



# Investor expectations for COP28

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## Responsible Investment team

RBC Global Asset  
Management

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In the coming days and weeks, world leaders and nations will convene in the United Arab Emirates (UAE) to take stock of their progress in meeting their collective climate goals and ambitions. The annual Conference of the Parties (COP) brings together over 70,000 delegates and 190+ countries at the United Nations Climate Conference, with this year being the 28th year (COP28). Each year, a range of key topics and items are on the agenda for negotiation and deliberation. As we head into COP28 – which runs from November 30 to December 12, 2023 – these are the key issues we will be keeping an eye on.

## Key issues to watch at COP28

### 1. Taking stock of progress

The Paris Agreement was signed by 196 nations in 2015 and established the global ambition of limiting global warming to 1.5°C above pre-industrial levels by the end of the century<sup>1</sup>. Since then, participating nations have set emissions reduction targets and action plans outlining how they will contribute to this ambition. For the first time since the signing of the Paris Agreement, this year's annual climate conference will include the release of a Global Stocktake (GST) – an inventory of the collective progress of nations in meeting climate-related goals, and gaps or areas requiring additional attention. Based on an early review of the key findings, it is clear that more action is needed from governments to support climate mitigation and response measures<sup>2</sup>. These findings are in line with recent International Energy Agency (IEA) and United Nations Environment Programme (UNEP) reports that show that current government policies are expected to lead to temperature increases of 2.4°C by 2100, exceeding the goals of the Paris Agreement<sup>3</sup>. As nations gather at COP28, the GST will provide an important roadmap for governments on the actions required to address the need for climate mitigation and adaptation.

### 2. Putting the energy transition on the fast track

The ability of the world to move from high- to low-carbon energy for power generation, transportation, and industrial activity is critical to meeting the goals of the Paris Agreement. While the energy transition is underway, a key focus of COP28 will be on how to accelerate the transition. This will include discussions about both ramping up renewable energy production and energy efficiency, as well as phasing down (or out) fossil fuel production. The focus will be on policy actions that can enable a tripling of renewable power and a doubling of energy efficiency by 2030 through the expansion of infrastructure and demand-side management, resilient supply chains, building skills and capacity, and scaling up public and private finance<sup>4</sup>. As the most carbon intensive form of energy production, fossil fuels will take the main stage – at issue is whether countries will agree to a phase down or a phase out of unabated fossil fuels. At the crux of these discussions will be the scale and role of carbon capture and storage (CCS) and carbon dioxide removal (CDR) technologies as part of the solution.

<sup>1</sup> [United Nations Framework Convention on Climate Change, The Paris Agreement.](#)

<sup>2</sup> [Synthesis Report, aGlobal Stocktake, United Nations Framework Convention on Climate Change, September 8, 2023.](#)

<sup>4</sup> [International Energy Agency, World Energy Outlook 2023, and United Nations Environment Programme, Emissions Gap Report 2023, November 20, 2023.](#)

<sup>5</sup> [International renewable Energy Agency, Cop28, IRENA and Global Renewables Alliance roadmap, October 30, 2023.](#)

### 3. Methane as a potent contributor to climate change

Methane is a key greenhouse gas that is responsible for about 16% of global emissions and has twenty-eight times the global warming power of carbon dioxide<sup>5</sup>. Reducing methane was a key focus of the 2021 climate conference and resulted in 150 countries signing a Global Methane Pledge aiming to reduce emissions by 30% from 2020 levels by the end of the decade<sup>6</sup>. While China was notably absent from this commitment, in the lead-up to this year's event the country announced a new methane plan, setting expectations for further commitments from others as well<sup>7</sup>. The role of the oil and gas sector in reducing methane emissions from flaring, venting, and leaking will also be in focus, with the president and host of COP28 calling for the industry to "zero-out methane emissions and eliminate routine flaring by 2030."<sup>8</sup> While it remains to be seen how calls to action and commitments will be put into practice by countries or companies, the importance of methane reductions as part of any climate discussions will be top of mind.

### 4. Climate finance for mitigation and adaptation

Climate finance includes any financing provided by public, private, or alternative sources that supports climate mitigation or adaptation. In 2015, advanced economies pledged to mobilize US\$100 billion annually by 2020 for developing nations, primarily through grants and loans, to support this effort<sup>9</sup>. While the timeline for achieving this pledge was not met, climate finance has continued to accelerate and there are renewed calls to revisit this pledge at COP28 and set a new target for 2025. This year's conference will also focus on how to operationalize the establishment of a Loss and Damage Fund to support nations that are vulnerable to the physical impacts of climate change, such as rising sea levels, droughts, and extreme weather events. Setting and implementing these commitments will be essential for enabling developing nations to reduce their production and consumption of emissions, and to address the rising costs of climate change events. The outcome of these discussions will be critical for emerging markets, where it is estimated that US\$2 trillion in financing is required by 2030 to meet the Paris Agreement<sup>10</sup>.

### 5. Putting nature and people at the heart of climate action

The concept of a just transition is a core feature of the Paris Agreement. It aims to ensure that the transition to net-zero emissions is orderly and inclusive, and promotes widely shared economic prosperity<sup>11</sup>. This takes into consideration issues such as energy security and resilience, employment and re-skilling, community health, poverty alleviation, and equality. Understanding and awareness of the importance of a just transition continues to grow, and COP28 will include, for the first time, a Just Transition Work Programme and a thematic focus on health, inclusivity, livelihoods, and the just energy transition. While the role of people will feature prominently this year, so too will the role of nature.

COP28 is the first climate conference to take place following the signing of the Kunming-Montreal Global Biodiversity Framework in December 2022. Connected to this, COP28 will include a focus on food production and systems, as well as the role of nature-based solutions, such as land or forest conservation and sustainable agriculture, to enable climate mitigation and adaptation. Voluntary carbon markets are particularly important for mobilizing finance for nature-based solutions, and the rules that govern their operation are expected to be finalized at this year's conference. After two years of discussions, countries will review and are expected to confirm the final guidelines for establishing a global carbon market, and the eligibility criteria for projects to qualify for carbon credits. If successful, this will be an important development for both climate and nature-based solutions.

<sup>5</sup> [US environmental Protection Agency, Importance of Methane, Updated on November 1, 2023.](#)

<sup>6</sup> [International Energy Agency \(IEA\), The Global Methane Pledge.](#)

<sup>7</sup> [China releases methane plan as hopes rise for new climate agreement with US, The Guardian, November 8, 2023.](#)

<sup>8</sup> [COP28 president says oil companies support 2050 net-zero goal, Reuters, October 2, 2023.](#)

<sup>9</sup> [OECD, Climate Finance and the USD100 billion goal.](#)

<sup>10</sup> [Emerging Economies Need Much More Private Financing for Climate Transition \(imf.org\), October 2, 2023.](#)

<sup>11</sup> [United Nations Global Company, Accelerating action for a just transition.](#)

## What this means for RBC GAM and investors

Climate change is a significant and systemic global risk that affects corporations, governments, and communities<sup>12</sup>. The commitments and actions taken by governments as part of the COP28 negotiations provide an important signal of future policy direction and areas of risk and opportunity for both sovereign and corporate issuers. Significant investment will also be required to enable solutions that reduce emissions, especially in hard to abate sectors, providing opportunities to investors. The scale, timeframe, and method by which the energy transition occurs is critical for meeting the goals of the Paris Agreement. It is also a key input for investors as they assess how issuers in key sectors are affected by the energy transition and the actions they are taking to address this. As countries and delegates convene at COP28 in the days and weeks ahead, we will continue to track and monitor both government and corporate actions and announcements to inform our thinking.

RBC Global Asset Management (RBC GAM) recognizes the importance of achieving the global goal of achieving net-zero emissions by 2050 or sooner, in order to mitigate climate risks. We also recognize that a just and orderly transition to a net-zero economy that promotes widely shared economic prosperity is critical. This commitment is described in Our Net Zero Ambition, which describes actions we are taking; these actions focus on integrating material climate factors in our investment decisions<sup>13</sup>, using active stewardship to advance our views on climate change<sup>14</sup>, and providing clients with insights and solutions to meet their climate-related needs.

<sup>12</sup> [Global Risks Report 2023 | World Economic Forum | World Economic Forum \(weforum.org\), January 11, 2023.](#)

<sup>13</sup> For applicable types of investments. Certain investment strategies or asset classes do not integrate ESG factors, including but not limited to money market, buy-and-maintain, passive and certain third-party sub-advised strategies.

<sup>14</sup> For applicable types of investments. In certain instances involving quantitative investment, buy-and-maintain, passive and certain third-party sub-advised strategies, there is no direct engagement with issuers by RBC GAM.

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