COP27 takeaways: are we doing enough?

The UN's annual climate change conference, COP27, took place in Egypt in November. The event, into its 27th year, brings together world leaders, heads of state, negotiators, activists, diplomats and lobbyists from around the world to assess climate change progress – and set new objectives for the future. So how did this year's climate summit go, and what were the key takeaways from Egypt? James Gow, Katrina Magsino and Johanna Lam assess what this year's COP might mean for our clients, our industry and our planet.

COP27 may have started on 6 November, but it made the headlines long before that in the UK, with rumours the new Prime Minister, Rishi Sunak, was not planning on attending. A backlash from UK environmentalist groups ensued and eventually the PM decided to attend, which was welcomed.

Good news in short supply

Overall, the good news was in short supply at COP27. The UN shared a brand-new research piece revealing that the 2016 Paris Agreement – where world leaders pledged to keep the increase in world temperatures to below 1.5 degrees – is no longer achievable. The report found that the world is currently on track to become 2.5 degrees warmer by the end of this century, with our current behaviours leading to an increase in emissions of 10.6% by 2030.

> *The overriding sentiment coming out of COP27 was that, as a planet, we are simply not doing enough.*

And events from the past year continue to reinforce this. Speakers at COP recalled natural disasters which have shaken the world this year, including the devastating floods in Pakistan which displaced 50 million people, and the droughts in East Africa which have claimed the lives of over half a million people – while triggering $70 billion of regional economic losses (Source: The UN, 2022). Invariably these disasters have impacted poorer countries and communities disproportionately, while so-called richer countries are often accused of contributing the most when it comes to emissions.

The conference also discussed how the ongoing Russia-Ukraine war is further exacerbating climate progress, particularly in developed countries which have experienced massive inflationary pressures caused by soaring energy and food prices, and ongoing supply chain issues. The cost of living has reached unaffordable levels in many countries, with governments forced to unwind climate change pledges to redress the balance.

On the other hand, the war has fast-tracked the need for investment in renewable energy in the hope of becoming less reliant on Russia's gas supply in the future, with the hope that a so-called 'energy transition' to renewable sources will enable more self-sufficiency for many countries in the future, including the UK.

Looking forwards

Many conversations at COP27 focused on climate change mitigation, climate change adaptation, climate finance and collaboration, with each addressed through roundtable discussions. COP27 president Sameh Shoukry highlighted the need to enhance resilience for people living in the most climate-vulnerable communities by 2030 (UNFCC 2022), while the pledge to setup a support fund for countries suffering loss and damage marked an important point of progress.

In summary, COP27 highlighted many limitations to current efforts to mitigate and adapt to climate change. Countries will need to double down on their pledges to cut emissions and slow the pace of global warming, whilst adapting to the consequences of climate change so that they can protect their citizens. This includes tackling greenwashing, particularly when it comes to setting net-zero targets.

What does this mean for private markets?

ESG is no longer optional and should be integrated into all investment decision-making processes going forwards. Not only are there profitable ESG investment opportunities to be had, it also provides the necessary transparency that is crucial to drive positive change for our planet as a whole.

The EU's SFDR regulation is a strong indicator that ESG is here to stay. Reliable data is fundamental for successful ESG reporting, as discussed in our recent **Differentiation Through Data** campaign. The difficultly managers are facing is with data accessibility issues from the companies they invest in, where in-depth data needs to be extracted to satisfy Article 8 and 9 requirements.

We are fast approaching 1 January 2023, from which point SFDR and EU Taxonomy reporting will become mandatory, while 30 June 2023 will be the final date to report for the first time (over reference year 2022) on Principle Adverse Impacts (PAIs).

Aztec's ESG and Sustainability services can help investment managers and portfolio companies to start or improve their ESG strategy, provide guidance and support in data collection, conduct in-depth validation & verification, and use all the data collected to generate a report. Together with our partnership with Worldfavor, our sustainability platform partner, we are here to assist you on your ESG journey in line with the key standards and regulations tailored to your needs.