Environment briefing note | November 2015

Ten things you need to know: COP21

At the end of this month, delegates and officials from the 195 countries that make up the United Nations Framework Convention on Climate Change (UNFCC) will travel to Paris for the 21st annual Conference of the Parties (COP21) with the intention of hammering-out a legally binding agreement to reduce greenhouse gas emissions and reduce the effects of climate change. This briefing sets out the top ten things you and your business need to know about COP21.

What happened to Kyoto, and how is COP21 different?

1 COP3, held in Kyoto in 1997, resulted in the Kyoto Protocol, a legally binding treaty that committed countries to reduce greenhouse gas emissions (GHGs), particularly carbon dioxide. The promises made under Kyoto have now expired, and for some time countries have been attempting to replace Kyoto. There is real optimism that agreement can be reached at COP21, with a draft agreement already in place ahead of the conference.

What is COP21 expected to achieve?

2 The absolute bottom line leading into COP21 is to ensure that global warming stays at a 2°C increase in global average temperatures, which scientists consider is critical for human health.

3 Notwithstanding the slow and disappointing progress at recent COPs, some countries have forged ahead and made their own commitments and pledges to reduce GHG emissions, for example:

- the USA will cut its GHG emissions by 26% to 28% by 2025 (compared with 2005 levels);
- China has agreed that its GHG emissions will peak by 2030; and
- the European Union has committed to cut its GHG emissions by 40% by 2030 (compared with 1990 levels).

4 Climate change adaptation and mitigation is not cheap and bucket-shaking continues, with poorer countries now seeking US$100 billion per year from richer nations. This money will be used to enable those poorer countries to invest in clean technology and to adapt their infrastructure to the possible damage from climate change.

5 In addition to those with deep governmental coffers being asked to contribute, there is now pressure being put on big business to partially fund measures designed to assist poorer countries.

What deadlines should businesses be aware of?

6 Countries have been encouraged to set climate action plans ahead of COP21 – and many countries have now established draft emissions reduction plans. Many of these action plans are looking dangerously inadequate and are widely felt to be incapable of keeping global temperature increases below the 2°C cap – watch out for stricter plans to be put in place, which will inevitably filter down to businesses and consumers to meet following policy measures imposed by national governments.

7 Following ratification by a certain number of members of the UNFCCC, the new agreement will likely come into effect on 1 January 2020 and the subsequent four years will be crucial, as many of the details and processes will be developed in separate decisions during this period.

COP21 will not specifically "bind" businesses – it is an international treaty binding governments - so what will the business environment look like post COP21?

8 Governments will be subject to GHG emissions targets and to meet their obligations, they will impose a range of policy measures and instruments which will bind businesses and consumers - for example, following the Kyoto Protocol coming into force, the European Union launched the EU Emissions Trading Scheme (EU ETS).

9 In addition to the measures introduced by national governments, businesses will be subject to greater consumer pressure to reduce their emissions. There will likely be competitive advantages in moving closer towards achieving carbon neutrality and adopting more sustainable approaches. Greater numbers of larger businesses will make their own ambitious GHG emissions reductions commitments, with some committing to a zero carbon future.

10 Debt finance could become harder to obtain, with mainstream lenders increasingly aware of the reputational impacts they may face when lending to big GHG emitters, for example those who consume significant amounts of fossil fuels or who have taken minimal steps to reduce their own (direct) emissions and those in their supply chain (their indirect emissions).

How can Stephenson Harwood help?

More than ever, environmental and climate change issues are at the heart of law and policy, impacting every business sector - Stephenson Harwood's Environment Group helps its clients successfully navigate these complex regulatory frameworks. For further information please contact us.

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