

NIGEL, WHAT'S AT STAKE AT COP26?

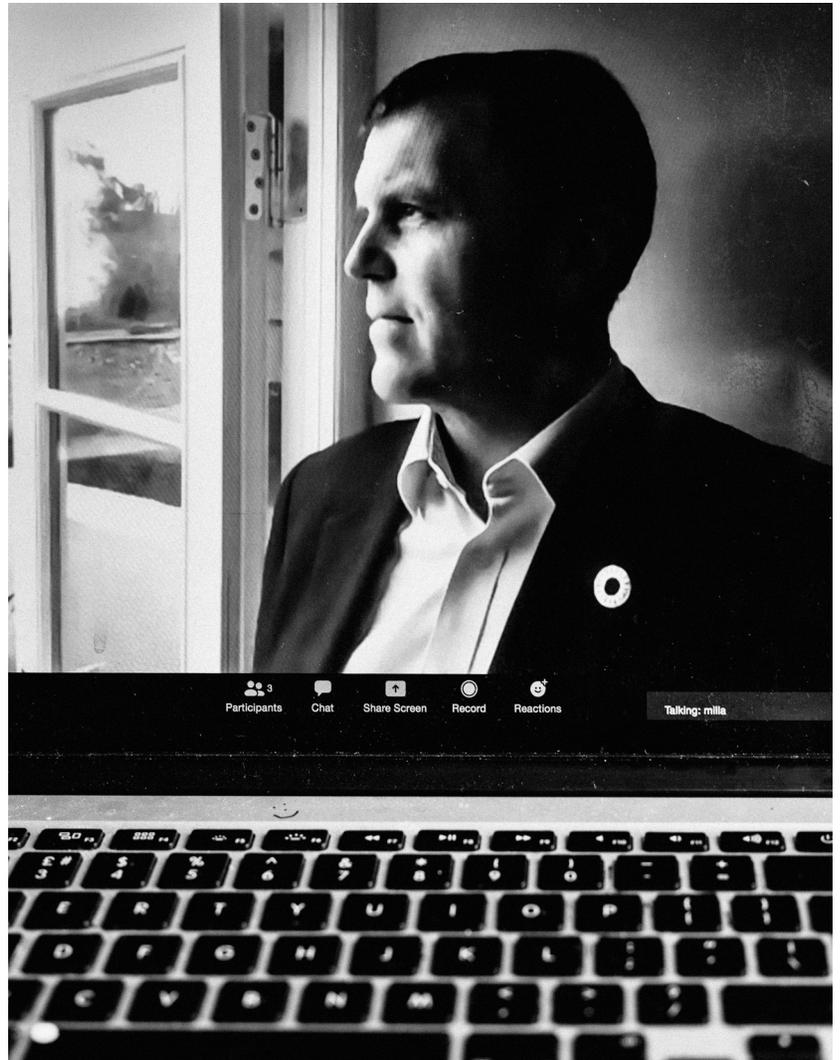
What do you think success will look like?

What's at stake at Glasgow is really this: Do we as a global community—politicians, businesses, civil society—believe we can together solve the problem of climate change?

The consequences of deciding that we can't are unlikely to be good. Because if you decide you can't do something, you normally stop trying. That could inspire a retreat to populism—drawbridge up, anti-globalization—and we could lose five years, when we don't have a year to lose.

What success will look like is an interesting question. In Paris, it was very simple: "Can we agree on one thing: a treaty to prevent the worst of climate change?" Glasgow is much more complex. There are over 190 countries coming together to negotiate the final details of the Paris rule book. That really matters for businesses, particularly around reporting. If you're a CFO, you need to know when and how and what format you're expected to report to capital markets, right? It's quite geeky, it's quite detailed, and if it goes wrong, it will be a signal that the multinational system can't agree with itself even on things that don't seem too politically charged.

I think success would also be some combination of big sectoral moves—can we get all of the world's car companies to agree that they're going to stop producing combustion engines by 2040? We see the UK, the EU, even the US moving in that direction, but can we get a definitive sense that technology of the fossil fuel



CHAMPION

for Climate Action

age is heading for the museum? You could say that across any industry, but automotive is a big one.

I would say also keep an eye out for high-profile moves and announcements from leaders. It'll be really interesting to see what the likes of Johnson, Modi, Biden, Xi or Macron stand up to launch that are bigger than their individual countries—whether they build coalitions and include the private sector to move the needle. We've seen before that leaders like to use this platform to really demonstrate their influence.

NIGEL TOPPING is tasked with encouraging businesses and investors to be more ambitious in combating climate change. He speaks with Brunswick climate expert **PHIL DREW**.

Your official job title is linked to Glasgow: "UN High Level Champion for Climate Action for COP26." What does that mean in practice?

International governance has for a long time been based almost entirely around nation states. Something really interesting happened a little bit before Paris [COP21 in 2015]: The UN system, the 196 countries who came together to forge the Paris Agreement, recognized that nation states alone would unlikely be able to solve a problem of the magnitude of climate change.

They recognized that although only nation states had a seat at the negotiating table, more organizations—like investors, civil society, and cities—would need to be mobilized if we're to make the transition.

To address that, they created this role of the High Level Champion. It's an appointed position, and there are always two. I work with the Chilean High Level Champion, Gonzalo Muñoz, to drive ambition and action among non-nation state

actors, which have such important roles to play. If you combine the gross revenues of Apple, Walmart and Amazon, for instance, then you've got the GDP of more than 100 countries.

When America was pulling out of the Paris Agreement, you saw businesses, investors, cities and states going in a different direction, having their own campaigns. That kept things on track, so to speak.

How do you coordinate businesses and get them to act?

I don't have any hard power or executive authority. Lots of people understand how serious this crisis is and what we need to do. My role is to push people to be more ambitious and to really drive convergence. There's a huge ecosystem of business organizations, NGOs, cities and regions that have been working on this for a long time. They have deep wells of knowledge and experience.

One thing we're trying to do is simplify the narrative around climate change. We've got a couple of simple campaigns: Race to Zero and Race to Resilience. At its simplest, Race to Zero is getting everybody to realize that it's inevitable that we have to get to a zero-carbon economy. We have singularly failed to act at the scale necessary; the likelihood of the planet warming 1.5°C just keeps going up.

And not only is the likelihood of that warming increasing, but so are the consequences of that warming, as we better understand how interconnected everything is.

Fortunately now, the science is clear, investors understand it, the technology's really ramping up. Teenagers are asking their CEO parents what they're doing about it; voters are asking policymakers.

As we get everyone to agree to race to zero emissions, we work with them to agree on the pathway to zero. Because if we can agree to the basic milestones in it, then it de-risks it for everybody.

How can companies get involved in Race to Zero?

You make a science-based commitment to get to zero emissions. We put an absolute backstop of 2050. I'm sure the world will keep pulling that date in, and will end up more in the late 2030s, early 2040s, as people appreciate this isn't a problem for someone else, somewhere else, in the future.

This race, by the way, is the direction the whole world is running. If you haven't made this commitment, it's almost starting to look like you're asleep at the wheel.

“This race, by the way, is the direction the whole world is running. If you haven't made this commitment, it's almost starting to look like you're asleep at the wheel.”

So a long-term goal, but then a credible short-term intermediate target, which is consistent with the science that says we've got to halve emissions by 2030. If you're the CEO, you're unlikely to be in post in 2040 or 2050 when that promise comes due, so you have to demonstrate your plan to get there.

A good example is IAG, the airline group, recently committing to 10% sustainable aviation fuel by 2030. Ten percent doesn't sound very far on the road to 100%, but when you know that on average globally, airlines are using 0.01% sustainable aviation fuel, that's a thousand-fold increase in 10 years.

And then over time, evidence that you're getting on with that plan and actually publishing what you're doing. All of that across the full scope of your emissions—your full value chain, or Scopes 1, 2 and 3 in the technical jargon. So not just your own factory or your own stores, but your suppliers, the use of your products.

We're also trying to reach tipping points in each sector by encouraging companies to work with each other. Look at the telecom sector, which is moving from 4G to 5G. That's an industry roadmap which is pre-competitively agreed—as those mobile operators show, we can cooperate and compete like hell at the same time.

The good news is there are a lot of really good sectoral collaborative initiatives being run by organizations like We Mean Business and the World Economic Forum and the Rocky Mountain Institute and SYSTEMIQ. We've created this idea of breakthroughs, which every business can work toward trying to galvanize progress in their sector.

What about the Race to Resilience?

That's a bit harder to simplify. Essentially, we're trying to bring attention to the human element of existing climate damage, which is only worsening. We look at that through the lens of the communities that are most affected.

Coastal and river-based communities are obviously exposed to floods and coastal erosion. Then you also have the urban poor—1.6 billion people live in slums in the world, or more than 20% of the global population—and small-holder farmers in rural communities, which includes about 2 billion people. Then there are also communities that rely on heavy industry—places where the transition to net zero will affect their economies.

The Race to Resilience identifies and promotes initiatives that help those communities over the next 10 years. The majority of major multinational

companies are headquartered in the Global North, but are very reliant often and have big footprints in the Global South. That's really where the Race to Resilience is going to be won or lost. And there are huge business opportunities, but you must be a bit more creative. It's not just a technology play. It's about rethinking business models.

Anybody that can come to Glasgow with some really good commitments and stories about what they're doing to address resilience in those communities will find those will be very welcome.

Underpinning both of those races is obviously the role of finance. We worked together on the launch of the Glasgow Financial Alliance for Net Zero. Why does this initiative matter; it's not as if the world needs another initiative with an acronym, especially in the world of climate change. And if I'm not a financial institution, why should I care?

It matters because this is a massively disruptive transition that will require trillions of dollars of investment. If the providers of that finance, whether it's debt equity or loans, are not aligning their business models to that transition, then capital is going to go into the wrong things and it's going to end up stranded. That means people

“My role is to push people to be more ambitious and to really drive convergence.”

lose a lot of money and the transition is delayed. Overall, 295 firms, 40 countries, and \$90 trillion in assets are represented in that announcement. We know more want to join.

The finance community has decided this is definitely going to happen and they're going to have to power it. If they're behind that curve, they're going to lose market share and miss out on the transactions that drive us toward a net zero economy.

How are you defining “net zero”?

We call it the Race to Zero, not the “race to net zero,” because for most people net zero just means zero, right? So keep it simple: Get rid of all the emissions. The reason that net zero even exists in language is because of the science; it's enshrined in the Paris Agreement.

We don't know how to eliminate all emissions without extreme measures. Unless we completely eliminate meat consumption, for instance, we know that livestock production produces methane, a powerful greenhouse gas. So we're unlikely to get to zero completely—you have to net off the remaining.

So in some respects we have to get beyond zero—we have to start sucking carbon dioxide out of the air to try and get back to the safe area we were before.

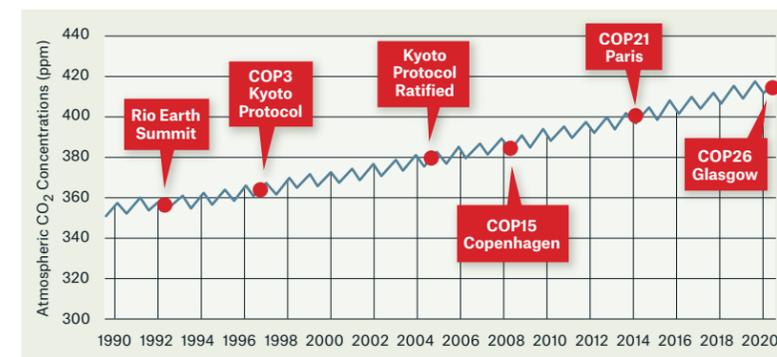
Offsets are one of the most contentious areas of any corporate net-zero or zero-carbon plan. How can businesses use them?

You can't just carry on with business as usual and then buy some offsets and say you're net zero. Two problems with that. First of all, it's suggesting that you've done something when you just bought an indulgence.

Second, and this is a key thing for investors, the company that adopts that attitude is just avoiding the inevitable. They're not doing the hard work of re-engineering their products, redesigning their business model. You can't use offsets as substitute to doing the hard work. That's the key misunderstanding, because some people are claiming they're net zero because they bought cheap, not very high-quality offsets.

If you want to use offsets, use them at the end of that process, if there are residuals, and in the middle if you want to go further than reducing in line with the science. We saw this with The LEAF Coalition, which was launched with a group of companies all in the Race to Zero and committed to getting to net zero by or before 2050. I think Unilever's

THE HISTORY OF UN CLIMATE GATHERINGS



IN 1972, national leaders gathered in Stockholm for the UN Conference on the Environment, marking the first global conference focused on the subject. Twenty years later the UN held a climate-focused event in Rio, for what became known as the Earth Summit. The

first COP, or Conference of Parties, took place in Berlin in 1995. Since then, the UN has held a total of 25 COPs, to which all member states are invited.

Some COPs have produced landmark agreements—like the Kyoto Protocol in 1997 and the Paris

Agreement in 2015—that were heralded as breakthroughs in combatting climate change. Yet progress against those promises has been underwhelming. COP26 approaches with atmospheric levels of CO₂ having increased 16% since the Rio Earth Summit.

GRAPHIC: PETER HOEY

commitment is 2039, and they're also committing to fund reforestation projects, which will draw down carbon out of the atmosphere.

What issues with offsets do you think more businesses should be aware of?

There's a supply-side question and a demand-side question on offsets. On the supply side, there's a real question of the quality and integrity of offsets. If you're buying something, does it reliably do what it says on the tin: actually reduce emissions in the atmosphere?

Part of the confusion is in the mechanisms that have existed to date. There's a continuum between an offset that pays somebody to do something that reduces the emissions relative to what would have happened if they didn't do it, or offsets where you're actually drawing carbon dioxide out of the atmosphere.

In other words, if you put a solar panel on a roof, you're generating electricity with zero emissions instead of buying it from a grid that uses coal. That's a good thing, obviously, but that doesn't remove any CO₂ from the atmosphere. So there's a distinction between installing a solar panel and planting trees reliably, or investing in carbon capture, utilization and storage. There's going to be a transition period, but we have to move to a world where we net off remaining emissions by actually withdrawing CO₂ from the atmosphere.

Then on the demand side, there's a lot of emotion about who should be allowed to buy offsets. Should heavy emitters be allowed to use offsets to claim any sort of progress? Civil society often says that businesses—particularly hydrocarbon businesses—shouldn't be able to given the role they played in exacerbating the climate crisis, and given how they used their clout to slow down legislation that would have forced them to change.

Hence the emerging consensus that to be credible a business simply has to be reducing the absolute emissions in the value chain in line with the science. And then, if you want to, using offsets to compensate for the rest, not as a substitute for reducing.

In the past, companies could set their own climate targets unilaterally. Is there going to be a rigorous "net zero" standard?

We shouldn't shy away from the fact that it is complex, and anyone who's tried to calculate the footprint of their company or their portfolio knows that data availability and rigor are really challenging. The science and some of the methodologies

"I think what people are realizing now is that all innovation is driven by constraints. When it's an inevitable and scientific constraint, you might as well embrace it and use it to drive innovation, because everyone's going to have to eventually."

are evolving, as you'd expect in a relatively new area that's had relatively scant resources spent on it.

Good news is some protocols have been in place for over 20 years, so there's vast amount of experience that the accountancy profession and consultancy profession have.

The Science-Based Targets initiative, which has that rigor you talked about, is seven years old. When it was launched in 2014, it seemed like a mad idea that any company would ever voluntarily restrain its business model based on an environmental externality. I think what people are realizing now is that all innovation is driven by constraints. When it's an inevitable and scientific constraint, you might as well embrace it and use it to drive innovation, because everyone's going to have to eventually.

Glasgow is clearly an important crystallizing moment, but what comes after it? Are you hopeful?

In 2023, there will be a huge international focus on progress as new climate assessments come up. That'll ratchet up the pressure on everybody again. Then 2025, the next big COP. The key actions in the aftermath of COP are regulation and investment—that \$90 trillion that we talked about, which will continue to grow as we near Glasgow.

That's changing capital allocation and lending decisions now and will continue to do so. We're going to see increasing clarity where we need to deploy massive capital, like electric vehicles or renewables—places where we solved the technical problem, we just need to deploy at massive scale.

Those technologies where we haven't broken through cost parity—like green hydrogen, like sustainable aviation fuel, like ammonia for green shipping—I think you'll find all those accelerating.

What gives me hope is that we are unbelievably innovative when we decide to tackle problems that we don't know how to solve.

It might be too late—because we really have left it very, very late—but I'm optimistic we are going to see radical changes driven by the whole of society. Citizens are demanding it, investors are financing it, companies are innovating, and governments are putting in place the endpoints and the guide rails to steer it. ♦

PHIL DREW is a Partner in Brunswick's Business & Society offer. He was formerly communications director for Climate Week and is an advisor on communications strategy to the UN High Level Climate Champions, the UN Race to Zero, the UN Race to Resilience, and the Glasgow Financial Alliance for Net Zero.