

Climate Change Alert

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COP26 — What to Watch for at the UN Climate Change Conference

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Key Points

- This U.N. Climate Summit is the most anticipated since Paris six years ago.
- The private sector is playing a heightened role in driving the momentum for shaping the agenda and likely outcomes.
- Once again, lasting impact is dependent on compliance with commitments.

Introduction

Over the next two weeks the United Kingdom (U.K.), a long-term climate action champion, will convene the 26th meeting of the Conference of the Parties of the U.N. Framework Convention on Climate Change,¹ or “COP26.” An estimated 30,000 attendees from governments, NGOs (non-governmental organizations), the private sector and civil society are gathering—in spite of transit strikes, COVID tests and particularly intense security—to accelerate progress toward achieving the Paris Agreement’s goal of limiting global warming to well below 2°C, aiming for 1.5°C and achieving global carbon neutrality in the second half of this century.²

Though the Conference of the Parties is an annual event, COP26 is garnering significant attention for several reasons. Recent severe weather events across the globe are underscoring the Intergovernmental Panel on Climate Change (IPCC) most recent **Sixth Assessment Report’s** dire warning and urging immediate action to avoid the worst climate-related impacts. The world’s scientifically allotted carbon dioxide (CO₂) budget is evaporating rapidly. As the global community enters its next five-year cycle for reviewing and updating countries’ greenhouse gas (GHG) emission reduction pledges, or “nationally determined contributions” (NDCs), under the Paris Agreement, much attention will be paid to how that finite “pie” is divvied up.

The world is also watching the United States (U.S.) following its **re-entry** to the Paris Agreement, putting the Biden-Harris administration’s rhetoric to the test on the international stage. The U.S. has an ambitious NDC to reduce its GHG emissions by **50 to 52 percent** below 2005 levels by 2030. As has become even more apparent during this first year of the Biden-Harris administration, there are massive political hurdles that impede the U.S. from realistically achieving that goal. All eyes will be on

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how the U.S. delegation articulates its path toward achieving the NDC. With the U.S. political divide fresh in our minds, we must ask: are the commitments of the United States, or any democracy for that matter, durable?

The heightened anticipation for Glasgow parallels the enthusiasm leading up to Paris six years ago. Paris set the destination—limiting warming well below 2°C, aiming for 1.5°C—**Glasgow must make it a reality**. However, many skeptics, including The Terminator, **caution** that this COP, like many before, will be a lovefest of commitments and declarations by politicians that will ultimately result in little more than words. They point to the lack of progress to reign in GHG emissions and to mobilize the financing necessary to meet the aspirations symbolized by Paris to support their skepticism. But this year, at least in Washington, D.C., something feels different. For the first time, the private sector is truly playing a significant role in driving the agenda independent of government action.

Issues to Track in Glasgow

We think that the biggest outcomes from COP26 will focus on the three “Ms”—methane, money and markets. This COP also will debate the intrinsic relationship between climate change and nature more formally than those prior. This includes the rising social and economic costs of the loss of nature and the critical role nature-based solutions play in achieving the Paris Agreement’s climate mitigation and adaptation goals. New formal partnerships to tackle these issues will be launched with great enthusiasm. Below we provide further insight on these topics and potential outcomes worth watching.

Methane

The political and scientific communities worldwide are focused on methane due to its outsized impact on global warming. Classified as a **short-lived climate pollutant**, methane has a **shorter lifespan** in the atmosphere and a much higher energy absorption potential than CO₂. According to the IPCC’s Sixth Assessment Report, methane emissions account for about half of the 1.0°C net rise in temperature. This year’s UNEP (United Nations Environment Programme)/CCAC (Climate and Clean Air Coalition) **Global Methane Assessment** urged, among other things, that “[l]ower methane concentrations would rapidly reduce the rate of warming, making methane mitigation one of the best ways of limiting warming in this and subsequent decades.”

The U.S. and European Union (EU) will officially launch the **Global Methane Pledge** at COP26’s World Leaders Summit, and we expect many other countries to either join or set their own methane targets. Under the pledge, countries commit to a collective goal of reducing global methane emissions by at least 30 percent from 2020 levels by 2030 and “moving towards using best available inventory methodologies to quantify methane emissions.” More than **30 countries** have indicated support of the pledge ahead of COP26. This is a tremendous effort to curtail this “super pollutant” in the near term.

Money

Always follow the money. We expect financial commitments from governments, the private sector and philanthropy to flow out of COP26. But will these commitments result in actual deployment of funds? Recall President Obama inspiring a lofty commitment of \$100 billion per year of “carbon finance” from developed countries to

support climate mitigation and adaptation actions in developing countries during his first COP in 2009 Copenhagen. To date, those commitments still fall short. As the world witnesses the disproportionately horrendous impact climate change is having on developing countries, the need for reliable financing for resilience mechanisms is more important than ever. We also expect the robust debate around “loss and damages” under Article 8 of the Paris Agreement to resume with heightened intensity.

We expect announcements from G7 and G20 governments that place new limitations on financing of fossil fuel projects abroad, particularly on coal. For example, the U.S., Canada, EU, South Korea, Norway, Switzerland and the U.K. appear to be close to an **agreement** limiting official export credit support for unabated coal power “by expanding the scope of the commitments made in the Sector Understanding on Export Credits for Coal Fired Electricity Generation Projects, a 2016 OECD guideline.”

From the private sector, the **Glasgow Financial Alliance for Net Zero** (GFANZ)—representing over \$70 trillion in assets committed to net zero by 2050—will likely gain more members during and in the wake of COP26, with **Goldman Sachs** one of the latest to join.

Also noteworthy is the \$223 million in **philanthropic funding** recently committed to support the U.S.-EU Global Methane Pledge, with funders “providing expertise, financial resources, technical support, and best-in-class data to ensure methane reduction progress and accurate monitoring, verification, and reporting, including in the resource extraction and agriculture sectors.”

Markets

One of the main **priorities** for country negotiators at COP26—as well as a **top ask from business**—is to reach agreement on the Article 6 “rulebook.” Article 6 of the Paris Agreement provides a framework for countries to pursue cooperative approaches to help achieve their NDCs and mobilize investment in mitigation activities and sustainable development. These cooperative approaches include: (i) a bottom-up, bilateral or regional approach via “internationally transferred mitigation outcomes” (ITMOs) (Article 6.2); (ii) a new centralized carbon market mechanism akin to the Kyoto Protocol’s Clean Development Mechanism (CDM) (Article 6.4); and (iii) non-market approaches (Article 6.8). These approaches have the potential to unleash huge climate benefits and economic value from enhanced ecosystem services from the financing of projects that otherwise would not be implemented.

As the UNFCCC (United Nations Framework Convention on Climate Change) explains, Article 6 “is a very complex topic where many parties have strong views,” in part because issues related to Article 6 are “closely linked with issues such as climate financing and transparent reporting.”³ While there are many **unresolved Article 6 issues**, negotiations at COP26 are likely to focus on three key issues: (i) how to avoid the double claiming of emission reductions generated outside of the scope of host party NDCs in the Article 6.4 mechanism; (ii) the use of pre-2020 Kyoto Protocol CDM units to meet NDCs; and (iii) how and to what extent activities under Articles 6.2 and 6.4 should support adaptation finance.

On the first two key issues, recent **reports** that Brazil has “softened” its stance relative to the development of a global carbon market is a positive sign for compromise, as negotiators and observers of past COPs have cited Brazil as an impediment to progress on Article 6.⁴ Should parties fail to finalize the Article 6 rulebook, we

nevertheless expect more parties to pursue Paris-compliant Article 6 “pilots” outside the UNFCCC process. These are broadly defined as initiatives that aim to align with Article 6 rules once they are finalized.⁵ One such example is Switzerland’s efforts to pursue bilateral deals for the transfer of ITMOs under Article 6.2.⁶

Climate and Nature

With the U.K. including the protection of habitats among its COP26 [goals](#), along with recent attention by business—particularly in the agriculture, extractives and textile sectors—this issue will be featured prominently during COP26. This includes, for example, an event at the high-level World Leaders’ Summit (November 2) stressing the critical importance of raising ambition on forests and land use “in a way that delivers for the climate, people, economic development and biodiversity.” COP26 dedicates two entire thematic days to nature and land use (November 5–6)⁷ and a knowledge-sharing forum (November 3) on the integration of biodiversity into countries’ climate adaptation and resilience planning.

The UNFCCC also notes that COP26 “will start to discuss how to integrate” nature-based solutions in the “Paris implementation strategy,”⁸ with a particular focus on “finance for nature and nature-based solutions”—one of 11 [public finance priorities](#) set by the U.K. COP Presidency.

Of note are the release of “[Glasgow Leaders’ Declaration on Forests and Land Use](#),” a pledge to stop deforestation by 2030, as well as the G7’s Finance Ministers’ [endorsement in June 2021](#) of the Taskforce on Nature-Related Financial Disclosures.

Partnerships

There will be many new partnerships, initiatives, coalitions and other alliances announced or formally launched during and after COP26, as past COPs have shown. Some of the notable efforts we expect to see include:

- [First Movers Coalition](#) – Bloomberg [reports](#) that the U.S. Department of State and the World Economic Forum will launch a coalition of companies at COP26 focused on reducing emissions in carbon-intensive sectors like steel, shipping and cement.
- [Agriculture Innovation Mission for Climate \(AIM for Climate\)](#) – A joint U.S.-United Arab Emirates (U.A.E.) initiative that will “catalyze greater investment in agricultural R&D and innovation to help to raise global ambition and underpin more rapid and transformative climate action in all countries.”
- [International Aviation Net Zero Coalition](#) – A coalition of governments committed “to the highest ambition on international aviation emissions, as well as best practice in implementing [the Carbon Offsetting and Reduction Scheme for International Aviation] and sustainable aviation fuel policies,” to be launched with a declaration at COP26.⁹

How to Stay Connected

There will be approximately 80 virtual and in-person events at the [U.S. Center in Glasgow](#) over the conference’s two weeks, with a variety of government, subnational, private and NGO presenters. Separately, a coalition of non-federal actors known as America Is All In will host virtual and in-person events at the [U.S. Climate Action Center](#).

A schedule showing key thematic events for COP26 is available [here](#), and the U.S. Delegation Program of Events is available [here](#). Finally, COP26 will feature numerous public [side events](#) that will occur alongside the negotiations. Live updates from the UNFCCC and links to streaming events may be linked [here](#).

Akin Gump will be providing periodic updates throughout COP26 on the ground in Glasgow and in the Blue Zone assisting clients.

¹ The [Conference of the Parties](#) (COP) is the supreme decision-making body of the [UN Framework Convention on Climate Change](#) (UNFCCC or the “Convention”). The Conference of the Parties meets every year, unless the parties decide otherwise, to assess the progress made in achieving the ultimate objectives of the Convention. Since 2005, the COP has also served as the “Meeting of Parties to the Kyoto Protocol” (CMP), and since 2016, the COP has served as the “Meeting of Parties to the Paris Agreement” (CMA).

² UNFCCC, “Everything You Wanted to Know About COP But Were Afraid to Ask” (Oct. 18, 2021), <https://unfccc.int/blog/everything-you-wanted-to-know-about-cop-but-were-afraid-to-ask>.

³ UNFCCC, “Everything You Wanted to Know About COP But Were Afraid to Ask” (Oct. 18, 2021), <https://unfccc.int/blog/everything-you-wanted-to-know-about-cop-but-were-afraid-to-ask>.

⁴ See C2ES (Center for Climate and Energy Solutions), “Outcomes of the U.N. Climate Change Conference in Madrid 3” (2019), <https://www.c2es.org/site/assets/uploads/2019/12/cop-25-madrid-summary-1.pdf>; Carbon Pulse, “COP25: Testing Article 6 talks delayed for second year after marathon UN climate summit” (Jan. 5, 2020).

⁵ Sandra Greiner et al., Climate Focus, “Article 6 Piloting: State of Play and Stakeholder Experiences” (2020), https://www.climatefocus.com/sites/default/files/Climate-Finance-Innovators_Article-6-piloting_State-of-play-and-stakeholder-experiences_December-2020.pdf.

⁶ See Carbon Pulse, “Switzerland pitches its Article 6 deals to voluntary carbon market” (Aug. 19, 2021).

⁷ For a specific listing of events on these days, see the UK Presidency Programme of Events.

⁸ UNFCCC, “Everything You Wanted to Know About COP But Were Afraid to Ask” (Oct. 18, 2021), <https://unfccc.int/blog/everything-you-wanted-to-know-about-cop-but-were-afraid-to-ask>.

⁹ Written Evidence Department for Transport CCG004, <https://committees.parliament.uk/writtenevidence/37856/pdf/>.

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