

What Happened at COP26? The Glasgow Climate Pact and Other Key Developments

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Background

For the last two weeks, the world's attention has been focused on Glasgow, as world leaders, civil society, international organizations and businesses gathered for the 2021 United Nations Climate Change Conference ("COP26") to discuss and agree next steps to tackle climate change.

Reports from the Intergovernmental Panel on Climate Change have stressed the need to limit global warming to 1.5°C, and to reduce greenhouse gas ("GHG") emissions to net-zero by 2050, in order to avert the worst effects of climate change. With the historic 2015 Paris Agreement, the COP21 Parties had pledged to take measures to limit global warming to "well below" 2°C, and preferably 1.5°C, compared to pre-industrial levels, with a focus on three pillars: mitigation (reducing emissions), adaptation (reducing vulnerability to climate change), and finance.¹ States had also committed to establish "Nationally Determined Contributions" ("NDCs") setting out their plans to reduce emissions. However, the United Nations Framework Convention for Climate Change Revised Synthesis Report,² released in October 2021, anticipates an increase of about 16% in global GHG emissions in 2030 compared to 2010, which could lead to a temperature rise of about 2.7°C by the end of the century, even if existing NDCs are implemented in full.

Against this backdrop, the agenda for COP26 was both urgent and far-reaching. It included mobilizing public and private finance, accelerating the global transition to clean energy, promoting the protection of nature and sustainable land use, and adapting to and mitigating the impact of climate change.

¹ Paris Agreement, article 2(1)(a), https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

² UNFCCC, "Nationally determined contributions under the Paris Agreement, Revised synthesis report by the secretariat", 25 October 2021, FCCC/PA/CMA/2021/8/Rev.1, https://unfccc.int/sites/default/files/resource/cma2021_08r01_E.pdf.

COP26 Key Takeaways—Glasgow Climate Pact

On 13 November 2021, nearly 200 countries agreed to the Glasgow Climate Pact to specifically address seven topics: science and urgency, adaptation, mitigation, finance, loss and damage, implementation, and collaboration. The main commitments agreed in the Pact are:

- **Submission of new or updated NDCs by 2022.** Parties are urged to submit new or updated NDCs as soon as possible in advance of COP27 (which will take place in November 2022) in order to “revisit and strengthen the 2030 targets in their [NDCs] as necessary to align with the Paris Agreement temperature goal by the end of 2022, taking into account different national circumstances”. Parties are also urged to communicate, if they have not already, long-term low GHG emissions development strategies, aimed at transitioning to net-zero by 2050, “taking into account different national circumstances”. A world leaders’ summit will also take place in 2023 “to consider ambition to 2030”.
- **Phasing down coal power and phasing out inefficient fossil fuel subsidies.** With regard to energy, the Pact calls upon the Parties to accelerate “the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognising the need for support towards a just transition”. This provision was one of the most hotly debated points in the Pact. The term “inefficient” may give some leeway to countries in deciding which subsidies to maintain.
- **Enhancing and communicating adaptation plans.** The Pact re-emphasizes the urgency of scaling up technology transfer and capacity building and calls upon the private sector to enhance finance mobilization to deliver the resources necessary to achieve climate plans. Ahead of COP27, the Parties that have not already done so are required to submit an adaptation communication, outlining their domestic plan for adapting to the impact of climate change. Such communications are to provide timely input to the first Global Stocktake, a process for reviewing and assessing the world’s collective progress in implementing the Paris Agreement. So far, 88 countries have submitted these communications.
- **Encouraging climate finance.** The Pact emphasizes the need for developed countries to “urgently” deliver on their COP15 pledge to provide \$100 billion annually of climate finance to developing countries until 2025—a pledge that was made in 2009 but has not yet been fulfilled—and to “at least double” their collective provision of climate finance for adaptation to developing countries by 2025.

Financial institutions, as well as the operating entities of the Financial Mechanism³ and multilateral development banks, are also called to scale up investments in climate action.

- **Addressing “loss and damage”.** Finally, the Pact highlights the urgency of scaling up action and support, including finance, technology transfer and capacity-building, in order to avert, minimize and address loss and damage in developing country Parties that are particularly vulnerable to the adverse effects of climate change.

COP26 Key Takeaways—Side Deals

In addition to the Glasgow Climate Pact, world and business leaders made additional agreements, pacts and unilateral statements over the course of COP26 with a view to meeting the targets set out in the Paris Agreement, including the following:

- **Ending deforestation.** More than 100 world leaders pledged to end and reverse forest loss and land degradation by 2030. The pledge was backed by the leaders of countries including Brazil, Canada, Indonesia, Russia and the Democratic Republic of the Congo, who collectively represent 85% of the world’s forests. Twelve countries and over 30 financial institutions have pledged to provide \$19 billion of funding by 2025 to support the implementation of the pledge in developing countries. The financial institutions, together representing \$8.7 trillion in assets under management, have also committed to use best efforts to tackle commodity-driven deforestation impacts in their investment and lending portfolios by 2025.⁴
- **Reducing global methane emissions.** The United States and the European Union launched a global partnership to cut anthropogenic emissions of the GHG methane by 30% by 2030, measured against 2020 levels.⁵ Key sources of methane emissions include oil and gas infrastructure, coal production, agriculture, and landfill sites. More than 100 countries, including the United States, Brazil, Indonesia, Nigeria, Pakistan and Mexico, have signed up to the initiative, representing nearly half of global methane emissions. China, Russia, India, and Iran have not.

³ The UNFCCC established a “Financial Mechanism” to facilitate the provision of climate finance and to provide financial resources to developing country Parties.

⁴ Reuters, “Over 100 global leaders pledge to end deforestation by 2030”, <https://www.reuters.com/business/environment/over-100-global-leaders-pledge-end-deforestation-by-2030-2021-11-01/>.

⁵ EU Commission, “Launch by United States, the European Union, and Partners of the Global Methane Pledge to Keep 1.5C Within Reach”, https://ec.europa.eu/commission/presscorner/detail/en/statement_21_5766.

- **Transitioning to Net Zero.** A coalition of 450 financial institutions in 45 countries launched the Glasgow Financial Alliance for Net Zero (“GFANZ”), which pledged to align operational and attributable emissions from their portfolios with the transition to net-zero by no later than 2050. Members, including banks, insurers, pension funds, asset managers, and stock exchanges holding over \$130 trillion worth of assets, have agreed to report on their progress and financed emissions annually.⁶
- **Phasing out coal power.** Leaders from more than 40 countries, together with businesses and financial institutions, pledged to end all investment in new coal power generation domestically and internationally. The agreement includes major coal users such as Canada, Poland, South Korea, Ukraine, Indonesia and Vietnam. However, some of the world’s largest coal-dependent economies, including Australia, China, India and the United States, have not joined. Developed economies are planning for the phase-out in the 2030s, and developing economies in the 2040s.⁷
- **Ending public financing for fossil fuels.** Twenty countries, including the United States and Canada, committed to stop public financing of overseas fossil fuel projects by the end of 2022, and to steer public spending toward clean energy instead.⁸
- **Agreement between China and the United States to slow climate change in the next decade.** The world’s two largest emitters of carbon dioxide said they would work together to tackle climate change, and boost cooperation to achieve the Paris Agreement’s goals.⁹
- **Commission of Small Island States on Climate Change and International Law.** Antigua and Barbuda and Tuvalu agreed to establish a Commission of Small Island States on Climate Change and International Law, a body dedicated to the development and implementation of international law rules concerning climate change. Membership is open to all members of the Alliance of Small Island States, and Palau has recently joined the Commission.¹⁰

⁶ GFANZ, “Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition”, <https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/>.

⁷ UK Government, “Chancellor: UK will be the world’s first net zero financial centre”, <https://www.gov.uk/government/news/chancellor-uk-will-be-the-worlds-first-net-zero-financial-centre>.

⁸ Reuters, “U.S., Canada among 20 countries to commit to stop financing fossil fuels abroad”, <https://www.reuters.com/business/cop/19-countries-plan-cop26-deal-end-financing-fossil-fuels-abroad-sources-2021-11-03/>.

⁹ Washington Post, “U.S. and China issue joint pledge to slow climate change”, <https://www.washingtonpost.com/climate-environment/2021/11/10/us-china-declaration-climate/>.

¹⁰ The Gleaner, “Antigua, Tuvalu to seek justice over climate change damage”, <https://jamaica-gleaner.com/article/world-news/20211031/antigua-tuvalu-seek-justice-over-climate-change-damage;>

- **States' unilateral commitments.** In addition to their NDCs, States have taken the opportunity to make further commitments to fight climate change. For example, on 1 November 2021, Australia pledged to increase its international finance commitment to \$2 billion over the next five years; on 2 November 2021, Japan committed to an additional \$10 billion over the next five years to support decarbonisation in Asia; and on 3 November 2021, the UK pledged to become first net-zero aligned financial center.

Notably, the International Energy Agency has assessed that if all of the pledges made during COP26 are fulfilled, the world will experience a global temperature rise this century of 1.8°C.¹¹

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COP26 commitments may translate into domestic regulation, and increasing legal and reputational risk. Debevoise's cross-practice Business Integrity Group is closely monitoring these developments and has deep experience in providing tailored and practical guidance across the evolving environmental, social and governance ("ESG") and business integrity spectrum, including by counseling on trends and prudential issues, delivering concrete legal advice on evolving regulations and policies, and helping clients prepare for the legal, financial and reputational risks arising in this rapidly changing landscape.

Please do not hesitate to contact us with any questions on how these developments may impact your business.

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Washington Post, "Drowning nations disappointed with outcome of U.N. climate summit may have one move left: Lawsuits", <https://www.washingtonpost.com/world/2021/11/17/island-nations-climate-legal-action/>.

¹¹ Reuters, "IEA says COP26 pledges bring climate goal close, experts urge caution", <https://www.reuters.com/business/cop/net-zero-methane-pledges-push-world-near-paris-climate-goal-iaa-2021-11-04/>.



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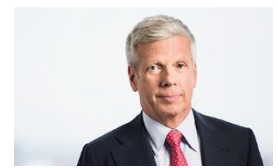
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