



# Insights on recent market events

## COP26 Global Climate Summit in Glasgow

The 26<sup>th</sup> annual United Nations (UN) Climate Change Conference, commonly referred to as COP26, took place over two weeks in Glasgow, Scotland earlier in November. Over 20,000 delegates from almost 200 countries, including over 100 heads of state, attended with the goal of negotiating further global action on climate change. Here are our main takeaways from the conference:

### Why was there so much hype around the 2021 conference?

There is a UN Conference of the Parties on climate change every year, however certain conferences take on heightened significance.

The UN Intergovernmental Panel on Climate Change (IPCC) publishes a comprehensive scientific assessment every six to seven years. The previous report, seven years ago in 2014, provided the main scientific input to the Paris Agreement. The IPCC has begun releasing updated special reports, which have created a sense of urgency for further action on climate change.

COP26 was viewed as the first major test of the Paris Agreement, and there was hope for a more aggressive global agreement in Glasgow to accelerate action on climate issues.

### Glasgow Climate Pact – global agreement reached at COP26

One of the main outcomes of the two-week conference was a final deal to tackle climate change that was adopted by the nearly 200 nations in attendance at the conference. There was active negotiation on the agreement right up until the last minute.

Some stakeholders are disappointed with watered-down language that includes accelerating efforts to ‘phase down’ rather than ‘phase out’ the use of unabated coal power and inefficient fossil fuel subsidies. Many activists were hoping for more ambitious and aggressive agreements from conference. However, this is the first global agreement that explicitly targets lowering the use of fossil fuels globally and sets a more focused tone going forward.

### Funding from developed countries reaffirmed

At the 2009 Copenhagen climate conference, developed countries committed to \$100 billion annually by 2020, to help developing countries deal with the effects of climate change. The rationale was that many of the world’s smallest and poorest countries are disproportionately affected but have few resources to deal with climate change. There remains some discrepancy on how the \$100 billion target is calculated based on what constitutes a climate project, loans versus grants, and other issues.

The level of financial support has fallen short of 2020 targets, including from Canada, which has contributed less than 50% of its obligations. However, at COP26 developed countries reaffirmed the pledge. The level of monetary support is expected to increase at COP27 and continue to increase through to 2025.

### Canada made an explicit commitment to reduce emissions

Canada has committed to reducing total emissions by 45% below 2005 levels by 2030, up from a previous target of 30%. Observers emphasized the absence of clearly defined pathways and strategies in supporting the energy transition. There are many unclear implications for the oil & gas industry and overall economy in Canada.

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### U.S. and China make joint declaration on climate action

U.S. and China have faced calls to take further action on climate as the top two carbon emitters. In the final days they made a surprise joint declaration on enhancing climate action by the end of the decade. This is a key statement as they will work together on tangible action by 2030, and not just the open-ended goal of net zero by 2050.

### COP26 served as a catalyst for many private commitments

While COP26 was mainly a conference of nation states and their delegates, the global attention leading up to COP26 served as a catalyst for many private commitments on climate action such as the 'Net Zero Banking Alliance' that was signed by the big six Canadian banks, and the commitment by large agriculture-related corporations to halt forest loss.

Even if the conference fell short of certain stakeholders' expectations for national commitments, enhanced efforts by private actors could end up being an underappreciated outcome of the conference.

### Investing opportunities emerge ahead of net zero targets

Private capital continues to flow into renewable power and other important areas of sustainable development, with or without national government support, and will be a necessary component of reaching net zero targets.

Vice President and Portfolio Manager Jennifer Stevenson discussed with *Wealth Professional* why those seizing investment opportunities in this space should look to portfolio managers who can separate the wheat from the chaff to identify the renewable leaders of tomorrow. Read more [here](#).

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