

## SOUTH YORKSHIRE PENSIONS AUTHORITY

14 JANUARY 2016

### Report of the Fund Director

#### UNITED NATIONS CLIMATE CHANGE CONFERENCE 2015

1) Purpose of the Report

To draw Members' attention to the negotiation of an agreement on the reduction of climate change at the United Nations Climate Change Conference.

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2) Recommendation

**Members note the report.**

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3) Background Information

3.1 The 2015 United Nations Climate Change Conference, COP21 or CMP 11, was held in Paris from 30 November to 12 December 2015. It was the 21<sup>st</sup> yearly session of the Conference of the Parties (COP) to the 1992 United Nations Framework Convention on Climate Change and the 11<sup>th</sup> session of the Meeting of the Parties to the 1997 Kyoto Protocol.

3.2 Heralded by many as a breakthrough the interpretation of the outcome depends very much upon the opening position taken by the observer. It is a complicated response to a complicated issue and it is far too early to come to a conclusion regarding the consequences arising out of the agreement. This report sets out the outcome of the negotiations as factually as possible. The implications have yet to be determined.

4) The Agreement

4.1 The published Agreement is a consensus of the 195 parties attending the Conference. The Agreement will become legally binding if joined by at least 55 countries which together represent at least 55% of global greenhouse emissions. Such parties need to sign the Agreement in New York between April 2016 and April 2017 and integrate it into their own legal structures.

4.2 The participating countries agreed, by consensus, to reduce emissions as part of the method for reducing greenhouse gas "as soon as possible" and to do their best to keep global warming "to well below 2 degrees C". Whilst some saw this as an historic achievement others criticised the fact that much of the language contained phrases such as promises or aims rather than commitments. The agreement calls for global emissions to peak as soon as possible and undertake rapid reduction thereafter. For example, each country that ratifies the agreement will need to set a target for emission reduction and the amount will be voluntary. There is no mechanism to force countries to set targets or dates of implementation. There is no means of enforcing compliance if no target is met and no legal consequences that

hold nations accountable to meeting their targets. There will be a 'name and shame' system instead although the UN labelled it a 'name and encourage' plan.

- 4.3 At the onset of the talks most commentators agreed that arriving at a goal which limited global warming to less than 2 degrees Celsius compared to pre-industrial levels would be a remarkable achievement. The Agreement calls for zero net anthropogenic greenhouse gas emissions to be reached during the second half of the 21<sup>st</sup> century. The adopted Agreement also states that the parties will pursue efforts to limit the temperature increase to 1.5 degrees. In order to achieve this target, countries would have to go above and beyond the promises made in Paris. No detailed timetable or country-specific goals are incorporated into the Agreement whereas the 1997 Kyoto Protocol did include these. There is also a desire that parties will update national targets upwards every five years.
- 4.4 There is an article in the agreement dedicated towards Reducing Emissions from Deforestation and Forest Degradation, which is essential as forestry, agriculture and land-use account for almost a quarter of emissions worldwide.
- 4.5 The agreement has reaffirmed the goal for USD 100 billion per year by 2020 to be mobilised and appropriated for developing countries to encourage emission reductions and adaptation to the physical consequences of climate change, in particular in the less developed economies and island countries.
- 4.6 Observers concluded that without the positive contribution from China and the United States an Agreement would not have been achievable. However, it is far from clear that these countries will, in fact, ratify the Agreement.
- 4.7 A number of non-government organisations and pressure groups attended the event. Many of these, particularly those acting on behalf of poorer nations or indigenous peoples, were disappointed with the outcome.
- 4.8 Lobby groups representing worldwide corporations broadly welcomed the plan emphasising the need for measurement, transparency and accountability. Such groups referred to the fiduciary duty of investors to oversight such developments. 2016 may see a scaling up of actions by financial regulators on climate change, with potential consequences for investors.
- 4.9 Overall, the immediate response of practitioners and the media seems to be one of surprise and yet achievement. Most acknowledge that the Agreement is not perfect and it will need to be strengthened over time but its adoption marks a new threshold. The Agreement signals a clear direction of travel.
- 4.10 A further report will be submitted to the Authority or Investment Board in due course.

## 5) Implications and risks

### 5.1 Financial

There are no immediate financial implications arising from this report.

### 5.2 Legal

There are no specific legal implications arising out of the Agreement.

### 5.3 Diversity

There are no diversity implications.

### 5.4 Risk

There are a number of possible implications for the Authority. The broader issue of how climate change relates with investment strategies and fiduciary responsibility is recognised by the Authority.

The Authority is the formal decision-making body for all matters regarding its responsibilities as an employer.

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**Background papers** used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley

**Other sources and references:** United Nations; CDP; Guardian; Financial Times