

Climate Summit

Last week the US hosted 40 world leaders for a two-day virtual summit on climate change, with newly elected President, Joe Biden, making it clear that climate is indeed a key focus for his administration. Having only recently re-joined the Paris Climate Agreement, the US took centre stage at the conference to demonstrate their commitment to tackling this existential threat to our planet, emphasising the need for collective action from nations across the world, many of whom joined the US in setting higher climate ambitions.

As this conference has drawn to a close, we reflect on some of the key takeaways from the discussions by the world leaders who were in attendance, in order to understand what's coming next in putting the world on the path to a safer climate.

In the days that led up to the summit on Thursday 22nd April, the US set their new emissions targets, with a pledge by President Biden to reduce US greenhouse gas emissions by 50-52% by 2030 relative to 2005 levels, and achieve net zero emissions by 2050. This was certainly a bold target, particularly when we consider that the new US government started on the back foot, given that it will have to undo the

damage caused by the Trump administration, who spent the last four years paying little regard to the climate issue.

An important point made by John Kerry, US climate envoy, was that the US would likely begin requiring companies to disclose information on climate risk, similar to the actions taken by the UK and EU. This will force a major corporate shift which many large financial institutions are already recognising and supporting.

A large part of Biden's speech focused on the economic impact of cutting carbon emissions, which would create millions of jobs and maintain the competitiveness of the US economy. He urged the other larger, wealthier economies to consider these economic benefits in shifting to clean energy as well as the moral ones.

The UK was ahead of the US in announcing its new emissions target. Several days before the summit began. Boris Johnson made the announcement that the UK would cut its emissions by 78% compared with 1990 levels by 2035. This is an improvement on the previous goal of cutting emissions by 68% by 2030.

Johnson made it clear that the private sector, as well as the general public, will be very much a part of reaching this goal. He also echoed the words of Biden during the summit, when he spoke about being able to reduce emissions whilst also creating jobs, his message being "Cake, have, eat".

Steps were also taken by the world's largest greenhouse gas emitter, China, with President Xi Jinping signally he would be willing to work together, with the US, on tackling climate change. Whilst Xi Jinping pledged to "strictly control" China's coal-fired power plant construction over the next five years and "phase down" coal consumption in the five years from 2025, he did not make any new commitments. Instead, he restated the goal announced last September for China to peak its carbon dioxide emissions before 2030 and reach "carbon neutrality" by 2060.

Japan and South Korea were among the other countries to make new climate commitments. Japan's prime minister, Yoshihide Suga, said his country would cut emissions by 46 per cent by the end of this decade, relative to 2013 levels, while South Korea pledged to stop funding overseas coal-fired plants.

Whilst it was encouraging to see a united front from leaders across the world who came together in this two-day summit to set some truly ambitious climate targets, we are not alone in remaining slightly sceptical as to whether these plans can become a reality. World famous climate activist, Greta Thunberg, spoke out against the inaction of world leaders and credibility of their proposals, saying that their targets are "insufficient" and "full of loopholes".

We must remember that, whilst good intentions have been laid out at this conference, it is now that the hard work really begins - turning ambition into action and, hopefully, action into accomplishment.

ESG investors like TAM will be closely following the actions taken by governments and world leaders in the following months and years, and we are hopeful that the upcoming UN COP26 climate summit later

this year will facilitate further discussions to set out a clearer direction as to what needs to be done to achieve their targets.

Kind regards,

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