

COP26: Business gets serious about climate change

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As COP26 gets under way this week, it's heartening to note that increasingly, corporates and investors are stepping forward to play their part in fighting climate change. If we are to keep a temperature rise of 1.5 degrees within reach, everyone – governments, corporations, financial institutions, investors and citizens – must engage with the issue.

Over the almost 30 years that the United Nations has convened its COP global climate summits, climate change has emerged as a global priority. At this year's COP in Glasgow, countries are being asked to state their 2030 carbon emission reduction targets – an important milestone on the way to net-zero carbon by 2050, as outlined in the Paris Agreement. There will also be a focus on international financial institutions and their role in providing the trillions in private and public sector finance required to enable global net zero.

The number of businesses and local governments that have committed to reach net zero emissions in line with Paris has been steadily increasing, with many incorporating the ambition as part of their post-Covid recovery plans¹.

In September last year, more than 170 CEOs from European businesses, investors and business networks urged EU leaders to set more ambitious emissions reduction targets². Signatories included representatives from power generation, heavy industry, manufacturing and finance sectors, all supporting a 55% reduction target by 2030.

In April this year, 408 businesses and investors with a footprint in the US signed an open letter to President Biden indicating their support for the Biden administration's commitment to climate action, and for setting a federal climate target of at least a 50 percent reduction of 2005 greenhouse gas emissions by 2030³. The signatories, which included energy and power companies, identified a "credible pathway to reach net-zero emissions by 2050" as crucial in restoring the standing of the US as a global leader..

The emissions reduction challenge can seem daunting, but the transformation under way in the energy sector should give us all heart. The International Energy Agency's (IEA's) World Energy Outlook⁴ found that renewable energy sources grew rapidly and electric vehicle sales set records during 2020. But there is still work to be done, with coal and oil use rebounding during 2021 as economies recovered from the onset of the COVID-19 pandemic.

The new energy economy will be more electrified, efficient, interconnected and clean. But if we are to ensure an efficient, coordinated, global transition to this new economy it is essential that corporations now increasingly lead rather than follow governments. COP 26 provides a rare platform for corporations to do this, and they should take every opportunity.

Hogan Lovells will be hosting a documentary and panel discussion at COP26 on the Great Green Wall, an African-led movement to grow an 8,000km natural Great Green Wall across the width of Africa.

This article is brought to you the global Hogan Lovells Energy Transition team. Please reach out to the contacts below (or your usual Hogan Lovells contact) if you would like to discuss what energy transition means for you.

1. <https://unfccc.int/news/commitments-to-net-zero-double-in-less-than-a-year>
2. <https://www.corporateleadersgroup.com/reports-evidence-and-insights/news-items/eu-business-leaders-urge-higher-2030-emissions-reduction-targets>
3. <https://www.wemeanbusinesscoalition.org/press-release/businesses-investors-support-u-s-federal-climate-target-open-letter-president-biden/>
4. <https://www.iea.org/reports/world-energy-outlook-2021/executive-summary>

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