

Proteus Partners update: Nature @UNFCCC COP26

The 26th Conference of the Parties to the UN Framework Convention on Climate Change took place in Glasgow from 1st-13th November 2021. Postponed because of COVID-19 and presented by many as the last chance to avoid runaway climate change, the conference aimed to maintain and build on the political momentum initiated by the Paris agreement in 2015. Crucially, Parties were expected to strengthen their commitments to meeting climate goals, their Nationally Determined Contributions (NDCs), for the first time since Paris. There was a huge pressure on Parties to agree on a deal, finally struck on November 13th after intense discussions and last-minute amendments. Despite not featuring prominently on the official agenda, nature was a priority for the UK Presidency and a key thread throughout COP26 with side events, initiatives, declarations, and commitments recognizing the critical links between the climate and wider nature agendas. Key messages and implications for business include:

The [Glasgow Climate Pact](#) was adopted, demonstrating incremental progress. Being described as a great success by some, a complete failure by others, the Pact has moved the world forward in the direction set in Paris, albeit very slowly. While it does not bring a definitive answer to some key questions, like loss and damage, and the last-minute softening of some of the language disappointed many parties, this deal brings us a step closer towards the implementation phase of the Paris agreement. Key features of the text include:

- The first ever direct mention of fossil fuels and coal, with a call upon Parties to: “[accelerate] efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies”. This aligns with more frequent calls for environmentally damaging subsidies not just to be phased-out, but to be actively redirected toward incentivising net zero and nature-positive outcomes, a measure which is likely to be reflected in the Convention on Biological Diversity (CBD) Post-2020 Biodiversity Framework.
- Parties are now asked to “revisit and strengthen” their 2030 climate targets by the end of 2022, instead of 2025, as originally planned by the ratchet mechanism of the Paris agreement. The text also called on Parties who have not yet submitted a second NDC and/or a long-term strategy for reducing emissions to do so before COP27.
- The Pact emphasises “the importance of protecting, conserving and restoring nature and ecosystems, including forests and other terrestrial and marine ecosystems, to achieve the long-term global goal of the Convention by acting as sinks and reservoirs of greenhouse gases and protecting biodiversity, while ensuring social and environmental safeguards”. This is some of the strongest language on nature ever used in an UNFCCC decision, following on previous mentions of the importance of nature-based solutions for mitigation and adaptation.
- The importance of adaptation to climate change is emphasised in the cover agreement. Though not explicitly mentioned in the text, here again there is a strong link to nature, with nature-based solutions being a critical contribution to adaptation & mitigation of climate change while delivering multiple benefits for nature and people. Furthermore, in the [report of the Adaptation Committee](#), a Glasgow-Sharm el-Sheikh work programme is set up to determine what the global goal on adaptation should be, as finding common metrics to measure adaptation is a challenging task. The urgent need to finance adaptation is also mentioned with the Pact urging developed countries “to at least double their collective provision of climate finance for adaptation to developing country parties from 2019 levels by 2025”. Some related pledges were made at COP 26, with US\$356 million raised for the Adaptation Fund and US\$413 million for the Least Developed Countries Fund. These represent substantial new finance, being much larger than previous replenishments.

- Finally, the [Article 6 of the Paris agreement, on carbon markets and non-market approaches, was adopted](#). The decision sets out [guidelines](#) covering international cooperation on and transfers of emissions reductions. Article 6.2 covers Internationally Traded Mitigation Outcomes, which may be bilateral or multilateral, with 'corresponding adjustment' mechanisms in place to reduce the risk of double counting of emissions reductions. Under 6.4, a new UN 'Supervisory Body' will be established to facilitate carbon trading, similar to the earlier Clean Development Mechanism. 2% of transactions will be cancelled rather than issued, to help ensure a net emissions reduction, and 5% will be dedicated to raising finance for the Adaptation Fund. As 'authorised' credits start to emerge under Article 6, current actors in the voluntary carbon market will need to decide how to engage. This new rulebook will have significant consequences for what can be achieved for nature protection (avoided emissions), with REDD+ and other nature-based solutions eligible under article 6 under the same rulebook as other mitigation measures. However, detailed accounting methodologies have still to be agreed for nature-based solutions under Article 6.4. Making sure that carbon markets go beyond CO₂e calculations and deliver wider community and environmental benefits will be key for their success.

A flurry of commitments and multi-country deals, but still a long way to go. As expected, country-level commitments were put forward, with over 120 countries submitting new or updated NDCs. However, estimates show that even fully implemented (which is itself ambitious), these NDCs would still result in a warming of 2.4 °C by 2100 according to [Climate Tracker](#). Several plurilateral deals were also struck, including a scheme to cut 30% of methane emissions by 2030 signed by 100+ countries; a deal that committed to stop deforestation by 2030, also signed by 100+ countries; and an agreement between the US and China to cooperate more over the next decade to tackle climate change. If all implemented, these announced targets and NDCs could bring warming down to 1.8°C, keeping the Paris Agreement target of 1.5°C within reach.

The private sector was engaged as never before. Businesses were more represented at COP26 than at any previous COP and brought forward commitments of their own. For instance, in the [Glasgow Financial Alliance for Net Zero](#) more than 400 financial firms representing over \$130 trillion in assets pledged to align their portfolios to net-zero by 2030. The key role that businesses will play in the transition to net-zero is also increasingly understood by countries and the UN, with simultaneous calls for their support towards climate finance, and increased scrutiny into their actions, e.g. UN Secretary-General António Guterres announcing the creation of a high-level expert group to assess the net-zero commitments of non-state actors. In fact, measurement, disclosure and reporting on climate and nature impacts and dependencies was another COP26 hot topic. The explosion in the number of sustainability reporting platforms in recent years is now at last starting to consolidate with the announcement of an International Sustainability Standards Board and through the work of initiatives such as the Task Forces on Climate-related and Nature-related Financial Disclosures (TCFD and TNFD).

Proteus Partners looking to engage further can consider:

- Exploring the role of nature-based solutions in their overall climate mitigation and adaptation strategy. UNEP-WCMC experts can provide support through Proteus.
- Review their current measurement and disclosure strategy and explore how to get involved in initiatives consolidating reporting such as [TCFD](#), [TNFD](#), the [Science-Based Targets Network](#) (SBTN) or the EU [Align](#) project*, supported by the European Commission.

*The EU Align project supports businesses, financial institutions, and other stakeholders in developing standardised natural capital accounting practices, including a standardised approach to biodiversity measurement.