

COP26:

What's the Mumbo Jumbo?



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Climate change is one of the most critical issues facing us today, not least because of its devastating environmental effect on the planet. Interestingly, the past decade has been the warmest since record-keeping began in 1850.

With the intensifying impact of climate change on planet earth, national governments are moving with urgency to attack the menace, with annual global summits holding for decades to reach a lasting resolution.

One of such significant conferences is the United Nations Climate Change Conference, otherwise called **COP**, which has taken place every year since 1995. This year's edition (which will take place in Glasgow on 31 October – 12 November 2021) though, seems to have standout significance but why?

What Is COP?

COP simply stands for Conference of the Parties, and it is a gathering of nations who have signed the UN Framework Convention of Climate Change (UNFCCC).

While officially called the United Nations Climate Change Conference (UNCCC), this event brings together member countries to discuss global measures to address climate change. Every UN member nation is a part of the framework; over 190 countries attend the conference.

However, while world leaders are typically the major attendees at the event, stakeholders from business and international organisations and civilians also participate.

Significance of COP26

COP26 is the 26th edition of the Conference of the Parties and is being hosted by the UK in Glasgow. The event had its initial date set for November last year, but the global pandemic crippled plans.

Now, with barely two weeks to go, expectations are high for the resolutions world leaders could discuss at this year's meeting but what's all the fuss about anyway? Well, to truly understand the significance of COP26, let's take a step back to COP21.

COP21: The Paris Agreement

COP21 was held in 2015 in Paris. At that event, every UNFCCC signatory signed a treaty to reduce global temperatures to well below 2°C above pre-industrial levels, with the agreed benchmark being 1.5°C.

Each nation was to provide national strategies on how much they would lower their greenhouse emissions. This part of the agreement was called the Nationally Determined Contributions (NDCs).

The member nations also promised to take proactive measures to adapt to the effects of climate change and financially support the mission of lowering greenhouse gas emissions and climate resilience.

The most crucial part of the treaty was the decision to converge every five years with updated policies to help meet the stated goals. This year's COP will be the first of the five years since the Paris agreement.

What Are the Goals for COP26?

Generally, there are four crucial goals for this year's COP. They include:

1. Secure Global Net-zero By Mid-century: The UN expects every member nation to bring forth ambitious strategies that'll help reduce global greenhouse gas emissions drastically by 2030 in a bid to reach net-zero by the middle of the 21st century.

Some of the plans that could help meet these targets include:

- Accelerating the replacement of petrol and diesel vehicles with electric cars
- Putting an end to deforestation
- Discontinue the use of coal power
- Encourage investment in renewable energy

2. Devise Climate Adaptation Measures to Protect Natural Habitat: COP26 aims to encourage member nations - especially those drastically affected by climate change - to take proactive steps to protect threatened ecosystems and avoid the loss of lives and livelihoods due to climate change.

3. Provide Financing: The core goals of COP26 require monetary support; as such, the UN expects developed countries to fulfill their commitments to provide at least \$100 billion to finance the

strategies and plans. International private and public financial institutions also have a part to play in this regard.

4. Collaborate and Work Together: Signatories at the UNCCC must work together at government, business, and civil levels to combat climate change. The first step towards this is to finalise the Paris Rulebook at COP26.

How Will COP26 Affect Businesses?

While the resolutions made at COP26 could affect every sector worldwide, businesses could be the most concerned about the legal implications. The ripple effects of COP26 on corporate organisations could be:

Voter Expectations, New Policies, and Customer Behaviour: World leaders aren't the only ones worried about climate change; the public is also very concerned, and climate change policies play crucial roles in voters' expectations and customers' purchasing decisions and behaviours.

Governments across the globe may be pushed (willingly or unwillingly) to react to public expectations through regulations that support the strategies and goals to combat climate change. These policies could materially affect businesses significantly. As an example, we have seen country after country giving subsidies to green initiatives which taxing those in polluting industries.

Governments aside, in recent years consumers have been more likely to purchase more sustainable products or patronise businesses concerned with the environment's safety. With additional peer pressure to conform (largely from the publicity generated from the likes of COP26) this trend can only increase.

Recruitment and Workforce Loyalty: Unsurprisingly, employees have also shown concerns about their company's stance on environmental sustainability. Empirical studies suggest that the younger generation of job-seekers - who show considerable interest in global warming - are more likely to refuse an employment offer if the organisation doesn't demonstrate a positive 'green' commitment.

As such, businesses that fail to make moves to keep the environment safe will lose out on a crop of young and talented individuals.

Investors and Financing: Investors are growing ever fonder of green companies, and this ripple effect could continue - and increase - beyond COP26, especially since private financing is expected to play a role in providing monetary support for the fight against climate change.

Indeed, some very large institutional investors have openly declared that they would only invest in 'green' companies. Companies that do not show a genuine commitment to environmental sustainability may not receive the financing they need from investors, but those who do will reap the benefits.

Industries and Businesses Becoming Obsolete: The green transformation will inevitably mean some very large and established industries could become obsolete.

It wasn't so long ago that fossil fuel companies (especially oil and gas companies) were the darlings of investors. Now, many institutions and financiers will no longer invest/lend to such companies. What will happen to the multi-billion dollars that have been invested in businesses

involved in these industries which might become obsolescent in the next few years? Can such companies afford to write-off their investments overnight? Might we be looking at large scale demise of household names which, for one reason or another, be unable to transform themselves into a 'green' business?

New Sustainable Business Models: As the old-world order breaks down, new players will inevitably fill the gap. New and innovative business models will spring up; some will thrive and prosper while others will fail. This is a new era of innovation and change; not unlike the internet revolution of the 1990s-2000s.

Conclusion

COP26 is significant in more ways than one, and the high expectations are not unwarranted. Its effect could also stretch across all sectors, with businesses the most likely to feel concerned over the new regulations on the horizon.

Your business must begin taking steps to adapt ahead of time. Deciding to look out for the planet isn't a choice for your brand alone but also for every one of us who sees the earth as our home.

Exciting times ahead for all of us.

Please [reach out to us](#) if you have any questions.