

The 16th Ezra Memorial Lecture 2021

Inaugurated by The Lord Ezra MBE

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The UK's approach to COP26 and our role as President

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Master, Deputy Master Wardens Visiting Masters ladies and gentlemen

Good evening I am most delighted and honoured to be asked to give this year's Ezra Lecture. The 2018 lecture was given by the current Sheriff Chris Hayward- just as I am about to take his place at the Old Bailey as Sheriff from September 28th.

His topic was on the issue of energy within the City of London and the role of the City Corporation and my topic will also examine the work of the City Corporation and the financial City in the wider and pressing subject of the climate crisis. I want to examine the way in which this is being addressed both here in the City and also internationally. That is The UK's approach to COP26 and our role as President

It is issue close to my heart as it is to many of you – as an elected member of the City Corporation I have been advocating the need to tackle the implications of climate for some years and often ahead of the curve (shall we say). The upcoming COP26 conference and the role that the UK is to play is now at the centre of the work of the City Corporation collaborating with the UK Financial and professional services to create a narrative for a better collective future.

Most recently I have been working as part of the team at the City Corporation driving our own climate action strategy. Always good to set our own house in order. This has been alongside planning our role at COP26 – more anon.

I am also a non-executive director of the Green Finance Institute – set up in 2019. The Green Finance Institute sees its role as bringing together global experts and practitioners to collaborate in designing sector-specific solutions that allow the financial capital to move towards an inclusive, net-zero carbon and resilient economy. This complements the traditional work of the City Corporation in working alongside business, but is independent and is the principal interface between the public and private sectors.

The Green Finance Institute works with finance practitioners, policymakers, business innovators, academics and non-profit professionals to identify the required policy, technology and financial pathways that will enable the transition to a green economy.

It has created real traction through convening and leading several action-focused coalitions that are designing and promoting the launch of innovative financial mechanisms that also create commercial revenue opportunities and grow prosperity. The Green Finance Institute's aim is to accelerate the transition to a clean, resilient, and environmentally sustainable economy by channelling capital efficiently and at scale into real-economy outcomes that will create jobs and increase prosperity for all. They are specifically focused at present on the decarbonisation of road transport, creating energy efficient buildings and providing financial solutions to support sustainable supply chains.

There is also a need to support the greening of the domestic and international financial system through close collaboration with financial regulators and policymakers, and international dialogue and partnerships.

Now let me turn to consider COP 26. Each year, world leaders meet at COP to attempt to tackle one of the biggest challenges facing humankind – climate change. The COP is the supreme decision-making body of the United Nations Framework Convention on Climate Change. All States that are Parties to the Convention are therefore represented. This gives a total of 197 parties.

COP is the time at which countries review the implementation of the Convention. A key task for the COP is to review the national communications and emission inventories submitted by Parties. Based on this information, the COP assesses the effects of the measures taken by Parties and the progress made in achieving the ultimate objective of the Convention. A real stocktake of where we are.

The COP meets annually, unless the Parties decide otherwise. The first COP meeting was held in Berlin in March, 1995. Just as the COP Presidency rotates among the five recognized UN regions - that is, Africa, Asia, Latin America and the Caribbean, Central and Eastern Europe and Western Europe and Others – there is a tendency for the venue of the COP to also shift among these groups.

The 26th COP was meant to take place in Glasgow last November, but due to the coronavirus crisis was postponed by a year. The UK is the President of COP26, although the event is actually co-chaired by Italy.

In the run up to COP26 the UK is working with every nation to reach agreement on how to tackle climate change. The Government currently expects that most of the 190 world leaders will arrive in Scotland. Joining them will be tens of thousands of negotiators, government representatives, businesses and citizens for twelve days of talks. Although I am sure you will be aware of calls, specifically by many NGOs to defer COP26 again for another year due to Covid. As with climate change itself the impact is hardest on the poorest nations with some 20 of them being on the UK's current red list for quarantining but with some UK plans to give preferential access. The Government seem rightly set on delivering the event in person if at all possible.

Most experts believe COP26 has a unique urgency.

To understand why, it's necessary to look back to another COP. COP21 took place in Paris in 2015 and for the first time, every country agreed to work together to fight climate change.

Something momentous happened: every country agreed to work together to limit global warming to well below 2 degrees and aim for 1.5 degrees, to adapt to the impacts of a changing climate and to make money available to deliver on these aims.

The **Paris Agreement** was born. The commitment to aim for 1.5 degrees is important because every fraction of a degree of warming will result in the loss of many more lives and with associated livelihoods damaged.

Under the Paris Agreement, countries committed to bring forward national plans setting out how much they would reduce their emissions – known as Nationally Determined Contributions, or 'NDCs'.

They agreed that every five years they would come back with an updated plan that would reflect their highest possible ambition at that time. Hence the 5 year review at COP26

However, the commitments laid out in Paris did not come close to limiting global warming to 1.5 degrees centigrade or 2.7 degrees Fahrenheit, and the window for achieving this is closing - fast. The targets announced in Paris would still result in warming well above 3 degrees by 2100 compared to pre-industrial levels. If we continue as we are, temperatures will carry on rising, bringing even more catastrophic flooding, bush fires, extreme weather and destruction of species.

COP26 is the world's best last chance to get runaway climate change under control. The Paris Agreement was a breakthrough moment. BUT Glasgow is also extremely important as it will be the first real test for the Paris Agreement.

The run up to this year's summit in Glasgow is the moment when countries update their plans for reducing emissions.

So as momentous as Paris was, countries must go much further than they did even at that historic summit in order to keep the hope of holding temperature rises to 1.5 alive.

For those of you who managed a summer idyll this year away from it all, it was rather interrupted by the publication of the Intergovernmental Panel on Climate change report in early August. Some of us did not need the reminder that time is running out. We had noticed our world is responding badly to climate change already. This report served to highlight even more clearly the urgency of the need for COP26 to be a breakthrough summit.

The IPCC report provided new estimates of the likelihood of crossing the global warming level of 1.5°C in the next decades, and finds that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, then limiting warming to close to 1.5°C or even 2°C will be beyond reach.

The report states that emissions of greenhouse gases from human activities are responsible for approximately 1.1°C of warming since 1850-1900, and finds that averaged over the next 20 years, global temperature is expected to reach or exceed 1.5°C of warming. This assessment is based on improved observational datasets to assess historical warming, as well as progress in scientific understanding of the response of the climate system to human-caused greenhouse gas emissions.

Every region is facing increasing changes. The report projects that in the coming decades climate changes will increase in all regions. For 1.5°C of global warming, there will be increasing heat waves, longer warm seasons and shorter cold seasons. At 2°C of global warming, heat extremes would more often reach critical tolerance thresholds for agriculture and health.

In the light of this background COP26 needs to be decisive. Through its approach for COP26, the UK is aiming to seize the Paris implementation agenda.

As COP26 President, the UK is committed to working with all countries and joining forces with civil society, companies and people on the frontline of climate change to inspire action ahead of COP26.

What is the UK aiming to achieve at COP26?

A. Secure global net zero by mid-century and keep 1.5 degrees within reach

Countries are being asked to come forward with ambitious 2030 emissions reductions targets that align with reaching net zero by the middle of the century.

To deliver on these stretching targets, countries will need to:

- accelerate the phase-out of coal
- curtail deforestation
- speed up the switch to electric vehicles
- encourage investment in renewables.

B. Secondly the UK are aiming for adaptation to protect communities and natural habitats

The climate is already changing, and it will continue to change even as we reduce emissions, with devastating effects.

COP26 will need to work together to enable and encourage countries affected by climate change to:

- protect and restore ecosystems
- build defences, warning systems and resilient infrastructure and agriculture to avoid loss of homes, livelihoods and even lives

C. Mobilise finance

To deliver on the first two goals, developed countries must make good on their promise to mobilise at least \$100bn in climate finance per year. The promise made in Paris in 2015 was for this \$100bn to be reached by 2020. That has not happened – that is one of the criticisms that Extinction Rebellion and others have made of the collective response and how it is falling short of what was pledged.

International financial institutions must play their part and work towards unleashing the trillions in private and public sector finance required to secure global net zero.

D. Work together to deliver

We can only rise to the challenges of the climate crisis by working together.

At COP26 we must:

- finalise the Paris Rulebook (the detailed rules that make the Paris Agreement operational)
- accelerate action to tackle the climate crisis through collaboration between governments, businesses and civil society.

What themes will be explored? This slide shows the current iteration of the programme for the 12 days. Finance; energy; youth and public empowerment; nature; adaptation, loss and damage; gender; cities, regions and built environment. Interestingly - not health - not agriculture.

In pursuit of these aims the Government is busy working on agreements with the major nations. You will have seen the COP President Designate Alok Sharma's many visits abroad and engagement in the UK. These are difficult negotiations. There will be quite a bit of bluffing and cajoling required.

In July 2021 50 countries met with Alok Sharma who stated at the end of the meetings that there was a common understanding to keep 1.5C within reach. In that regard coal power and the financing of it was not compatible with this aim. Regarding my and the City's particular focus on finance he said:

“ On finance, I have recently called for developed countries to publish a clear plan for how, together, we are going to deliver the \$100 billion a year in international climate finance, which has been promised since 2009, between 2020 and 2025.”

Another meeting of relevant nations is planned with the Prime Minister seeking to meet President Xi Jinping of China in the side-lines of the UN general assembly on September 20th. This informal meeting will be co-hosted by the UN secretary general, António Guterres. It represents one of the last opportunities for top-level diplomacy with China, with just 51 days to go until COP26. The meeting will focus on ways to reach the longstanding pledge by rich countries to provide \$100bn a year, from public and private sources, to help poorer countries cut their emissions and cope with the impacts of climate breakdown. Let us wish it luck!

Maybe a more positive part of the work towards COP26 is the UN's particular initiative - the Race to Zero campaign. Race to Zero's objective is to build momentum around the shift to a decarbonized economy ahead of COP26. This will send governments a resounding signal that business, cities, regions and investors are united in meeting the Paris goals and creating a more inclusive and resilient economy.

To join, entities must fulfil the minimum criteria: Pledge. Plan. Proceed. Publish

I can mention here that the City Corporation is planning to sign up to the UN Cities Race to Zero – there is a paper for the City’s senior committee to agree tomorrow and I certainly hope that we can commit to that in our plans as an organisation to lead in this work.

There are other initiatives and these are all seeking to join the race to net zero-

UN convened Net Zero Asset Owner Alliance
Net Zero Asset managers Initiative
Net Zero Banking Alliance
Net Zero Insurance alliance

I need to expand a bit further on another grouping and this has been created especially for private finance by Mark Carney who has been championing the Glasgow Financial Alliance for Net Zero (GFANZ). As you will know Mark Carney is the UN special envoy and the Adviser to the Prime Minister on COP26 .

GFANZ will:

1. BROADEN Race to Zero’s existing finance sector campaign to establish credible net zero commitments covering all financed activities in all sectors of the financial system.
2. RAISE AMBITION by ensuring that commitments are backed by robust targets and transition plans.
3. COORDINATE commitments and actions across the sector to support the economy-wide transition needed to achieve net zero. GFANZ will bring together existing net zero alliances and Race to Zero partners into a holistic and coherent framework.
4. SUPPORT technical collaboration on substantive and cross-cutting issues that will accelerate the alignment of investment and lending with net zero (e.g. relating to the mobilization of capital flows to emerging markets).
5. SHOWCASE the collective efforts and achievements of the sector and of individual firms taking the most ambitious climate actions. To show that the financial system is spearheading the transition to a sustainable, zero carbon future and supports progressive policy to unlock further action, completing the virtuous cycle of investment for net zero.

As I have indicated finance is a key theme for COP26 and this is for the first time. This is why the work of the City Corporation can be so well integrated and indeed it gives me the opportunity to sketch in the work of the City Corporation on this general topic over the last 70 years.

It is worth setting this out:

1953 Following the great smog disaster of December 1952, the City of London Corporation (COLC) passed a local Clean Air directive in 1953 leading to the Clean Air Act of 1956.

1998 Following COP3 in Kyoto (1997), the City of London Corporation reported during 1998 and 1999 on the opportunity for carbon trading – “Trading Emission Permits – A Business Opportunity For The City?”. The COLC set up a shadow trading scheme, then worked with DTI to expand this nationally. In 2003 the EU comes to London to adopt the UK shadow trading scheme as the framework for the EU Emissions Trading System (ETS).

2002 In 2002 COLC worked with the UK Government to produce "The London Principles: The Role Of The UK Financial Services In Sustainable Development", a framework for sustainable finance which formed part of the UK submission to the Johannesburg Earth Summit.

2004 City of London becomes first city in the world to adopt a climate change adaptation strategy. Reissued 2010

2005 Before the Stern Review was commissioned, COLC helped form a coalition of 25 financial services organisations, plus some academic and non-governmental institutions, led by Z/Yen, and created the London Accord – an agreement to “make investment work for the climate”. The London Accord is a true collaboration towards better policies through shared investment research. The London Accord’s first cooperative, ‘open source’ research was published in 2007.

2009 COLC led a joint submission on ‘cap-and-trade’, index-linked carbon bonds (policy performance bonds), forestry products, and weather derivatives to COP15 in Copenhagen – “Delivering Copenhagen: The Role Of The City’s Financial Services Sector In Supporting Action On Climate Change”.

2013 Fiona Woolf led the Long Finance’s “Financing Tomorrow’s Cities” programme with WWF and others.

2014 At my instigation the Green finance report was issued by the Environmental Audit Committee of the House of Commons, written evidence submitted by COLC based on a conference organised with Global Impact Investment Network (GIIN) on 10th and 11th October 2013 at the Guildhall

2016 Green Finance Initiative launched, leading to Green Finance Institute 2019.

This brings us to the current commitment of the City where COP26 is a key milestone which can leverage and showcase the City’s work in sustainable finance, as well as helping cement UK leadership in this field. The City Corporation is uniquely placed to convene global firms across the Financial and Professional Services sectors and across borders to provide cross-cutting thought leadership. It is what the City Corporation, the Lord Mayor and Chair of Policy and Resources does day in and day out.

The Corporation is working closely with Mark Carney, The Prime Minister’s finance adviser for COP 26 and his Private Finance Unit, as well as with the COP Unit in the Cabinet Office

led by Alok Sharma and Peter Hill as the CEO. The aim is to align with the global COP agenda, and secure strong touchpoints. The City Corporation is stepping up to convene the industry, ensure it has a strong voice at COP26 and champion UK leadership. We are uniquely placed to do this because of cross-sector and cross-border perspectives. COP26 legacy should generate continued momentum on sustainable finance through 2022 and beyond.

Building on the recent success of the Corporation

- In November 2020 at the time that the COP 26 conference should have been happening the City Corp held the hybrid virtual Green Horizon Summit (GHS) with the Green Finance Institute (and supported by the World Economic Forum).
- This was a huge success bringing together leading public and private sector thought leaders and highlighting the pivotal role of finance to meet net zero commitments.

This was so well received that the City Corporation can build on this platform in the work up to COP and at COP and thereafter during the full year of the Presidency.

Green Horizon Summit @COP26 goals

The City Corp is planning to host a hybrid virtual summit at and alongside the COP26 climate summit in Glasgow in November 2021, branded as GHS@COP26, and co-hosted by the Green Finance Institute.

The aims are:

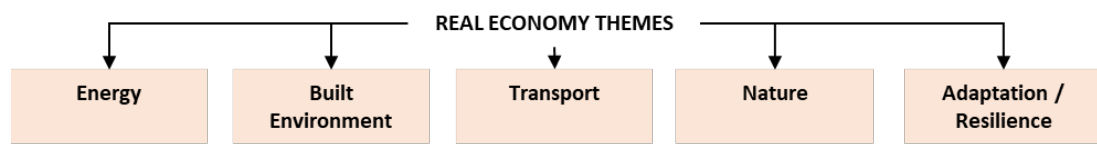
- to help mobilise global finance
- to provide a platform for finance at COP26 for thought leadership and announcements.
- to showcase UK capability in financial and professional services.
- GHS@COP26 will have a physical footprint in Glasgow, linked virtually to the City of London and other global financial centres.
- It will bring together global and UK firms across all financial and professional services sectors.

The agenda is designed to

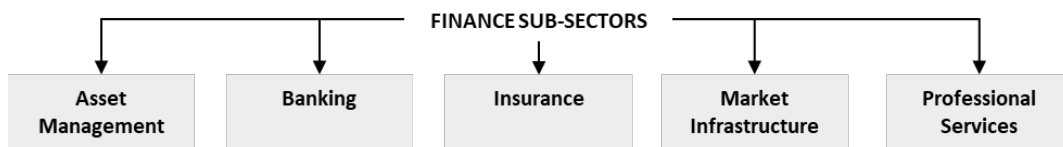
- Tackle the big questions we face in accelerating the flow of capital into climate- and nature-friendly investments, translating commitments into action, and helping financial institutions ‘green’ their business models.



- Be anchored in the real economy, reflecting the key COP themes



- **Addresses challenges at the financial sub-sector level.**



Road to COP26

To keep momentum going and ambition high throughout 2021, the City Corporation has been pursuing:

- **Green Horizon Perspectives** events
These are high-calibre, high-production value events delivered in the style of a magazine show, featuring short sessions of engaging content – fireside chats, videos – that showcase how different parts of financial and professional services are supporting the transition to net zero. The next Perspectives will be on 21 September aligning with New York Climate Action week.
- **Green Teas**
These are private forums that provide an opportunity for business leaders to speak candidly about the challenges they face in delivering the Net Zero transition, to share best practice and identify possible solutions to common problems. They are co-hosted in the run-up to COP26 by Mark Carney and the Lord Mayor
The core objective of the Green Teas is to curate net zero announcements from FPS that we can profile across our GHS@COP26 platform

COP26 is a key part of the UK and CoLC's wider ESG Strategy and ambitions

The UK (& COLC) has invested five years to build the global green finance marketplace (although individual firms have been in the green/sustainable finance space for longer).

Even after five years, the UK does not have a dominant share of this new and rapidly accelerating market.

In response, we must build on our breadth of expertise and deep pools of capital to: i) develop new and competitive regulatory frameworks; ii) develop innovative new sustainable financial products; iii) mobilise transition finance in the UK and globally; and iv) promote our green credentials globally.

A strong presence at COP26, with content framed against the above four pillars, should give the City a great start to what promises to be a very competitive race to scale.

We must be engaging, ambitious and relevant if we are to compete – financial and professional services, like all parts of society, faces tough challenges and decisions if we are to hit net zero. We must present an industry that is willing to engage in a process of introspection as it considers how it rises to this challenge. Not one that sees net zero as a done deal.

The City will align our sustainable finance work with Carney's strategy wherever possible. If we can do this, our work will have a greater impact. Hence the relative overlap between our own sustainable finance pillars – detailed above – and Carney's.

BUT our GHS@COP26 content strategy speaks to more than just the finance pillar of the COP Presidency's themes mentioned above. And why our sustainable finance pillars are not just a straight copy of Carney's. We need to think about the long-term competitive play for the UK and London

GHS@COP26 must be: 1) engaging; 2) ambitious and 3) relevant – This means it cannot contribute towards an image of finance talking to itself in jargon, but a presentation of an industry willing to ask itself the tough questions and expand its relevance to the real economy transition.

That, I hope, will be part of the success of COP 26 – that the pledges of the nations are more than adequate and that the relevance trickles down into financing the real economy that needs to transition.

Quote Alok Sharma in July

"It is incumbent on every country to give their all to this process. There will be nowhere to hide at COP. Each of us will be in the spotlight. And we will only deliver by working together....Now we must deliver. It is essential that, six years on from Paris, we agree these final elements of the Rulebook, that we forge a way forward on finance, adaptation and other critical issues. Ultimately, our response must reflect the urgency of the crisis we face. Between now and COP, we must, and we will, make every single day count."