EXPERT**INSIGHT**

Nandita Sahgal Tully

Managing Director, Infrastructure Asset Management

The time for talk is over – it's time for real climate action

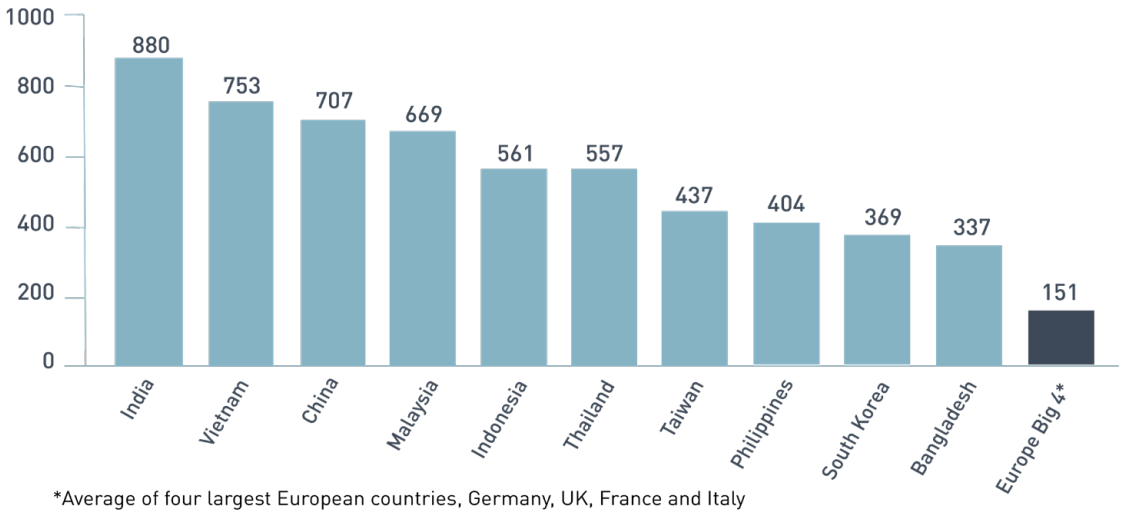
For nearly three decades, the UN has been bringing together almost every country on earth for global climate summits – called COPs - which stands for 'Conference of the Parties'. In that time, climate change has gone from being a fringe issue to a global priority. This year, the UK hosted the 26th summit in Glasgow, perceived by many as one of the World's last chances to agree on measures to get runaway climate change under control.

For all the headlines generated throughout the summit, evaluating its success at the end is all that really matters and should remain the focal point for all participants and observers. But first remains the not so simple task of defining and agreeing on what success looks like.

There are officially two targets: to limit warming "well below" 2°C, and to "pursue efforts" to limit at 1.5°C. Without any action, we had been heading for a world 4°C warmer, or more. But given the policies we have already put in place, we are predicted to be heading for just under 3°C, perhaps a little lower. Under the official pledges updated before last month — if successfully translated into effective policies — we would limit warming to around 2.5°C.

Some could see in these numbers a sign of progress and the number of countries announcing pledges to achieve net-zero emissions over the coming decades is expected to grow. But the pledges by governments to date – even if fully achieved – fall well short of what is required to bring global energy-related carbon dioxide emissions to net zero by 2050 and give the world an even chance of limiting the global

Carbon cost of GDP: Asia vs Europe



*Average of four largest European countries, Germany, UK, France and Italy

temperature rise to 1.5 °C[1]. Furthermore, how can we assess the value and impact of domestic pledges against a global issue?

The carbon cost of economic growth

In 2019, the world's total emissions of CO_2 amounted to just over 36 billion tons. If we look at where these emissions come from, China is the biggest contributor with just over 10 billion tons, then it is the US and India with 5.3 billion and 2.6 billion tons respectively. Adding up the whole of the Asia region gives 16.6 billion tons – almost exactly one half of the global total. But what do these numbers tell us in terms of prioritisation of our action?
We believe these emissions should be looked at from a GDP perspective. This is why we have developed a concept called the 'Carbon Cost of GDP' aiming to measure the CO_2 emissions per unit of economic output. Specifically, we look at how much CO_2 is produced for every trillion dollars of GDP.

Our assessments[2] estimate India has the largest carbon cost with 880 million tons, with China the second highest at 707 million tons. Looking at 10 of the largest economies in Asia, their carbon cost of GDP ranges from 880 million tons in India to 338 million tons in Bangladesh. The regional average of 566 million tons is more than four times the average of the four largest countries in Europe. In other words, if we really want to shift the dial on CO_2 emissions, we must act in Asia.

The role of blended finance

The G20 estimates that in just five countries in Asia – those where we intend to expand our activities - some $7.9 trillion is required by 2040: around $340bn per year[3]. Addressing this issue will therefore require investment and with public finances heavily impacted by the COVID pandemic in the past couple of years, much of this is going to have to be a combination of private and public sector capital.

A concrete example of the type of public and private partnerships that can be developed to address this the funding gap and climate change is the UK Government's MOBILIST (Mobilising Institutional Capital Through Listed Product Structures) programme, which ThomasLloyds' Energy Impact Trust, alongside InfraCo – Helios CLEAR and the Green Guarantee Company was selected for.

"The regional average of **566 million tons** is more than **four times the average of the four largest countries in Europe**. In other words, if we really want to shift the dial on CO_2 emissions, we must act in Asia.

IEA (2021), Net Zero by 2050, IEA, Paris https://www.iea.org/reports/net-zero-by-2050
ThomasLloyd, The Carbon Cost of Economic Growth https://www.thomas-lloyd.com/wp-content/uploads/TL-Research-Paper_EN_2021-03.pdf
G20, Forecasting infrastructure investment needs and gaps https://outlook.gihub.org/

At COP26 – The UK Government announced its programme received a £66 million funding boost – with the money being channelled to support new products designed to help developing countries better access international capital markets to fund the infrastructure, technology, and businesses they need to tackle climate change and boost sustainable growth. A programme we hope seeing replicated by other governments around the world to help close a funding gap currently in the way of achieving net-zero goals.

So, was COP26 a success? Well, it depends on who you ask. Whilst the jury is out on the decision made and whether wording was watered down, it is worth noting the Glasgow Climate Pact is the first-ever COP decision to explicitly to target action against fossil fuels, calling for a "phasedown of unabated coal" and "phase-out" of "inefficient" fossil-fuel subsidies. However, no one can doubt the urgent need for action and not just words. One thing most of us will agree with, however, is veteran British broadcaster and documentary maker David Attenborough's assessment: "We are, after all, the greatest problem solvers to have ever existed on Earth. If working apart, we are a force powerful enough to destabilise our planet. Surely working together, we are powerful enough to save it."