

## COP26: Key outcomes and implications for investors

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# COP26<sup>1</sup> policy outcomes



## Outcomes from UN negotiations were mixed:

- Ambition: agreed “to pursue efforts to limit temperature increase to 1.5°C”, updating Paris goals to reflect latest science
- Urgency: accelerated action needed in “this critical decade” including reducing emissions by 45% by 2030
- 2030 targets: currently inadequate, to be revisited and strengthened by the end of 2022
- Fossil fuels: call for phase down of unabated coal power and phase out of inefficient subsidies
- Finance: goal for developed countries to mobilise US\$100bn per year not met, adaptation finance to be doubled by 2025
- Carbon markets: international trading rules agreed, including creation of Sustainable Development Mechanism credits

## However, ‘coalitions of the willing’ committed to tackling key drivers of climate change:


Coal to Clean	Transport	Methane	Nature
>50 countries to phase out unabated coal power generation	>30 countries and carmakers to stop selling internal combustion engine vehicles by 2040	>100 countries to cut methane emissions by 30% before 2030	>130 countries to end deforestation by 2030

## Supported by cross-cutting initiatives focussed on finance and innovation:

- Glasgow Financial Alliance for Net Zero (GFANZ): commitments from 450 firms representing US\$130tn in assets
- Glasgow Breakthroughs: >40 countries working with industries on power, road transport, steel, hydrogen and agriculture

<sup>1</sup>26th UN Climate Change Conference of the Parties. All information has been sourced from Impax Asset Management and the COP26 website: <https://ukcop26.org/>

# COP26 investment implications



**We believe COP26 has renewed confidence in an accelerated transition towards net zero**

We have always believed that capital markets will be profoundly shaped by sustainability challenges.

We believe pledges made at COP26 should accelerate investment opportunities and that Impax strategies are well positioned for the transition to net zero:

**1**

**Clean power** – the speed and scale of power network decarbonisation is set to accelerate globally, providing tailwinds for renewables developers whilst stranding fossil fuel assets

**2**

**Hard-to-abate sectors (e.g. aviation, shipping, steel and cement)** – high barriers to entry and the vast capital needed for investment in innovation mean incumbents are likely to drive a transition financed by debt, creating selective opportunities in fixed income

**3**

**Energy efficiency & pollution control** – products and services that enhance energy management and resource efficiency, and that address fugitive emissions, see an expanded market

**4**

**Food and agriculture** – deforestation and methane commitments raise scrutiny of this sector, with promising opportunities for disruptive innovation

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