Investor Group on Climate Change

Media Release

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COP26 signals accelerated zero carbon investment drive; severe climate risks remain

Commitments made in advance and during COP26 have put keeping global warming to 1.5°C within reach, accelerating investment towards net zero emissions. Stronger policies and 2030 targets are still required to unlock the trillions of dollars required to avoid the worst impact of climate change.

“Global warming of above 1.5°C presents irreversible, foreseeable and large-scale risks to investors and financial markets,” Rebecca Mikula-Wright, Chief Executive Officer of the Investor Group on Climate Change (IGCC), said. “The commitments that have come out ahead and as part of Glasgow have been significant but global action is still falling short.

“The net zero emissions transition is inevitable and already underway, and investors want to seize the enormous investment opportunities, worth trillions of dollars, that will be created. There is a huge opportunity to create new jobs and boost economic growth, but only for those countries that get ahead of the curve.

“Across Asia, Australia and New Zealand we call on governments to commit to clear and strong 2030 climate policies that will unlock the capital needed to transition to a net zero economy.”

In the lead up to and at Glasgow over 90 per cent of global GDP has now committed to achieve net zero emissions by or near mid-century, and most G20 countries committed to take more action to 2030 with some notable exceptions including Australia. During the two-week climate negotiations, other key commitments were made to reduce methane emissions, phase down coal, reduce deforestation and support global carbon markets. However, the focus must remain on policies which help halve global emissions by 2030 to remain Paris-aligned.

“Global capital is ready to deploy trillions to the zero emissions transition, but more governments need to provide clarity and back up their 2050 commitments with stronger 2030 targets,” Ms Mikula-Wright said. “Climate risk is investment risk.”

Australia’s current 2030 target of 26-28 per cent below 2005 levels remains well below the average of our major trading partners and allies of around 45 per cent by 2030. Pressure is expected to increase over the next few years because of the Glasgow agreement.

“There is $AUD131 billion that could be unlocked over the next decade in fresh investments and new jobs in Australia,” Ms Mikula-Wright said. “Investors are hungry to invest today in clean industries and economic opportunities that strong climate action this decade can bring.

“Countries with strong 2030 emissions targets will attract that capital. Failing to keep pace with Australia’s allies and counterparts presents serious investment and capital flight risks.”

New Zealand updated its target ahead of COP 26 with an improved 2030 goal that equates to a 41 per cent reduction on 2005 levels.

“New Zealand has put in place several important building blocks to successfully underpin its net zero emissions transition, including mandatory disclosure and legislated targets and responsibilities,” Tom Arup, IGCC Director, Strategic Projects, said. “However, it needs to get on top of stubborn emissions rates and help create more investment-grade opportunities in green infrastructure and industries.

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“The development of the Emissions Reduction Plan next year will be crucial and must establish the conditions not just for meeting the carbon budget of the next five years but better prepare the entire economy for a more structural shift over the coming decades backed by private capital.”

Strong early action towards 1.5°C is critical to Australian and New Zealand companies seeking to seize the opportunities of the climate transition.

“COP26 should be a wake-up call for Australian and New Zealand companies. The pledges made in Glasgow by key trading partners included phasing down thermal coal and cutting methane emissions by 30 per cent by 2030. This should send a clear message to heavy emitters that it’s time to get their house in order,” Laura Hillis, IGCC Director, Corporate Engagement, said.

“Australia is a major exporter of fossil fuels like LNG and coal, and with more and more of our trading partners committing to net zero and ambitious mid-term targets, the window for these companies to develop ambitious phase-out plans and set science-based targets is closing.”

Out of Glasgow a process for a new international board to deliver global climate disclosure standards also emerged. The formation of the International Sustainability Standards Board (ISSB) during COP26 is a welcome development for investors towards achieving an international baseline for climate risk reporting.

Australia needs to actively consider its approach to integrating new global disclosure standards and additional requirements and guidance into existing legal frameworks ahead of time to ensure efficient and timely adoption. The ISSB also provides a strong baseline to help build disclosure standards for the mandatory New Zealand regime.

“International baselines are critical for investors and having them integrating into our local markets as quickly as possible is important. Many countries are also extending beyond minimum baselines. We need to make sure we understand this and focus on getting the best possible disclosure standards domestically, not just the minimum standards,” said Amy Quinton, IGCC Manager, Policy.

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About IGCC
The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors focused on the impact that climate change has on the financial value of investments and the opportunities created by the transition to net zero emissions. IGCC represents institutional investors with total funds under management of over $2 trillion in Australia and New Zealand and $20 trillion around the world, and others in the investment community interested in the impact of climate change. IGCC members cover over 7.5 million people in Australia and New Zealand.