CCS could reduce carbon emissions by 85-95% and is a relatively mature and cheap abatement technology.

The declaration also aims to stop 'inefficient' subsidies for fossil fuels. This could facilitate the phase-down of coal use, as many countries subsidise the use of coal, both in terms of direct support and implicit subsidies by not incorporating the external pollution costs in the coal price.

> *The commitment from Poland might be a game-changer for the phasing out of coal in Europe*

Despite the weak commitments from China and India that were negotiated at the finish line, more than 40 major coal-using countries including Poland, Vietnam and Chile earlier agreed to phase out coal. The commitment from Poland might be a game-changer for the phasing out of coal in Europe, as Poland has been notorious for blocking reforms on coal markets and carbon trading.

Two other significant announcements are to be praised, despite being vague and non-binding.

A first of its kind alliance of governments led by Denmark and Costa Rica launched the Beyond Oil and Gas Alliance (BOGA), with six full members (France, Greenland, Ireland, Quebec, Sweden and Wales) committing to ending licensing rounds for oil and gas Exploration and Production as recommending earlier this year by the International Energy Agency.

The US and China, unexpectedly, issued a joined pledge to slow climate change. On the positive side, this is a clear sign of awareness from both superpowers that they are crucial in reaching the

Paris Climate Goals. On a negative note, the declaration was short on firm deadlines and specific commitments, particularly on coal.

Governments take action on methane and deforestation but commitments could be undermined

Aside from the formal negotiations, other deals laid the groundwork to spur more direct action during future COPs, noticeably to cut methane leaks and halt deforestation.

With more than 100 countries on board, including the US, the EU, Brazil, and Indonesia, the methane pledge mean countries need to collectively cut methane emissions by at least 30% relative to 2020 levels by 2030.

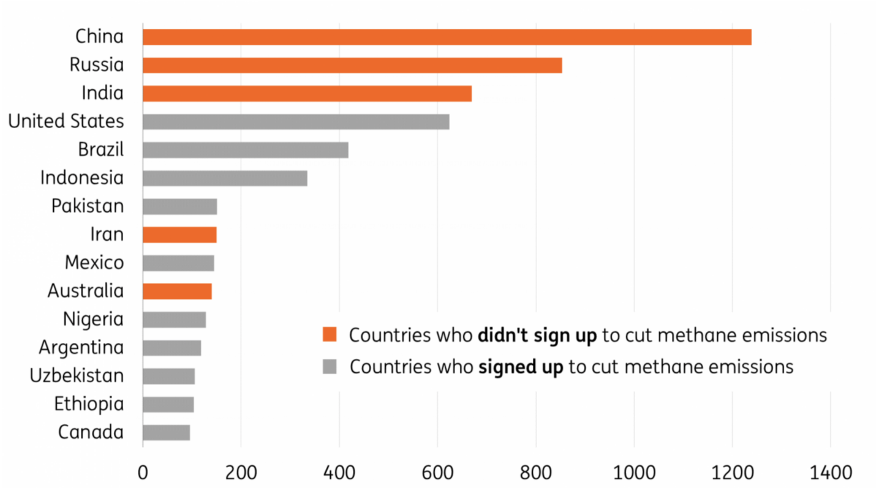
Reducing methane emissions is a highly effective way of slowing down global warming

Reducing methane emissions is a highly effective way of slowing down global warming, as it is a more powerful greenhouse gas compared to CO2, despite the fact that methane has a relatively short lifespan in the atmosphere. Methane leaks mainly come from agricultural activities and mismanaged oil and gas production but also from energy use in combustion engines, heating, and power generation.

However, the pledge's positive impact is largely undermined by the fact that the world's top methane emitters—notably China, Russia, and India—have not yet signed up for the ambition.

The top-3 methane emitting countries did not sign the methane pledge

Countries with the highest methane emissions (Megatons of CO2 equivalent in 2018)



Source: ING Research, Climate Action

In another global pledge, countries are committed to ending deforestation by 2030. That pledge works both ways. Stopping deforestation could end the greenhouse gas emissions related to logging and a change in land use which total 2.8% of global emissions. And it also enhances the forests' role as a major carbon sink that absorbs CO2 from the atmosphere.

The most notable commitment is from Brazil, which is home to 12.2% of the world's forests, so the impact could be sizeable. But some are sceptical about Brazil's pledge, as the country has seen its deforestation rate climb annually since President Jair Bolsonaro took office and weakened environmental enforcement.

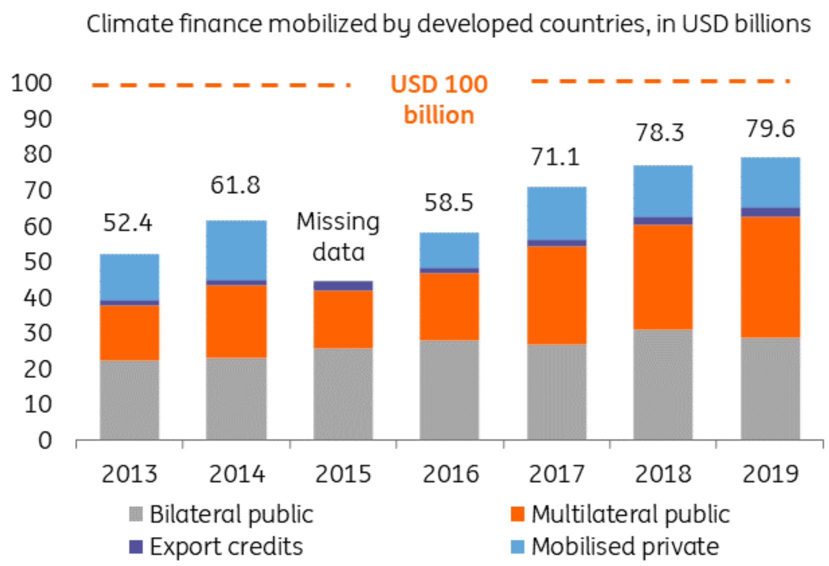
That said, for both methane emissions and deforestation, the success of the pledges will depend on how well implementation is among committed countries. Key issues to watch include whether the funding will be in place on time, how it will be allocated, and what policies committed governments are going to roll out.

A bittersweet taste after the money talks

Despite the tremendous need and pressure to deliver on climate finance, notably to compensate for loss and damage, there was no breakthrough in the negotiations.

Developed countries have yet to deliver on their promise made twelve years ago to mobilise $100bn a year by 2020 to help developing countries adapt to climate change and reduce their emissions. Their promises should not be honoured before 2023 but the final text already provides that adaptation contributions should double by 2025 compared to 2019.

Climate finance for developing countries is still not enough



Source: Source: ING Research based on OECD

On compensating developing countries for the loss and damage already caused by climate change, the COP26 failed to implement a funding mechanism, so such financial flows remain voluntary. There, the main opponents were the US, the UK and the EU – all three historically responsible for climate change but fearing that such a recognition could lead to lawsuits and demands for financial compensation.

On the bright side, COP26 finally agreed on the much-long-awaited Article 6 of the Paris Agreement Rulebook, which sets out the functioning of international carbon markets. Basically, it describes how can countries collaborate across borders to meet their climate goals. One way of doing so is for a county that has overachieved its climate target to sell the emissions it has prevented to a country that's falling behind. Another way is through carbon offsets thanks to emission reduction projects abroad. For all of that to work effectively, Article 6 now outlines common rules to avoid double-counting of emissions' credits and closed thorny loopholes such as the carryover of formerly earned credits under the Kyoto Protocol.

> COP26 has not shifted the world decisively on a path compatible with the Paris Agreement. Neither did it achieve the building of wholesome trust between developed and developing countries. Considering the number of countries that brought weak plans to cut their emissions to Glasgow, it was always going to struggle to meet the planet's needs and the world's expectations.
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> Yet, COP26 did manage to keep the spirit of the Paris Agreement alive. Not only did the final agreement mention coal and fossil fuels for the first time it also secured a pledge that countries will "revisit and strengthen" their 2030 targets by the end of next year instead of in the next five. The door is open, albeit slightly, for more ambition next year at COP27 in Egypt.

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