

Climate change and COP26: Are we there yet?

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For those motivated by sustainability and the prevention of climate change, there is a feeling that the agreements reached at COP26 fall short of the radical change needed to stop the planet heating to levels that will lead to a climate-catastrophe.

For the private sector, on whose shoulders rests the highest burden of responsibility for facilitating the sustainable transition and the achievement of net-zero carbon targets, the outcomes of COP26 perhaps raise more questions than they answer.

While committed and high-profile environmentalists have highlighted that climate-change disaster can only be averted by governments and companies taking action, COP26 seems not to have delivered a universally binding framework that would enforce change for the largest carbon emitters.



The summit did indeed end with a global agreement to speed up action on climate change, and anything that drives this agenda forward should be seen as a positive. However, the last-minute wording changes that saw coal being ‘phased-down’ instead of ‘phased-out’, made the agreement seem a little less impactful than it could have been.

Tackling climate change as a business

So, what does COP26 really mean for Foresight, an alternative infrastructure and private equity investor that puts sustainability at the heart of its business model?

One immediate outcome is that it will drive demand for infrastructure and PE investments which simultaneously deliver measurable sustainable impact alongside attractive risk-adjusted returns.

At Foresight, we are already acting on climate change and protecting the natural environment by investing in sustainable infrastructure and real assets that contribute in a tangible and measurable way to decarbonisation.

Investing in renewables that reduce our reliance on fossil fuels, investing in the decarbonisation of transport and the sustainable production of timber used in construction and packaging, are only a few of the strategies being actively pursued that seek to address some of the greatest challenges the world is facing.

We understand that investment in technologies that support the transition from carbon polluting energy generation to clean energy sources will have to increase dramatically if countries have any hope of meeting publicised net zero goals. The recent spike in energy prices highlights the need for investment in an energy transition that will bring in cost-efficient

clean energy fast enough to replace fossil fuel energy, without triggering a supply and demand imbalance that will hit consumer prices.

As well as supporting a faster transition, COP26 will also increase demand for investment strategies that actively remove carbon from the atmosphere. At Foresight, one such strategy involves investment in forestry. The Foresight Sustainable Forestry Company Plc announced its intention to undertake an initial public offering (IPO) in October. This will be an externally managed investment company that will invest in commercial forestry and afforestation schemes that will sequester up to 4 million tonnes of carbon while actively enhancing biodiversity and delivering resilient and sustainable investment returns for its investors.

For the businesses we invest in that are looking to a decarbonised future, including 120 UK SMEs in our PE business, we recommend the fostering of a deeper understanding of carbon footprints, understanding where a company's carbon hotspots are, and doing so as quickly as possible. Reducing carbon emission hotspots will be critical to achieving net-zero by 2050.

Clarity is a gift

In the meantime, the most important thing global governments can do to respond to climate change and protect nature is to develop clear and unambiguous regulatory frameworks that ensure a continued focus on sustainability at all levels, and intervene in instances of market failure. This will ensure well-functioning capital markets that will facilitate the levels of sustainable investment required to achieve national and global net-zero targets.

Governments should prioritise areas of support to industries that have the greatest capacity to both contribute to the decarbonisation agenda and create a more sustainable economy.

The remaining 8 years of this decade will be a decisive period, wherein we still have an opportunity to reverse the worst effects of climate change. The agreements that came out of COP26 may not have gone as far as many would have liked but, in this instance, the perfect should not be the enemy of the good. Continuing to act must remain the priority - if we don't it will soon be too late.

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