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## EXPERTINSIGHT

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**Nick Parsons**

Managing Director,  
Head of Research

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## COP27: It is time to match words with deeds on Net Zero funding goals

Almost a year has passed since the COP26 Conference in Glasgow; a good moment to reflect on its legacy and the actions now needed. Perhaps the major achievement – and this should not be understated in these troubled and divisive times – was a demonstration of common purpose and international solidarity on the issue of climate change globally.

Many commentators had predicted total failure in advance of the Conference, but the diligence and determination of COP President Alok Sharma helped drive intense and complex negotiations between 120 world leaders.

The outcome was certainly not perfect. The lack of urgency was deeply

concerning and pledges to move to net zero CO<sub>2</sub> emissions by 2070 far exceeded the timeline demanded by climate scientists. Experts predict that emissions must be reduced by 45% in this current decade to meet net zero around mid-century. Lofty ambitions without immediate, actionable plans will do nothing to achieve this target.

Similarly, the planned move away from fossil-fuel was ultimately a disappointing compromise which left President Sharma visibly upset. Instead of a commitment to ‘phase-out’ the use of coal in energy production, the language was changed at the last minute to ‘phase-down’ - a substantially softer and much less concrete promise.



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Despite these shortcomings, there were more tangible successes, such as solving the operational details for the practical implementation of the Paris Agreement, and 30 countries set out their determination for all new car and van sales to be zero-emission vehicles by 2040 globally and 2035 in leading markets.

A clear positive was the UK Foreign and Commonwealth Development Office (FCDO) MOBILIST initiative, a programme aiming to catalyse the large and sustainable capital flows needed to realise developing countries' development and climate ambitions.

MOBILIST is a perfect example of the type of public-private capital initiative needed to plug the funding gap for sustainable energy infrastructure in high growth regions where the demand for energy continues to increase exponentially. A strong signal sent by the UK Government to its peers, demonstrating their lead in setting stretching climate ambitions, and raising the bar for climate finance initiatives. As one of the programme winners announced during COP26, we are proud of the central role our Energy Impact Trust (TLEI) is currently playing in demonstrating the relevance of such approach to climate finance, and encouraging other governments around the world to replicate it.

### Can COP27, scheduled for November 2022 in Sharm el-Sheikh, Egypt, do better?

As slower economic growth, higher energy prices and rising interest rates – which have led to increasing debt service costs -, put strain on Government budgets worldwide, delivering on the \$100bn annual goal for climate finance to developing countries becomes even more challenging.

This target was already missed ahead of COP26 – a matter noted 'with regret' in the official communique – and it is imperative that this pledge does not slip further.

The fact is that developed nations have had a free ride over recent years: outsourcing and offshoring polluting manufacturing capacity to the developing world and importing the finished goods, whilst taking the credit for reduced CO<sub>2</sub> emissions at home. At best this is disingenuous. At worst, it is economically and morally wrong.

The net result of this offshoring, along with rapidly growing domestic demand in some of the fastest growing economies in the world, is that Asia now produces more than half the planet's 35 billion tons of CO<sub>2</sub> emissions. Indeed, our research shows that the carbon intensity of the GDP of the eight largest

economies in Asia is more than four times greater than the biggest countries in Europe.

The G7 nations have all had their own Industrial Revolutions, from the UK in the 18th century, to the US, Japan, and Germany in the 19th century. All these periods were marked with rapid growth in innovation, output and living standards which came at the expense of extreme environmental degradation and pollution.

For these countries to now lecture developing nations, or even worse to deny them their own economic transformation, is pure hypocrisy. Instead, they should be working in partnership, helping provide the capital and technology to ensure a fair and just energy transition, which will power the development of Asia's ever-growing populations and cities.

Over the next 25 years, Asia's population will grow by more than 650 million and will reach 5.3 billion by 2050. In India, Mumbai alone will have 42 million people – greater than the entire population of Poland today and almost four times that of Belgium. Demand for electricity is certain to grow substantially.

The biggest challenge in these unsettling times of war and a cost of living crisis is not to close borders and retreat into petty

nationalism, but to place resilience, energy security and environmental protection at the heart of every economic plan.

For Asia, where sunshine is abundant and reliable, the wind blows regularly and biomass is available in significant quantity, this means the development of clean, locally-produced electricity and sustainable energy infrastructure. Every megawatt of renewable energy generated reduces dependence on imported fossil fuels and reinforces economic security.

As we look forward to COP27, the great hope is that the Parties will match words with deeds and deliver on the promises thus far made but sadly not kept.

Undoubtedly, there are significant and competing pressures on government finances, but as former French Prime Minister Pierre Mendes-France famously observed, "to govern is to choose". Developed Nations face the choice of honouring their commitments -or abandoning them -of working in global partnership or in unilateral isolation.

It is time for clear and decisive action as history will judge us as the last generation with the opportunity to act and change the course of climate change.

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