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CLIMATE CHANGE TALKS

Russian war, high energy prices a cloud hanging over COP27

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BIG business more than ever is under pressure to channel money to curbing climate change, and yet the chances of United Nations talks providing the necessary spur have slimmed as the Ukraine war, high energy prices and geopolitical tensions take precedence.

In interviews, more than a dozen United States and European finance leaders were pessimistic the climate conference in Sharm el-Sheikh in Egypt starting on Nov 6 can make clear progress.

What they want are signals on the pace of regulation that would allow company boards to plan their climate policy.

But as governments have rarely been more distracted by world events, they fear countries will fail to provide any major new commitment.

"Geopolitical relations going into COP27 are at one of the worst levels in recent history," said Luke Sussams, head of environmental, social and governance (ESG) and sustainable finance,

EMEA at Jefferies.

"The age-old dilemma of climate finance, facilitated between the developed and the developing world, will of course be critical. We, I don't think, are too optimistic that many resolutions will be met in that regard."

A UN report published last month underlined the urgency of the climate problem and that emissions must drop 43 per cent by the end of the decade to prevent the worst impacts of a hotter planet.

The countries most exposed to the effects of temperatures that hit records this year are often the poorest and they are likely at next week's talks to demand that any new promises they make to reduce their emissions are conditional on financial help from the rich world.

While they are looking to governments to provide more cash, the private sector will also be needed to fund the bulk of the renewable energy and other projects to cut emissions and offset the impact of climate change.

The best hope could be to prevent the progress so far being undone. "Avoiding a rollback of ex-



Sheep grazing in front of a coal-fired power plant at the Garzweiler open-cast coal mine near Luetzerath, western Germany, recently. The United Nations climate conference in Sharm el-Sheikh, Egypt, starts on Nov 6. AP PIC

isting pledges and commitments... could probably be considered a success," Benedict Buckley, research analyst at ClearBridge Investments, said.

Many companies made pledges to cut emissions last year, but like many governments, they have yet to work out how those will be implemented.

More than 550 financial firms are members of the Glasgow Financial Alliance for Net Zero, aiming to cut their emissions and push companies in the real economy that rely on their financing to do the same, but the pace of action has been slow.

"The hardest work is to come. The reality is that not enough has been done in the last 12 months. Some would argue we have moved backwards," said Hortense Bioy, Global Director of Sustainability Research at Morningstar.

Thomas Hohne-Sparborth, head of sustainability research at

asset manager Lombard Odier, said only a small portion of potential investments was credibly aligned towards net-zero.

"For the transition to succeed, that portion must drastically increase."

Marty Durbin, a senior vice-president for the United States Chamber of Commerce, the largest US business trade group, said economic conditions had "reset the debate" over clean energy.

The biggest disruption since last year's Glasgow climate talks has been the invasion of Ukraine by Russia, a major oil and gas exporter. Europe in particular has been forced to rethink its reliance on Russian gas and to seek alternatives. In the short term that includes coal, undermining a deal at the UN summit in Glasgow to phase out its use.

Longer term, it may mean reliance on emissions-free nuclear power, which Durbin said was in-

creasingly discussed as a climate solution as technology improves.

High fossil fuel prices logically should spur renewable investment.

"It's basic economics. The higher it goes, the more investment will go into that area," said Hubi Meinecke, climate and sustainability leader for Boston Consulting Group, which is helping run the UN conference.

It can be less obvious for some shareholders, however, as this year's high oil and gas prices have rewarded those producing fossil fuels.

A resultant surge in inflation and daily living costs also risked creating a hurdle in the form of "a voter backlash to climate commitments", said Nazmeera Moola, chief sustainability officer for Anglo-South African investment manager Ninety One.

The writer is from the Reuters news agency