

# COP26: Time to make it real

**COP26, taking place in Glasgow between October 31 and November 12, 2021, brings together 30,000 representatives from over 200 countries to discuss climate action.**

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The conference has four key objectives:

- 1. Secure global net zero by mid-century and keep 1.5 degrees within reach.** Accelerate the phase-out of coal, curtail deforestation, speed up the switch to electric vehicles, and encourage investment in renewables.
  - 2. Adapt to protect communities and natural habitats.** Protect and restore ecosystems, and build defences, warning systems and resilient infrastructure and agriculture to avoid loss of homes, livelihoods and lives.
  - 3. Mobilise finance.** Ensure that developed countries meet their promise to mobilise at least \$100bn in climate finance per year by 2020.
  - 4. Work together to deliver.** Finalise the Paris Rulebook and accelerate action to tackle the climate crisis through collaboration between governments, businesses and civil society.
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In 2019, the UK government announced that all greenhouse gas emissions must be brought to net zero by 2050. In April 2021, an additional target of reducing emissions by 78% by 2035 was also introduced.

A crucial aspect of this transition is climate and sustainability reporting. The UK is aiming to become the first G20 country to make disclosures aligned with the Task Force on Climate-related Financial Disclosure (TCFD) mandatory across the economy.

The TCFD's recommendations propose that companies and organisations must report on the impact they have on the environment. The TCFD seeks to make organisations' climate-related disclosures more consistent, allowing these companies to incorporate climate-related risks and opportunities into their risk management and decision-making processes.

Proposals announced by the Chancellor in November 2020 would ensure that all listed companies and large asset owners should disclose in line with the TCFD recommendations by 2022, with TCFD-aligned disclosures mandatory across the economy by 2025.

## Commentary from Sustainable Capital PLC

COP26 is being touted as a turning point for climate change. Nobody can dispute that the conference is a massive moment for environmental policy, but as early signs indicate that expectations may not be met, we need to wake up to the fact that time is running out for governments to accelerate their action to the levels required to reach the target of keeping global warming below 1.5 degrees.

Naturally, COP26 is heavily focused on governance and the actions that governments need to take to deal with the climate crisis. Unfortunately, we cannot wait for hundreds of governments worldwide to negotiate an agreement, especially because some key players will not even be attending the conference. Instead, we need to pursue market-led solutions.

Pioneering companies have already started to make the transition towards net zero. With the Task Force on Climate-related Financial Disclosure's recommendations likely to become mandatory for

all listed companies in the UK by 2022, sustainability and reporting are set to become a major focus for businesses over the next few years.

While big corporations can dedicate whole teams to meeting net zero targets and complying with regulations, SMEs (companies with a turnover below £41 Million) don't have the capacity to process this. The issue is that we have a web of regulations and goals at present that are challenging for businesses and investors to understand. If it is difficult for large companies to comply with these regulations, it is virtually impossible for SMEs with fewer staff and resources to do so.

There are 5.5 million small businesses in the UK, accounting for three-fifths of employment and around half of the turnover in the UK private sector. We need to drive down the cost of technologies such as electric vehicles and heat pumps; small businesses have a crucial part to play in doing so due to their ability to be highly innovative and agile. This starts with producing the right umbrella technologies that can then be deployed across multiple industries, from lithium and cobalt to green concrete. SMEs' capacity for innovation will be critical in producing the renewable technologies required to meet net zero targets.

It is therefore vital that we place small businesses at the heart of the conversations around mobilising finance. Policies, frameworks and regulations that only consider how large corporations can reduce their footprint are not sufficient. Currently, there is a significant effort to resolve the question of how best to measure sustainability, but translating governmental policy goals into meaningful actions at a business level is far from straightforward.

Many companies make use of the various ESG rating agencies to demonstrate sustainability and impact. The problem with this approach is that it is highly individualistic and idiosyncratic as each company chooses its own KPIs and it is well known that ratings agencies give divergent ratings.

There is a demand from investors for consistent sustainability reporting internationally. But how can we achieve order and consistency when the businesses that are the target of regulation are almost infinitely diverse? Regulations based on outdated or traditional business models don't account for the rapid innovation and creation of new technologies and systems.

**COP26 is possibly the last real opportunity for governments around the world to respond constructively to these challenges we all face. It's time to prove ourselves fit for purpose.**

## About Sustainable Capital PLC

[Sustainable Capital PLC](#) (recognised on the NASDAQ Sustainable Bond Network) is a UK-based green bond issuance platform which offers a flexible, quick-to-market solution for green and sustainable businesses. Sustainable Capital PLC is a cost-efficient solution for high-impact projects which comply with international green bond standards.

## The Sustainable Capital PLC Team



### Professor Kevin Haines, Director of Sustainable Capital PLC

Kevin has a distinguished background in academia, having spent over 20 years leading departments at the University of Swansea and the University of Trinidad and Tobago. In his role at Sustainable Capital, he joins the dots between the world of finance and the world of academia, acting as an intermediary to create opportunities so that firms can create great returns for investors whilst doing great work for the planet.



### Doctor Scott Levy, Founder of Sustainable Capital PLC

Scott has spent more than 25 years working in Financial Services around the world. Scott specialises in asset-backed securities, securitisation, debt capital markets, structuring, Islamic finance and asset management. Scott has founded several financial service companies including Bedford Row Capital, the debt capital market specialist which is consistently ranked in the top 100 by Bloomberg. Scott is a Senior Member of Wolfson College, Cambridge and an advisor to the UK Islamic Finance Council (UKIFC), working on the alignment of Islamic Finance with Sustainable Development.

