

Climate Investment Update

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Climate Change - Global

UN synthesis report – way, way off the 1.5°C track

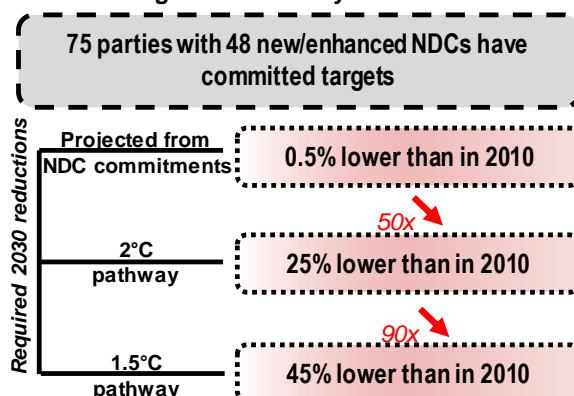
- ◆ UN report analyses the effect of updated climate pledges
- ◆ Tiny steps across the ambition gap are hugely inadequate
- ◆ We think science could shake up the sense of urgency

The ugly: Last week, the UN released an interim synthesis report on the aggregate effect of updated climate pledges, known as nationally determined contributions (NDCs), submitted by Parties to the Paris Agreement. These updated pledges reduce projected 2030 emissions by a mere **2.8% from previous pledges, and are equivalent to a 0.5% reduction from 2010 levels**. This is compared to the **45% reduction by 2030** that is required by science and in line with 1.5°C or net zero (Figure 1). We think these inadequacies, coupled with the climate science reports to be released throughout the year (Figure 2), should place significant pressure on larger emitters to be more ambitious as they prepare to submit updates.

The bad: Parties were supposed to update – and enhance – pledges before the end of 2020 and ahead of the original 2020 climate negotiations (COP26). Given the postponement of COP26, only 75 Parties submitted NDCs by 31 December 2020. Some three-fifths of Parties did not formally submit because of pandemic distraction or “waiting for others first” – although a few Parties made informal announcements.

And the good? While only a few Parties strengthened their 2030 targets, there are some promising signs. For example, almost all new pledges mentioned clear and quantifiable mitigation targets – with many moving away from *relative* to *absolute* emissions reductions; the scope of sectors has widened to cover 99.2% of total emissions (vs 97.8% previously); and more pledges discuss adaptation. Of the top 4 emitters (China, US, EU, India), only the EU submitted an enhanced pledge (55% from 1990). We expect the US to announce its update on or before 22 April 2021 – and for its ambition level to determine other pledge enhancements before COP26.

Figure 1: Enhanced NDC targets are still way off the 1.5°C track



Source: UN, HSBC

This is a redacted version of a report by the same title published on 4-Mar-21. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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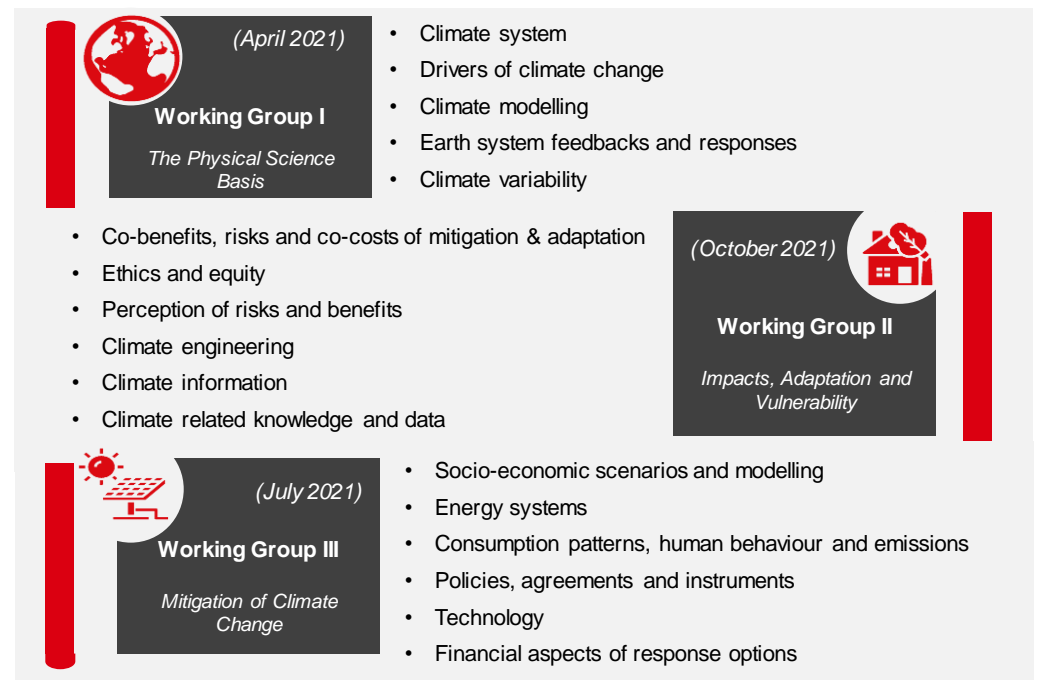
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“ 2021 is a make or break year to confront the global climate emergency... Today’s interim report from the UNFCCC is a red alert for our planet. It shows governments are nowhere close to the level of ambition needed...”

António Guterres, UN Secretary-General, 26 February 2021

Scientific pressure: As part of its sixth assessment cycle (AR6), the UN’s climate science body, the **Intergovernmental Panel on Climate Change (IPCC)** will release a series of reports throughout the year. We think these reports could be used as foundations for governments to formulate various policies, by influencing decisions and highlighting the urgency of action required to both curb emissions (mitigation) and prepare for the impacts (adaptation).

Figure 2: The IPCC’s AR6 is split across three working groups



Source: IPCC

Negotiating growth or decline? According to the IEA, global emissions in December 2020 were 2% higher than those of December 2019, indicating a return to emissions growth despite the dip from the pandemic. COP26, which will take place in November 2021, faces a huge challenge to collectively implement policies that will bend the emissions curve significantly lower. We expect more announcements throughout the year as the race to commit to net zero gathers momentum. For example, there is increased pressure in international arenas such as the G7 and the G20. There is the possibility that climate-ambitious pledges from large emitters such as China and the US (expected soon) could spur others to aim higher. The UN intends to release another synthesis report – incorporating additional pledges that are submitted – before COP26.

The global climate calendar: upcoming events

2021	Location	Event
08-12 March	Virtual	7th Asia-Pacific Adaptation Forum
12 April	TBD	60th Session of the IPCC Bureau
13-18 April	TBD	54th Session of the IPCC and WGI- AR6 Approval Plenary
22 April	TBD	Climate Summit of World Leaders
TBD May	Germany	12th Petersberg Climate Dialogue
17-19 May	Berlin, Germany	UNESCO World Conference on Education for Sustainable Development
17-30 May	Kunming, Yunnan, China	UN Biodiversity Conference
25-27 May	Tours, France	Climate Change and Water 2021: Extreme Events
31-May – 04 June	Europe	EU Green Week 2021
02-06 June	Lisbon, Portugal	UN Ocean Conference
20-21 September	Paris, France	Euro-Global Climate Change Conference (EGCCC 2021)
18-19 October	Rome, Italy	10th World Conference on Climate Change
30-31 October	Rome, Italy	G20 Italia 2021
01 – 12 November 2021	Glasgow, Scotland, UK	26 th Conference of Parties (COP 26)
06-07 November	Glasgow, UK	2021 Global Conference on Health and Climate Change
TBD	Beijing, China	UN Global Sustainable Transport Conference
TBD	United Kingdom	47 th G7 2021

Source: HSBC

Disclosure appendix

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