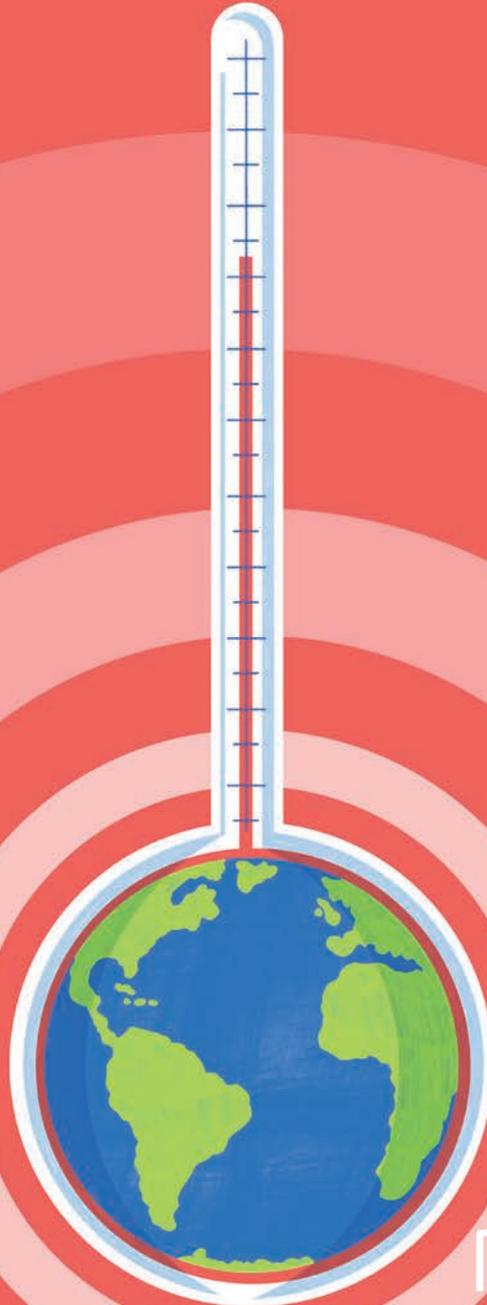
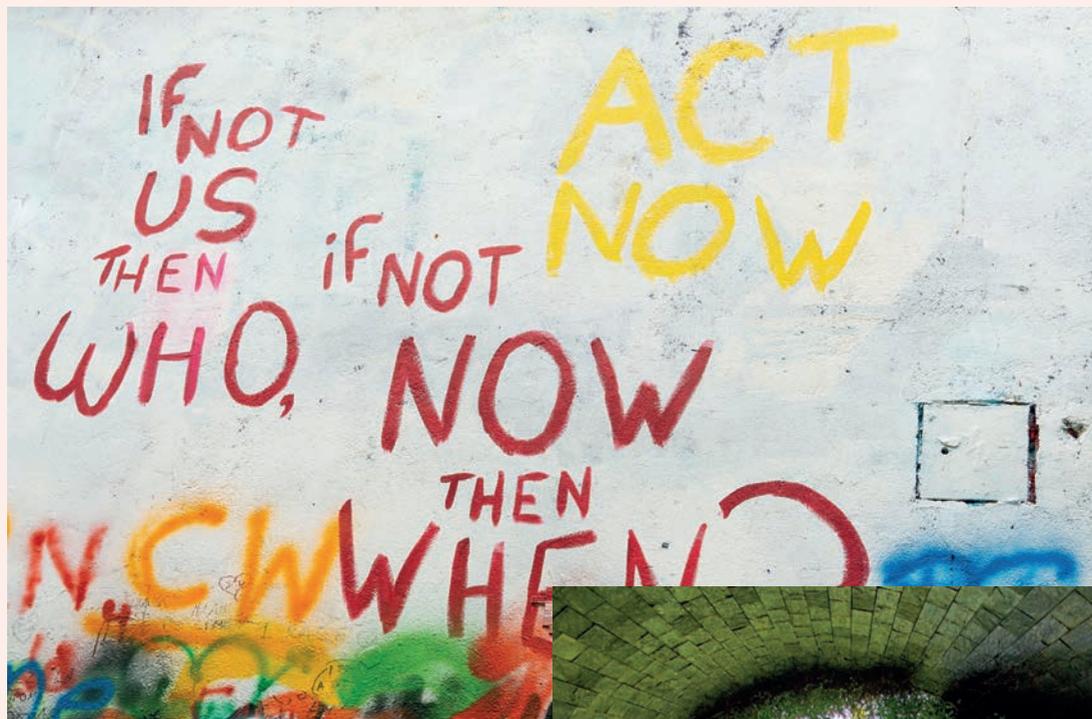


Good COP, bad COP

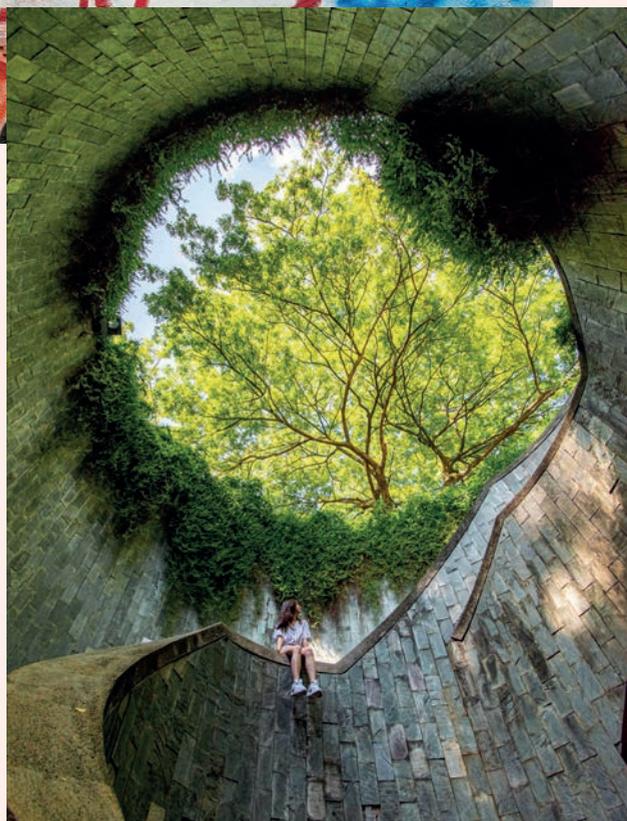
A guide to human efforts to tackle climate change



Rathbones
Look forward



What happens
at COP26
could have
momentous and
wide-ranging
consequences



Cover illustration:
Michael Driver, Folio Art

Foreword



The eyes of the world will be watching when representatives from nearly 200 nations gather in Glasgow this November for the COP26 global climate summit. There's a growing sense that the summit's outcome will have huge implications for the future of our planet.

The latest Conference of the Parties, or COP as these summits are known, will discuss progress on the goals established by the historic Paris Agreement and set out a bold vision for the rest of the crucial 2020s. The ultimate objective is for signatories to the UN Framework

Convention on Climate Change (UNFCCC) to work together to get to 'net zero' carbon emissions in time to stave off climate disaster.

What happens at COP26 could have momentous and wide-ranging consequences. The level of ambition, what targets are set and the momentum that follows from this conference will determine policy development, investment and cooperation among nations in their bid to tackle climate change. This in turn will influence the operating environment for companies and the potential for investment opportunities, returns and risk.

We want to cut through some of the smog that clouds the complex COP process to understand how effective COP26 is likely to be in galvanising efforts to tackle climate change. What can COPs achieve? How can we gauge success? What will make for a good COP?

To understand where we're heading, we need to know how we got to where we are today and the role COPs have played in that journey.

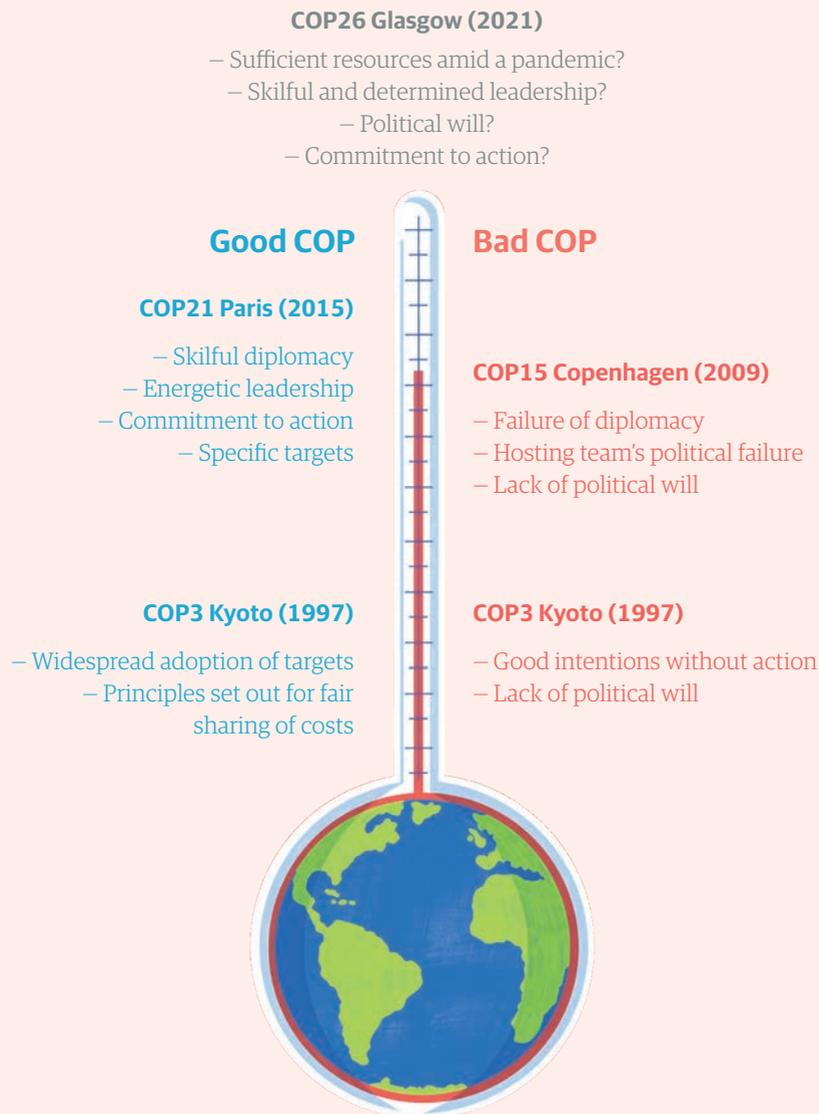
First, we'll take a look at how the UNFCCC and the COP process have evolved. We'll then consider some of the key COP gatherings of the past, both good and bad, to help work out what direction COP26 may take. Finally, we will outline how responsible capitalism could help the world get to net zero – whatever happens at COP26.

We hope you enjoy reading *Good COP, bad COP* and find it helpful in understanding what COP26 is all about and what it means for you.

Matt Crossman
Stewardship director

A timeline of decisions on climate change

A look at some of the key COP gatherings of the past, good and bad, and what's needed to make COP26 a good one.



Shaping the climate change debate

Twenty six is a funny age. It marks your fully fledged emergence into adulthood, but sometimes it can feel like more of an extended adolescence. Responsibilities are there but you haven't really grasped them. Rather than confront unpleasant realities – like that far off retirement you'll need to fund – it's tempting to hover over the low-cost flight website for a post-pandemic city break.

Sadly for global efforts to fight climate change, we are in a similar 'overgrown adolescent' phase. Representatives from member states who've signed up to the UN Framework Convention on Climate Change (UNFCCC) will gather for their 26th annual meeting in Glasgow this autumn. Whether the governments of the world can commit to bold action on climate change in the crucial decade ahead could depend in large part on the success of this meeting of the COP, or Conference of the Parties.

What follows is not a beginner's guide to climate change, but a guide to society's efforts to pull together concerted action to curb it. It's a world full of complexity and challenges, but the UNFCCC framework and the COP process are the best options we have for tackling climate change.

Progress since the COP process was born in 1994 hasn't followed a straight path. We'll take a look at the most notable COPs, good and bad. And as we look ahead to the next COP gathering in Glasgow, we hope this will help to answer the question: What is a 'COP', and what makes a good one?

The early days

Public awareness of environmental issues had been rising since the 1960s and 70s, spurred by seminal events such as the publication of Rachel Carson's *Silent Spring* in 1962, the first Earth Day in 1970 and the publication of *Limits to Growth* by the Club of Rome in 1972. The end of the Cold War brought a shift in focus and scientific evidence raised a greater awareness of the effects of ozone depletion. The foundations had been laid for the 1992 gathering of world leaders in Rio – what came to be known as the first UN Earth Summit – to be a landmark event. Amid the growing global awareness of the greenhouse effect, a separate treaty process to deal with climate change was born at the Rio convention itself: the UNFCCC.

————— Progress since the COP process was born in 1994 hasn't followed a straight path.

The UN and the UNFCCC it gave birth to operate under international law, and that's quite a bit different to what you might expect to see from law at a local or regional level. Treaties like the UN Founding Charter typically combine hard and soft law – that is, binding and non-binding elements, some set at the top, others left for interpretation at local level. Cooperation and coordination are matters of intense debate and bargaining. The COP process on climate change sits within this structure and is beset by some of the same problems.

International agreements 101

It was allegedly German statesman Otto von Bismarck who said “There are two things you don't want to see being made – sausage and legislation.” If it's true of a local law, it's even more true of a legal text negotiated by nearly 200 countries in six official languages (Arabic, Chinese, English, French, Russian and Spanish). You can enjoy the benefits without having to see all the intricacies, intrigue and horse trading that went into making it.

At one level negotiating a treaty at international level is simple. Delegations from the represented countries work in different workstreams to develop sections of text for review and approval by the main meeting. It's a process of proposal, editing and review.

As with any negotiation, the simple text is fraught with hidden struggle. Every country is primarily acting in its own interest. As in any negotiation, finding meaningful consensus is difficult; at international level, especially so. Diplomats do their best to push the delegates towards cooperative problem solving over competitive bargaining.

The dynamics of an international conference depend somewhat on the subject matter being debated – but there are general truisms. Various negotiating blocs exist – whether it be the EU or the African Group or the G7 plus China – with their views relatively predictable based on their relative risks and opportunities. But power rests more in population and wealth. The most significant players won't surprise you – agreement comes mainly through the US, China and the EU. Where they lead, others tend to follow.

International agreements can work!

If you are over 40 you might remember the hole in the ozone layer being *the* environmental issue of the 80s and 90s. We don't hear so much about it these days – and why is that?

Various negotiating blocs exist with their views relatively predictable based on their relative risks and opportunities.

Well, in part, because the UN treaty process was able to deliver a binding and practical international agreement in short order, leading to decisive action. But understanding why that was the case is key in understanding why global action on climate change has been trickier. Why was this 1987 agreement, known as the Montreal Protocol, so much easier to reach?

Firstly, the science was simple and clear right from the outset. Certain classes of chemicals – chlorofluorocarbons and hydrofluorocarbons (CFCs and HFCs) predominantly used in refrigeration products could be clearly linked to depletion of the ozone layer. You could see the ozone layer developing a hole over time. The challenge with climate science is that it involves an inherently complex and changeable system and specific, concrete outcomes are difficult to predict. Even in the 1990s the science was clear: the accumulation of greenhouse gases in the upper atmosphere could cause ‘global warming’ (or climate change as it’s now generally referred to). But that’s less easy to understand than a hole. And the time horizons were tricky – the urgency of dealing with an existing hole now is easier to grasp than a theoretical threat of widespread climate ‘change’ many decades in the future.

Montreal also succeeded because adaptation was easy. CFCs were the problem, and there were readily

————— **Even in the 1990s the science was clear: the accumulation of greenhouse gases in the upper atmosphere could cause ‘global warming’ (or climate change as it’s now generally referred to).**

available substitutes. The key function of the chemicals in question was not fundamental to life on earth – where we get our energy from (the fundamental issue at the heart of climate action) is far, far more important than how we cool our food and buildings. Swapping out a few chemicals in a fridge was easy – getting the world to stop burning coal and using cars was a bridge too far in the 1990s.

Next, the harm fell on the powerful and influential. The hole in the ozone layer stood to cause harm through UV exposure to wealthier nations, and so they were motivated to act. Sadly the reverse is true in climate action – we know that developed countries have reaped the benefits of a fossil fuel powered industrial revolution, establishing positions of dominance before the harm to the environment from this industrialisation became widely recognised and acknowledged. To stop the worst of climate change affecting us, we need those at an earlier stage of their development to change course. At the same time, the

poorest in the world tend to be among the more vulnerable to climate change and the associated physical impacts. The richer countries are either less geographically exposed or can afford to mitigate or adapt to these impacts.

It's easy to criticise the UNFCCC process for moving too slowly. But we have to appreciate the sheer scale of the problem it is trying to address, as well as the complex nature of that problem and the competing short and long term interests of the negotiating partners. Climate change is an existential threat to society, but its effects are felt differently all across the world. The early failures of the UNFCCC process can be explained by a combination of these three factors: lack of clarity on impacts, availability and cost of solutions, and motivation of the most powerful.

As time moved on, the process was able to deliver more – partly as the cost of solutions fell and the motivation of large and influential players like China shifted. But there was one core aspect of the Montreal Protocol that transferred to the UNFCCC and was vital in eventually producing an agreement. That is the precautionary principle, the idea that member states should “act in the interests of human safety, even in the face of scientific uncertainty”.

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What's in the UNFCCC?

The UNFCCC stated clearly for the first time that human activity was causing climate change, and that the goal of the international community should be to stabilise greenhouse gas concentrations “at a level that would prevent dangerous [human induced] interference with the climate system”.¹

In addition to the precautionary principle, the idea of fairness between developed and developing countries was also baked into the first UNFCCC agreement signed at the inaugural Earth Summit in Rio.

The idea of ‘fairness’ is no less crucial than understanding the science and acting with caution. Economic development since the 1800s is the history of a few rapidly industrialising nations making use of cheap and abundant fossil fuel energy to spur economic growth. So, countries that have been the biggest cause of the problem are seeking to limit the future use of fossil fuels by developing

¹ What is the United Nations Framework Convention on Climate Change? | UNFCCC

countries from their position of economic power. To get any sort of agreement there needed to be some recognition of this 'unfairness'. In the UNFCCC, industrialised countries (called Annex 1) were expected to do the most: reduce emissions to 1990 levels by the year 2000.

So much for setting the goal and stating who needs to act – who is going to pay for the action and how? While the UNFCCC didn't answer these questions, it at least created the start of a mechanism to release funding and investment into the necessary solutions. Annex I countries agreed to fund climate change solutions in developing countries, and to share technology.

Much more can be said about this landmark agreement and its functions (including reporting requirements on member states) but the basics are enough for us to understand its importance. In order to prevent climate change, individual countries must agree to cut their emissions enough to make the collective effort meaningful. The allocation of action must be fair, and it must be paid for. Those core dynamics persist to this day in the COP process.

What is a COP?

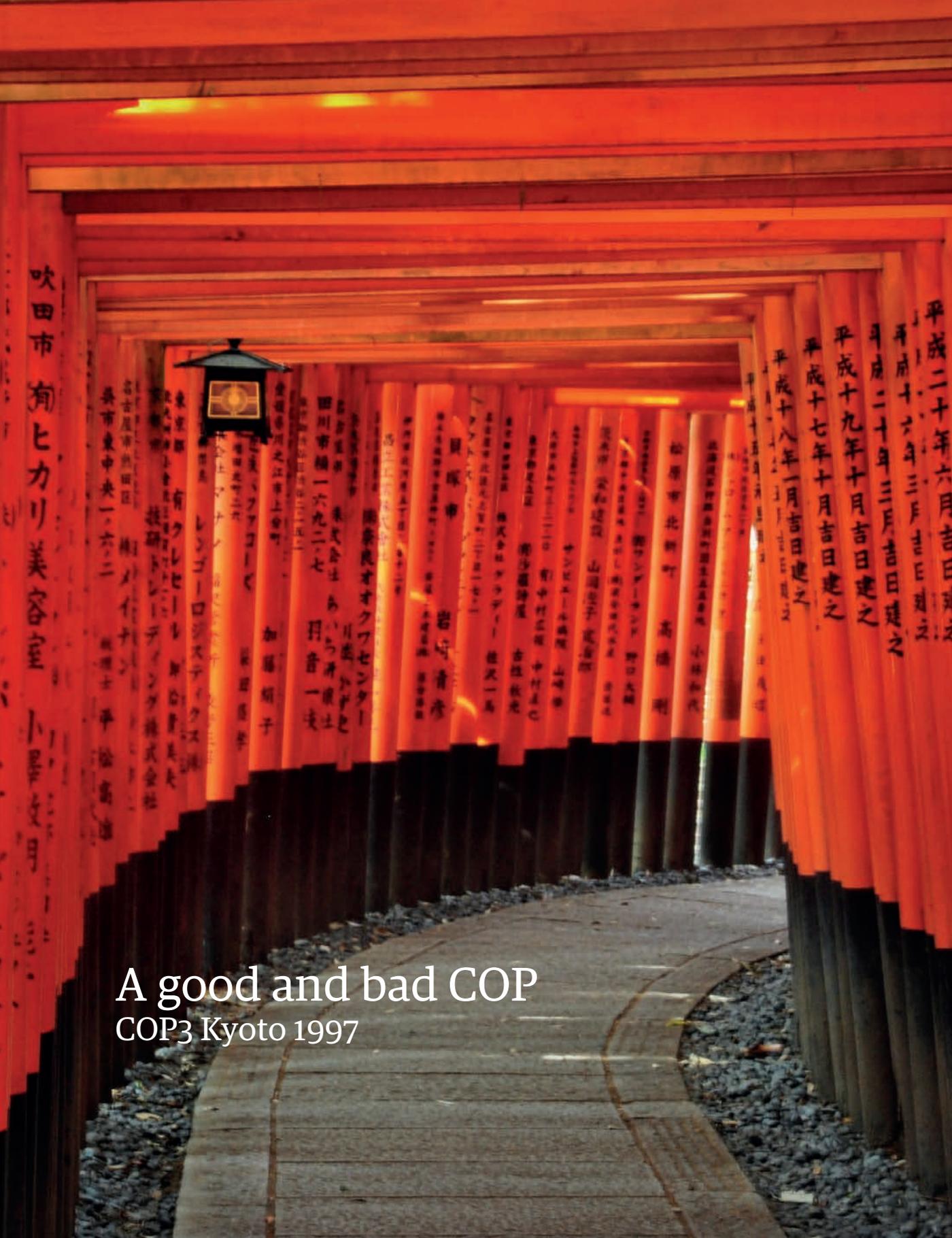
You may still be wondering, what exactly is a COP? We've already seen that it is an annual meeting of all member states that have ratified the

UNFCCC treaty, and as of 2021 there were 197. The COP process is nominally a two-week affair but in reality, like any international gathering, it is years in the planning. Its broad membership is a strength and a weakness. All countries are represented on an equal footing, from the US to Tuvalu, very unlike other forums such as the G20 (a group representing the world's major economies) or the UN Security Council. But that equal COP representation can be a burden to the smaller countries.

COPs have two distinct zones – one where the diplomats are cocooned, working on the text and agreeing trade-offs, and a more open 'public' space where charities, campaign groups, cities and companies seek to influence and shape the debate.

And not all COPs are as important as others. In a sense my own journey from childhood to adulthood and my vocation in the field of responsible investing have followed the arc

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吹田市有ヒカリ美容室

小澤文月

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A good and bad COP
COP3 Kyoto 1997



Bad COP
COP15 Copenhagen 2009

of the UNFCCC's 26 years. In this next section I'll take you through that journey, highlighting the most significant milestones from the COP process, good and bad.

Kyoto – COP3

When the Kyoto Protocol was adopted in December 1997, I was still a teenager, more interested in what game I would get for my Nintendo 64 that Christmas than what was happening with the climate. Looking back now, the Kyoto Protocol was significant for its comprehensive adoption of targets. The Earth Summit and the UNFCCC had stated the intention of the world to roll its sleeves up and tackle the problem – but didn't state how. Put simply,

at COP3 in Kyoto the international community stated for the very first time that each country would commit to its own efforts to reduce its greenhouse gas emissions. So far, so good.

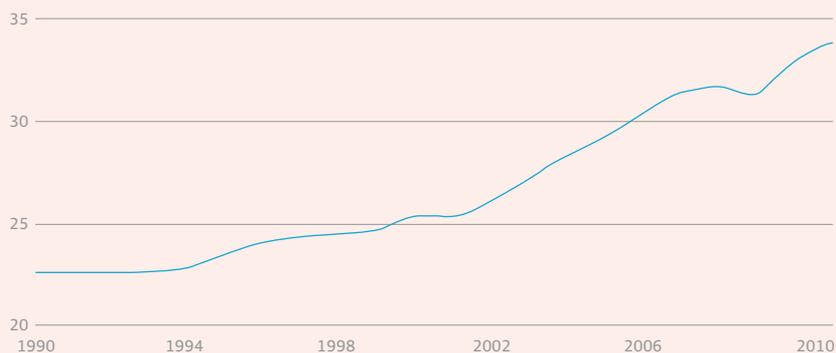
Industrialised nations took most of the heavy lifting – committing 37 nations to cut emissions by an average of 5.2% from 1990 levels by 2012. A cornerstone of the agreement was that it placed a heavier burden on the developed world, citing “common but differentiated responsibility and respective capabilities”.² But the protocol needed ratification by each member state, and only formally came into effect in 2005 when enough parties had done so. To make matters worse, several key members – the US,

² Nationally Determined Contributions (NDCs) | UNFCCC

³ CO₂ emissions after Kyoto | 21st Century Tech Blog

Figure 1: Before and after

Annual global emissions of carbon dioxide surged after the 1997 Kyoto Protocol (tonnes of CO₂ billions)



Source: Netherlands Environmental Assessment Agency/European Community Joint Research Centre³

China, India and Australia – didn't ratify the agreement at all, reflecting the political atmosphere in these countries at the time.

This general sense of inertia was underlined by a failure of action following COP3 in Kyoto. The single most important solution, clean energy, remained expensive despite growing investment in this area. As the first decade of the new century drew toward its close, and I had finished my studies and was embarking on a career, it was clear to me that there was a lot more work to be done.

Copenhagen – COP15

If ever a COP failed to meet expectations, Copenhagen's COP15 – in that cold

Nordic December of 2009 – was it. At this nadir of international diplomacy, amid the fallout from the global financial crisis, not even the extended and intense last-minute drafting of senior heads of state could salvage a deal. I'd made my way by train from Bristol to Denmark over 29 sleepless hours, now having a professional interest as a corporate engagement manager, only for the whole thing to collapse at the last minute.

Hopes had been high. For the first time that decade, a COP would be graced by the presence of a US negotiating team, under the leadership of a Democratic president who supported climate action. A more ambitious agreement calling for binding targets on faster and deeper emissions cuts by more and

⁴ Has the Kyoto protocol made any difference to carbon emissions?
| The Guardian

Figure 2: Change in CO₂ emissions (gigatonnes) 1990 to 2011



Source: The Guardian⁴



Good COP
COP21 Paris 2015



? COP
COP26 Glasgow 2021

more countries was needed. It was not forthcoming. Instead, a weakened and powerless 'Copenhagen Accord' was adopted, essentially allowing parties to the treaty to set their own targets for 2020, a more voluntary system of 'pledge and review' more amenable to the big industrialised nations. Most notably, the US government couldn't agree to anything it couldn't pass in a divided Congress.

There was something of significance, however, in a statement of scientific understanding. The Copenhagen COP first stated that the world cannot afford to let global temperatures rise by more than an average of 2°C. It also set in place some more advanced funding mechanisms.

Many of the failings of Copenhagen were more human than structural. The Danish team hosting the negotiations made several gaffes, including issuing a statement before the summit on behalf of a small group of so-called 'important' countries, offending

anyone not included on the list. The chief negotiator, Thomas Becker was sacked by his political leaders just weeks before the summit, internal strife in the Danish government adding more bitterness to the already souring atmosphere.

People and personalities matter. Becker had built up trust over years of careful diplomacy. His sacking meant that all relationships were in reset mode, and a general sense of suspicion descended on the conference. Watching parties took COP15 as a warning, and resolved never to repeat those mistakes. Sometimes failure can be a surprising catalyst for good.

Paris – COP21

As Paris approached in 2015 the contrast in tone couldn't have been more pronounced. The French negotiation team – it's always the host's diplomatic corps that do the heavy lifting – was immensely well staffed by career diplomats.

But that's not all – there was seriously determined and skilful leadership at the head of the UNFCCC in the form of Costa Rican diplomat Christiana Figueres. Possessed of a rare energy, focus and natural ebullience which enabled her to cross barriers and build trust, the COP process finally delivered under her leadership and French resource. By this time I'd progressed to

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delegate, attending the side conference, and the sense of energy and optimism in the conference centre was palpable.

For once, the COP process delivered an agreement, the now-famous Paris Agreement. Language really matters as we have seen – and it's hard to overstate the strange significance of one five-letter word moving from brackets to plain text. In this case it was the magic word 'shall', an expression of firm commitment, occurring no fewer than 117 times in the final document, bringing that crucial legally binding element to the text.

The main thrust of the text was in Article 2, which can be summarised as a commitment to keep temperature rises to 'well below' 2°C. And to work out this aim in a system of nationally determined contributions, described best by the UN itself:

"The Paris Agreement... requires each Party to prepare, communicate and maintain successive nationally determined contributions (NDCs) that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions."⁵

Progress on ratifying the agreement was rapid by UNFCCC standards, coming into binding force by November 2016. However, it's worth remembering that not all countries have agreed to and ratified the various

————— **The main thrust of the text was in Article 2, which can be summarised as a commitment to keep temperature rises to 'well below' 2°C.**

additional agreements like the Kyoto Protocol or the Paris Agreement. The following countries have not ratified the Paris Agreement:

Iran (1.66% of global emissions), Turkey (1.04%) and Iraq (0.48%) are currently the top emitters among the nations that have not yet ratified. The others represent a far smaller share of global emissions: Eritrea (0.01%), Libya (0.14%), South Sudan (0.24% with Sudan) and Yemen (0.07%).⁶

This is perhaps not so surprising for most of the names on the list, when you consider the significant role fossil fuels play in their respective economies. Despite having not signed a specific treaty or agreement under the main treaty, the parties retain a negotiating role in any future agreements.

Glasgow – COP26

At the highest levels of government, feelings around hosting COP26 in Glasgow have surely fluctuated over a tumultuous 18 months. Hopes for a chance to showcase post-Brexit Britain to a watching world were set back by COVID even as demands for more rapid climate action took hold. How

⁵ Nationally Determined Contributions (NDCs) | UNFCCC

⁶ Which countries have not ratified the Paris climate agreement? | Climate Home News

quickly the wildfires raging in Australia were forgotten as the pandemic took hold. The conference moved from in-person to virtual to delayed as the full reality took hold.

By 2021, it was clear that – in person or virtual – some form of COP had to go ahead whatever happened. Under the current circumstances, I'll probably be tuning in remotely. As if business wasn't considered urgent enough, in August the latest update from the UN body responsible for assessing the science on climate change issued what UN Secretary General António Guterres called a "code red" for the planet.

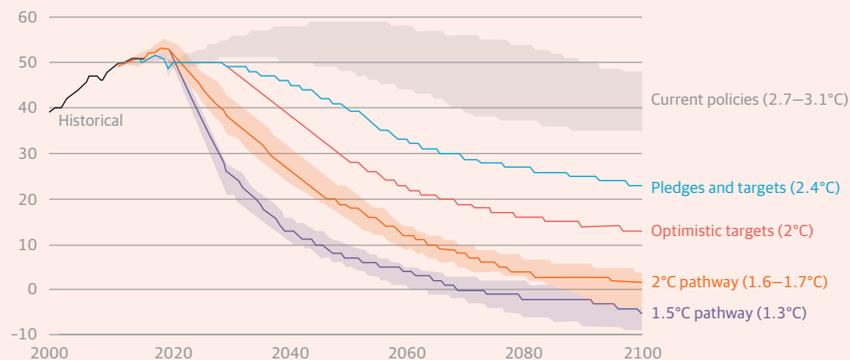
Many expectations have been placed on the Glasgow summit in several key areas. Of primary significance is the

need to review progress made since the Paris Agreement on long term decarbonisation plans and efforts. The 2020 deadline agreed for these 'Nationally Determined Contributions' (NDCs) has been pushed back to match the pandemic-affected schedule. This review is vital given the deepening understanding of the science around climate change since 2015, and the rapid pace of action required.

In a sense, COP26 is a numbers game – do the NDCs pledged by each country curb emissions enough to keep the world below two degrees of warming? Several countries and the EU have already submitted plans, with varying degrees of ambition. Since 2015, China has pledged to become climate neutral by 2060, which at least creates the

Figure 3: How the world is projected to warm by 2100

Past and projected emissions in gigatonnes of carbon dioxide



Source: Climate Action Tracker

opportunity for agreement on goals to reduce emissions sufficiently.

Who pays for the actions of developing nations is also highly relevant. Climate financing was a tricky enough subject even before a crippling pandemic. Under Paris, developed nations pledged to provide \$100bn a year by 2020 to fund the energy transition – with good progress stalled by the pandemic.

All eyes will be on the UK to demonstrate leadership, energise negotiations and set an example for others to follow. UK COP26 President Alok Sharma and his team have their work cut out organising a meeting of 30,000 delegates from 200 countries barely 18 months into the new COVID-shaped reality.

The world needs a good COP

We're hopeful that President Sharma and his team will provide the skilful and determined leadership without which – as we've seen from the 'bad COPs' of the past – there is little hope of getting the parties to agree to concerted and concrete action.

The uncertainties and complexities of hosting a conference in the midst of a global pandemic will of course add to the challenge. But as we've written in previous *Planet Papers*, rather than push climate change to the backburner, the sense that urgent action is needed has only increased during this global health crisis.

Figure 4: Climate finance

Amount provided and mobilised by developed countries
(US dollars, billions)



Source: OECD

It helps too that there is a growing sense among the parties, despite rising geopolitical tensions, that it's in their own self-interest to tackle climate change. China, for example, will be particularly heavily impacted because of its coastal cities and its reliance on water from the Himalayas; we've also seen recently how California, Australia, Germany, the Netherlands and Greece have been hit by fire and flood.

Previous COPs have laid the foundations of a fair system for sharing the cost. Without a doubt, government finances around the world will have been strained by the COVID pandemic; it remains to be seen if the most powerful members will be sufficiently motivated to make sure meaningful action, and money to pay for it, will follow this next gathering. The availability of cheap renewable energy sources and other technological advancements over the past 26 years since the first COP gives hope that developing nations can 'leapfrog' the fossil fuel era. But much more direct policy action is needed.

Will a good COP emerge from Glasgow this November? At the risk of making this sound like a comic-book ending, the world really needs one to come to the rescue, and it might come down to a personality like Figueres emerging from the shadows. We've always been

believers in the power of responsible capitalism to make a positive difference in the world, but tackling something as big as climate change can't be done unless political and economic forces are working together.

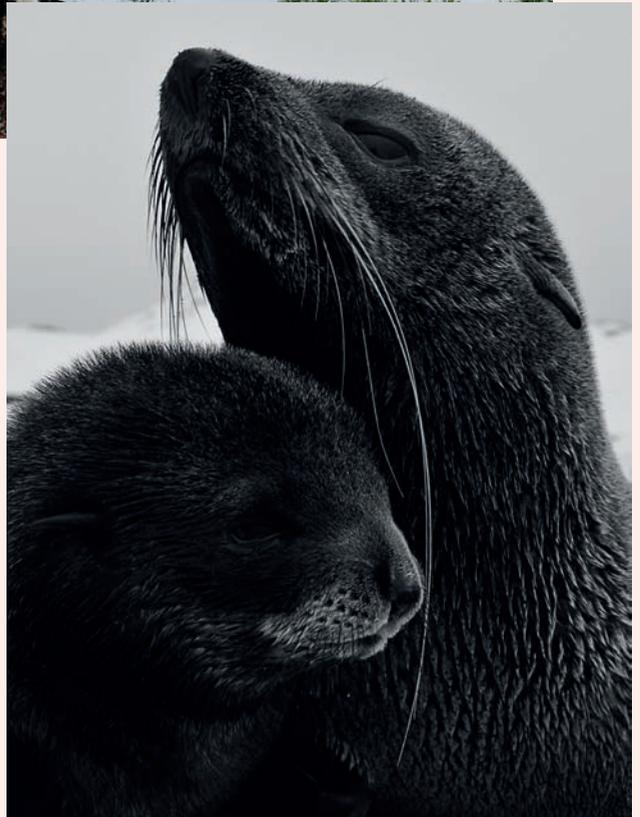
We recognise not only that our business and those businesses in which we invest are impacted by climate change, but also that the choices we make as stewards and allocators of our clients' wealth have the potential to either exacerbate, or alleviate, the climate crisis. Rathbones is also among a number of wealth managers considering how their investment decisions can play a part in the transition to a net zero economy.

Whatever governments decide, there will be investment opportunities in well-run companies helping the world on the road to net zero, or helping the world cope with the physical effects of climate change that are already with us. We will be watching developments in Glasgow closely and keeping you updated on the risks and opportunities that follow.

Whatever governments decide, there will be investment opportunities in well-run companies helping the world on the road to net zero.



There will be investment opportunities in well-run companies helping the world on the road to net zero



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