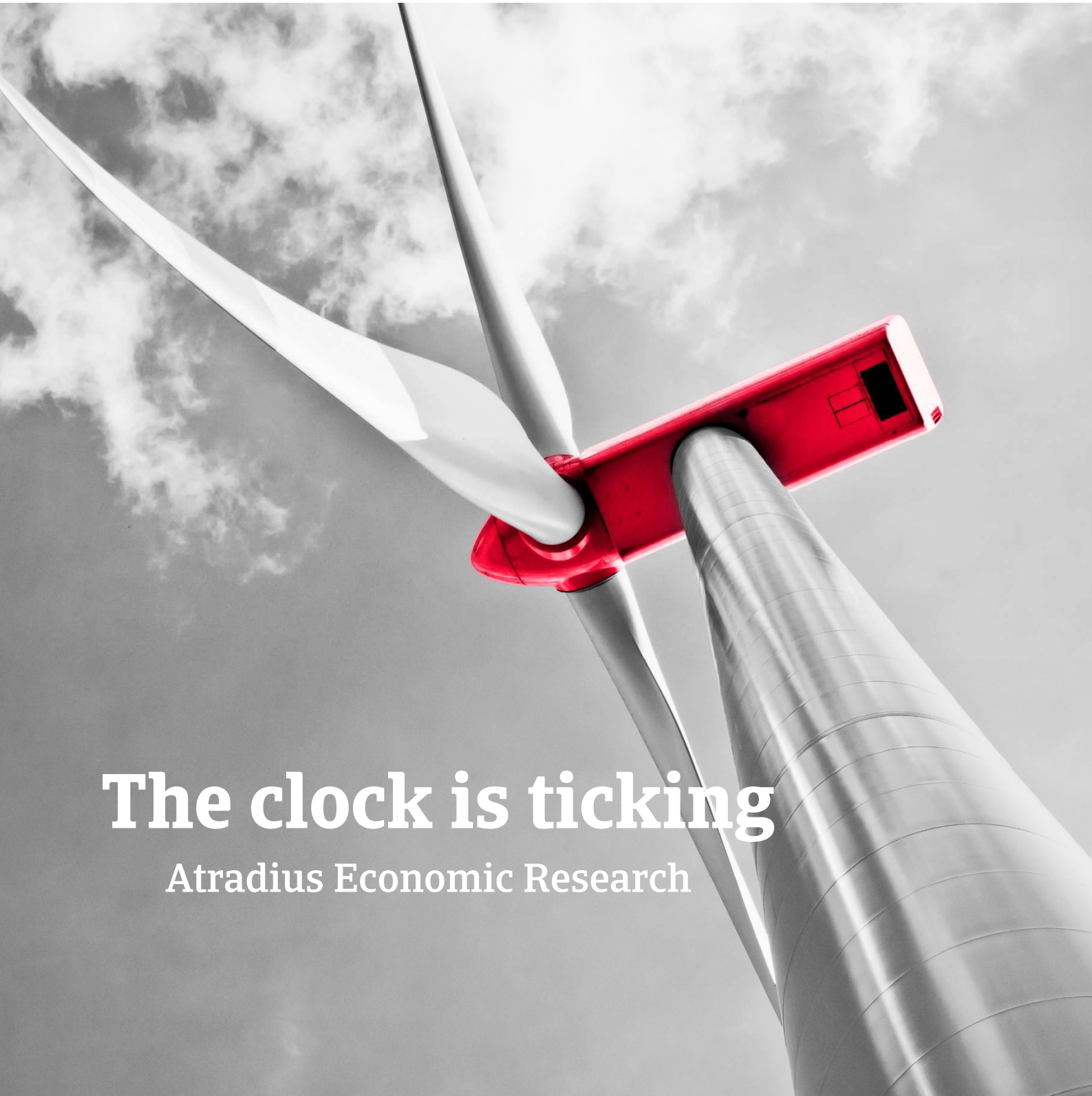
Atradius

Energy Outlook Update, May 2022



The clock is ticking

Atradius Economic Research

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Executive summary

Key points

- We have opted for a change in the way we cover developments in the energy sector. The Energy Outlook will be published shortly after the IEA World Energy Outlook (WEO) on which it draws. The next Energy Outlook will therefore be published in December 2022 at the latest.
- Given that the last Energy Outlook appeared in June 2021, the IEA published its WEO 2021 in October and in light of the most recent developments such as COP26, Atradius has produced this Energy Outlook update. Two important new choices have been made.
- First, the STEPS scenario that has been used so far as a benchmark scenario is replaced by a scenario that covered (net zero) pledges as well: the Announced Pledges (APS) scenario. This is arguably more optimistic, but is justified by the likelihood that countries will live up to their commitments now that the sense of urgency related to climate change has gained momentum.
- Second, the Sustainable Development Scenario that we have employed so far as the 'dream scenario' is replaced by the Net Zero 2050 scenario where the temperature increase is limited to 1.5 degrees Celsius. Despite being more optimistic, Atradius considers this a more focused scenario which is also linked up with the APS, where the temperature goal of the Paris Agreement is not met.
- In the APS as well as in Net Zero 2050, energy efficiency, electrification and a much larger role for renewables instead of fossil fuels play a key role in the energy transition. But the Nero 2050 world is one fundamentally different from the current one in which all these elements, thanks to heavy investment in technology that is now still in prototype phase, play a much larger role than in APS.
- During the COP26 further steps were taken towards Net Zero 2050, providing some more robustness to the APS scenario. There were also agreements on finance, methane emissions and monitoring. But there is a lot of work to be done. And the clock is ticking.

The clock is ticking

1. Interim Energy Outlook

In our June 2021 issue we continued the series of comprehensive reports on developments in the energy sector that we started in March 2019. These reports are intended to provide an integrated analysis of developments in the energy mix, renewables, oil and gas. They also aim to provide a framework for the Atradius view on the energy transition.

This year we will be doing this in a slightly different manner, closely linking the Energy Outlook to the timing of the publication of the IEA World Energy Outlook. The latter report is published in October and we now aim to publish our Energy Outlook shortly after that, thus avoiding the rather long time lag that has so far existed between the two reports. For 2022 this implies that our Energy Outlook will be published in December this year at the latest.

To bridge the gap between the June 2021 Outlook and the new one in December, we have produced this - relatively brief – interim report. It provides an update on the headlines of IEA World Energy Outlook 2021 and places the results of the November Cop26 Glasgow Summit in the context of the latter report. We limit ourselves to developments in the energy mix and the various scenarios, leaving the more detailed individual reports on oil, gas and renewables as well as country risk analysis to the December 2022 Outlook.

The report is organised as follows. We first discuss the choice to strive for a new normative scenario, Net Zero 2050, as well as a new benchmark scenario, known as the Announced Pledges Scenario (APS). Subsequently we turn to the state of play in the energy mix, tracking developments since the publication of our June 2021 Energy Outlook. This is followed by a description of the APS (against the background of the Stated Policies Scenario - STEPS) and Net Zero 2050 scenarios. In the final section we take a closer look at what was achieved at the Cop26 Summit.

2. Making a dream come true

In our June 2021 report we highlighted an encouraging development in the energy transition. In our view, the energy transition had moved from a pressing environmental to a key policy issue, for governments, financiers and firms.

Several reasons were given for this. The first was the huge shock to the energy system caused by the Covid-19 pandemic, which raised questions as to what the post-pandemic world would look like; second, the intensification of momentum in awareness of the threat of climate change among the broader public; third, the impetus given to international collaboration on climate transition with the return of the United States to the Paris Climate Agreement; fourth, supervisory bodies in the financial sector increasingly pushing banks and other financial institutions towards shunning fossil fuel finance. Finally, climate activists are increasingly successful in forcing firms, such as Shell, to accelerate climate transition through legal means.

The International Energy Agency (IEA), which we rely on for our Outlook,[1] attempted to capitalise on this momentum in the run-up to the November 2021 Cop26 Glasgow Summit on climate change. It raised the bar by devoting its 2021 World Energy Outlook to what should be done to reach a maximum temperature increase of 1.5 degrees Celsius relative to the pre-industrial world. This is arguably more ambitious, or at least more clearly phrased, than the 'well below 2 degrees increase' formulation that emerged from the Paris Agreement of 2015.

Accordingly, the IEA has placed its already existing Net Zero 2050 scenario, which underpins the 1.5 degrees Celsius aim, centre stage. The Net Zero 2050 scenario essentially replaces the Sustainable Development Scenario (SDS), which we once dubbed the 'Dream Scenario', under which the Paris Agreement temperature objective is achieved.[2] Net Zero 2050 is arguably preferable as it provides a clear focus as to what needs to be done, i.e.: bringing the net CO2 emissions back to zero. Even more importantly, it aims to achieve net zero CO2 emissions earlier than the SDS, in 2050 rather than 2070.

[1] Our choice of the IEA has been discussed at some length in previous outlooks. The main argument is that the analysis of the IEA simply reflects the best there is in the market, given the size of the effort by what is arguably the strongest international think tank on energy in the world.

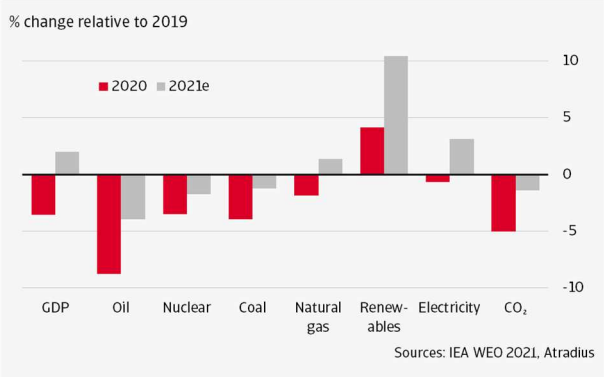
[2] The SDS has other objectives as well, such as those related to air quality and energy access, and in particular access to electricity in rural areas.

Whereas the Net Zero 2050 scenario can be considered the 'norm' that the world should strive for, the starting point remains what is currently being stated and implemented in terms of energy policies by countries. This is known as the STEPS scenario that we have relied on as a benchmark scenario in previous outlooks. But in our 2021 Energy Outlook we already mentioned that the IEA had developed a new scenario, one in which not only the announced and implemented policies were included, but all climate commitments: The Announced Pledges Scenario (APS). These pledges include the so-called Nationally Determined Contributions and longer term net zero CO2 emissions targets. At the time of writing, no data on the APS scenario was available, for which reason we continued with the (more conservative) STEPS scenario. Now that data on the APS has become available, we have opted to move towards the APS as the benchmark scenario. The Net Zero 2050 is the new 'Dream Scenario'. In our view, given current developments, this scenario, though more ambitious, has a higher probability of becoming reality than the SDS. Indeed, there may now be a greater likelihood of making a dream come true.[3] [4]

3. After the pandemic

The global economy recovered from the pandemic during 2021, but it is an uneven recovery and relatively carbon intensive. Worldwide energy demand regained all of the ground it lost in 2020 when the pandemic struck. This has resulted in sharp rises in gas, coal and electricity prices. Owing to the recent geopolitical turmoil following the Russian invasion in Ukraine, oil prices have shot up as well, while European gas prices have further soared. These price developments are overshadowing the continuation of structural changes that support the energy transition, such as the rapid rise of renewables and electric vehicles. Less encouraging is that global CO2 emissions have risen rapidly during the past year. In more detail, we see the following recent developments further shaping the post-pandemic energy future.

Figure 1: Renewables demand grows through pandemic



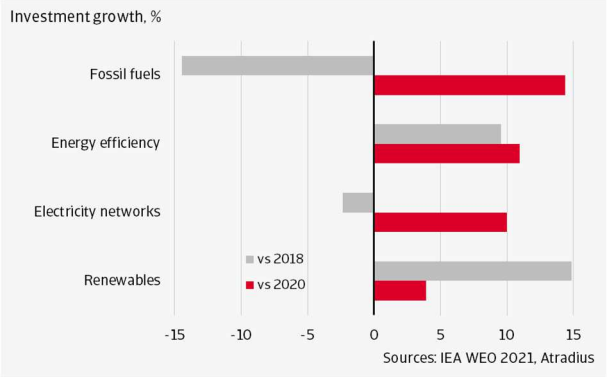
First, governments have spent well over USD 16 trillion to soften the impact of the Covid-19 pandemic, aiming at near-term emergency and economic relief. About USD 2.3 trillion of this amount has been allocated to the recovery. This includes spending on new investment, including the energy infrastructure. The IEA estimates almost USD 400 billion of the USD 2.3 trillion is allocated to sustainable energy. This is set to be delivered over the next few years (predominantly by 2023) and will be substantially leveraged by private investment, to an estimated amount of USD 1 trillion.[5] This estimate is based on private energy investment figures and spending data for 2021. Overall investment has bounced back to USD 1.9 trillion, an increase of 10%. That makes up for most of the decline in 2020. Spending on electricity networks has risen after four years of decline, due to infrastructure spending in China, Europe and the US. Spending on energy efficiency improvement has gone up by 10%, driven by economic growth and initial effects of recovery programmes. New areas are targeted as well, including low-carbon hydrogen and carbon capture, utilisation and storage (CCUS). These numbers, impressive as they may be, are far from sufficient (the IEA estimates only 33% of what is needed) to secure an early peak and rapid subsequent decline in global emissions. Moreover, the investment is heavily skewed towards advanced economies and China. Emerging economies account for only 20% of amounts spent on clean energy.

[3] We are aware that the IEA, when describing these scenarios, warns against any of these being a baseline or preferred scenario. It is argued that even achieving (with some detail) announced and implemented energy policies cannot be taken for granted. And in some countries these are ambitious and far reaching. Whilst acknowledging this, we did not find a convincing argument that precludes making a choice from these scenarios and labelling it as preferred.

[4] Besides STEPS, APS and Net Zero, the IEA also still provides detail on the SDS and even a Delayed Recovery Scenario (DRS), with the latter essentially being a STEPS under a protracted pandemic. Given that the latter is not what we are currently seeing, nor what we expect, we therefore discard that DRS scenario.

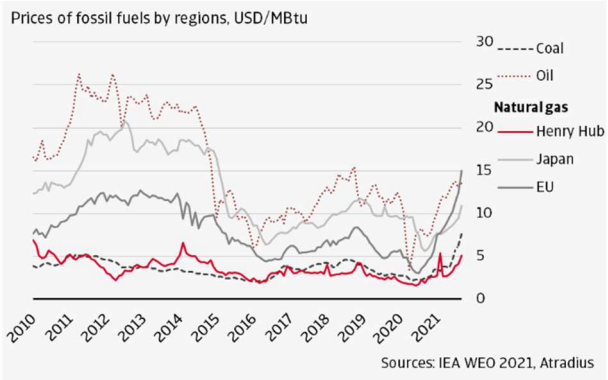
[5] These numbers are taken from the IEA 2021 World Energy Outlook and date back to mid-2021, which makes them conservative.

Figure 2: Investment in renewables continues to surge



Second, global energy demand rebounded by 4% in 2021, returning to pre-pandemic levels. The pace of demand growth for electricity even meant that consumption came out well above pre-pandemic levels. In particular Chinese demand grew sharply: 10% higher than in 2019. The increased demand outpaced the expansion of low-carbon power generation. It left coal-fired plants in Asia filling residual demand. In contrast to this electricity surge, energy demand in the transport sector, especially for oil products, lagged. The rise of 5.7 mb/d in oil demand is still well below the 8.7 mb/d loss of 2020. In particular, demand from aviation remained subdued, due to restrictions on international travel and a slow resumption of international business travel. Demand from road transport is approaching pre-pandemic levels, although higher electric vehicle sales and teleworking have restrained growth. The much lower oil demand is met by supply constraints from the OPEC+ group,[6] which are only gradually being unwound. Unlike oil, gas demand rose well above pre-pandemic levels, with weather related factors (heatwave in Asia) as well as increased demand from the industrial users in response to the economic recovery playing a part. The recovery was largely met by pipeline exporters in Russia and Central Asia that had borne the brunt of the 2020 slump. LNG continued its steady increase.

Figure 3: Fossil fuel price rise



Third, on the back of the surge in energy demand, fossil fuel prices have risen sharply. Crude oil prices shot up from USD20/barrel in the aftermath of the pandemic mid-2020 to USD 140 in early 2022. Gas prices have been on an upward march and have reached highest ever levels. Coal prices have gone up as well, driven by strong demand in Asia in particular. Both gas and coal price rises have pushed up power prices in many markets, especially where the output from renewables has been low. Apart from fossil fuels, prices of what are seen as critical minerals for the energy transition, such as lithium and copper, have surged as well. This only partly reflects the demand coming from the economic rebound; the other determinant is anticipation of future demand.

Fourth, global energy-related CO2 emissions are on track to rise by 1.2 billion tons, erasing two-thirds of the pandemic-related reduction in 2020. This implies a 4% increase and is the largest absolute rise in history. Nearly 30% of the rise comes from the surge in electricity coupled with the higher use of coal. Emissions from transport is the second reason, although that rise was restrained as mentioned above. Emerging economies emissions, much lower in per capita terms than elsewhere, climbed faster than the global average pace. Advanced economies emissions remained below it with an increase of 3%. These emissions are in trend decline.

4. APS is the new baseline

With these developments in mind we now turn to a description of our baseline scenario, the Announced Pledges Scenario. To provide a link with the previous outlooks, we use the STEPS scenario as a reference. As mentioned, STEPS is the most conservative scenario. It does not take for granted that all announced goals will be met. Instead, it takes a close look at measures that have actually been put in place, as well as those under development. In APS all climate commitments made by governments are taken into account, assuming they will be met in full and in time. One can argue this APS scenario, essentially a topped up STEPS scenario, is optimistic or at least daring. But we think that the urgency of climate change will force governments to meet their self-imposed targets. That assumption underpins our choice. Nevertheless, we need to highlight the risk that is embedded in the approach. This risk is that climate pledges are not followed up by policy measures and remain hollow, creating what we call a policy gap.

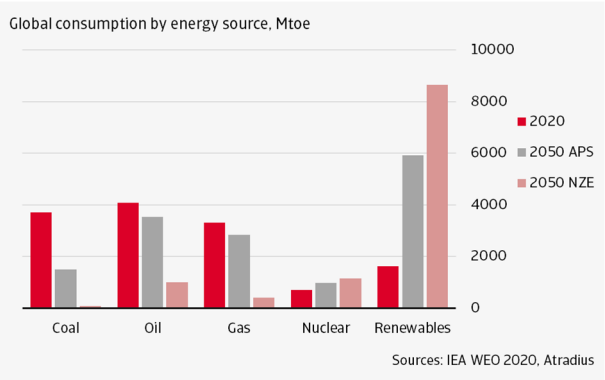
The developments described in the previous section have had an unmistakable impact on the 2021 scenarios. In the following, changes to the benchmark APS scenario compared to STEPS are pointed out.

In the APS, total energy demand is projected to grow by 1.0% annually until 2030. This reflects the fact that in APS annual energy savings are higher (2.5% vs 2%). After 2030 total energy demand is projected to plateau, as net zero pledges further increase energy efficiency and electrification. The net zero pledges have a significant impact: in 2050 energy demand is 20% lower than in STEPS. These pledges help

[6] OPEC+ consists of the 13 OPEC members, plus other important oil producers, such as Azerbaijan, Russia and Mexico.

reduce the share of fossil fuels in the energy mix to just below 50% in 2050. Demand for oil and coal declines the most, with shares in the energy mix falling by 7 and 15 percentage points respectively. If pledges are not met, we are back to STEPS, and fossil fuels still account for more than 65% in the energy mix.

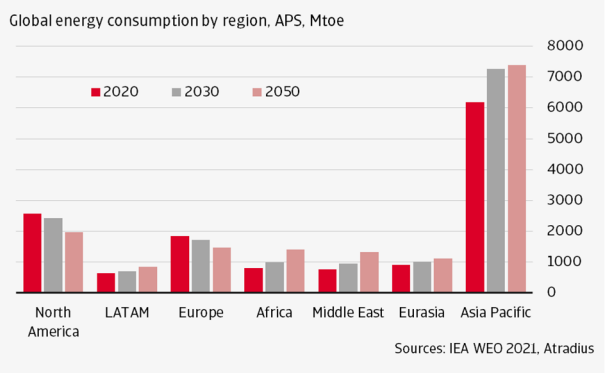
Figure 4: Renewables growth far outpaces other sources



As the share of fossil fuels in the energy mix declines, that of renewable energy continues to surge. Wind and solar PV lead the way with capacity increases that far outstrip those for other sources of energy, particularly in the power sector. This reflects policy support in over 130 countries and the success of these energy sources in becoming the cheapest and most competitive in many markets. Whilst the capacity addition was (already a record) 248GW in 2020, this figure is to almost double by 2030.

This will largely be achieved outside China. China has already put policies in place that are consistent with meeting the country's target of 2030 for emission reduction. Other large economies, such as the United States, Canada, Australia and the EU still have to put measures in place that underpin the APS. If this does not succeed, the STEPS scenario signals a still significant increase of capacity additions by 310 GW in 2030.

Figure 5: Asia remains world's largest energy consumer



Gas demand in the APS reaches its maximum soon after 2025 and then declines. Reductions in advanced economies offset growth in emerging economies. Global gas trade peaks in 2030, falling to 2020 levels in 2050. LNG continues to grow, capturing 70% of traded volumes in 2020; North America will supply increased demand from emerging Asia. Gas demand in Europe is lower, pipeline imports decline by 80%. The current surge in gas prices is temporary. The contrast with STEPS is stark: in that scenario gas demand is 30% higher in 2050 than today, coming from Asia and the Middle East with a markedly higher gas price.

Oil demand peaks shortly after 2025 and then declines by around 1 mb/d to 2050 annually, as do prices which are at USD 65/barrel in 2030. Demand falls in countries that have made net zero pledges, by nearly 30mb/d in 2050. It is higher in those without pledges, by nearly 10 mb/d. In 2050 almost half the cars on the road are electric, and more than a quarter of all vehicles are electric or fuel cell. After 2030, additional spending becomes necessary to minimise emissions, limiting investment in new oil fields. This leads to (low cost) OPEC+ taking a larger share of the global oil production. The difference with STEPS is pronounced: oil demand in that scenario levels off in the mid 30s and then drops slightly towards 2050. Road transport significantly reduces demand (though less than in APS). The snag is in aviation, shipping and petrochemicals where demand increases. OPEC+ sees an even higher market share in this scenario.

Coal demand declines to 50% from the levels seen in 2020; prices fall back as well. Net zero pledges force countries in Europe and North America to rapidly phase out coal in industry and electricity. Coal use in China, the main global coal user, falls by 70% between 2030 and 2050. This lowers its share in global coal demand to 30% (from 55% in 2020). China electrifies industrial processes and significantly reduces coal in the electricity sector. Support for the scenario comes from the difficulty in obtaining funding for coal supply projects and infrastructure. As with oil and gas, the difference between APS and STEPS is wide: in STEPS only 25% of 2020 coal demand reduction is achieved in 2050.

5. CO2 emissions: mind the policy gap

Although the APS scenario implies a step towards net zero emissions it is by no means sufficient. Rather, in the APS the temperature rise ends up at 2.1 degrees Celsius by 2100.[7] Emissions will peak in the mid-2020s and will return to slightly below 2020 levels by 2030. In 2050 they are at 21 Gt, almost 50% below the current level. In STEPS, however, policies that are now in force imply a 6% higher emission level in 2030 than currently. The difference with the APS is more pronounced in 2050. CO2 emissions in STEPS hardly decline after 2030: in 2050 they are only slightly below 2020 levels. The temperature rise comes out at 2.6 degrees

[7] The figures are obviously estimates. In other words, it is by no means certain that, even if all measures are taken as in the APS, the temperature rise will end up at this level.

Celsius. This highlights the policy gap between APS and STEPS that we referred to above.[8] [9]

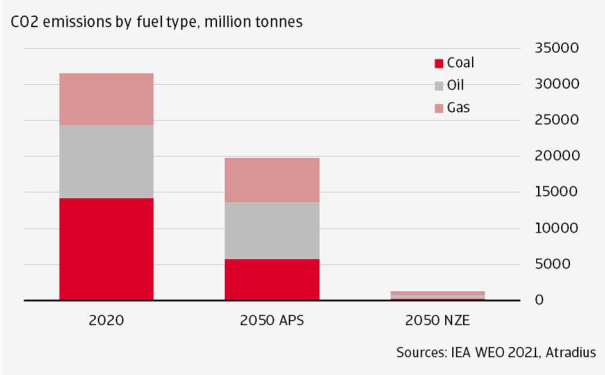
The bulk of the policy gap relates to the advanced economies, which are responsible for one third of global emissions. The United States (45%) and to a lesser extent the EU are predominantly responsible for the gap. The latter has already taken measures to support a 55% emissions reduction target by 2030. But it still leaves a significant policy gap. The emerging economies are responsible for a much larger share of the emissions but far fewer pledges have been made. The policy gap is only 1% of the current emissions in this group. Current and announced policies enable China to meet its target of peak emissions by 2030, but further policies are needed for the period after that.

Closing the policy gap builds on a number of themes. First, scaling up mature technologies to boost the use of renewables, electric vehicles, building retrofits for power stations and efficient motors for the industry. For the short term this requires in many cases roll-out of technology that is tried and tested. But for longer term emission reductions, especially for heavy trucking and industry sectors, we need technology that is not yet fully developed. Second, the decarbonisation of power supply. This is responsible for around 40% of the gap. It is achieved by increasing the role of renewables and by replacing (or retrofitting) existing power stations. Third, in parallel to decarbonisation, electrification is to be boosted, including electrification of passenger and freight transport, industrial processes and heating in buildings. Fourth, where electrification reaches its limits, use of renewables such as bio-energy, solar thermal and geothermal sources provide valuable alternatives. Fifth, measures enhancing energy efficiency are needed. Finally, carbon capture, utilisation and storage (CCUS) is a away to address remaining emissions in the power and industrial sector.

6. Net Zero 2050: a narrow pathway

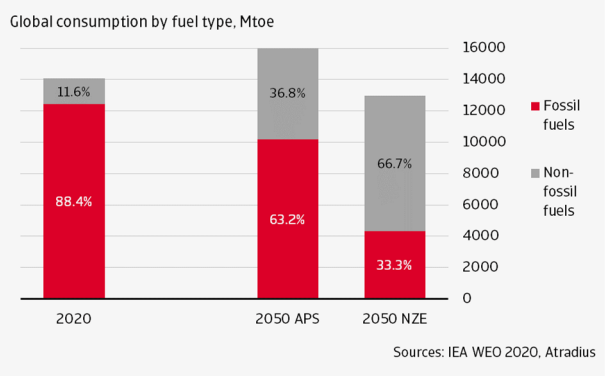
Despite the improvement relative to STEPS, the APS still falls well short of the Paris target of 'well below 2 degrees'. The Net Zero 2050 scenario gets to that latter target, more specifically with a 1.5 degrees temperature rise. It is a pathway towards net zero emissions in 2050, but it is far from the only one. Narrow it is, because it requires daunting globally co-ordinated efforts at unprecedented pace. Nevertheless, with net zero targets, arguably a sense of urgency is created that goes beyond the more widely formulated and less ambitious Sustainable Development Scenario. This gives us the feeling that we can dream of a new reality - net zero emissions (NZE).

Figure 6: CO2 emissions: the ambition gap



The NZE depicts a different world from now. At the heart is a massive transition in the way energy is consumed. GDP grows by 40% until 2050, but total energy use will decline by 7%. This decoupling of GDP growth and energy comes from electrification of energy use, more efficient energy technology and behavioural change.

Figure 7: Down but not out: fossil fuels in APS and NZE



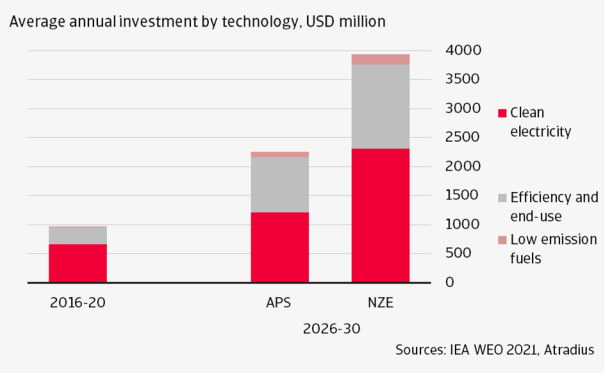
The change is rapid as well, critically focussing on the current decade. First, low emission sources of energy supply grow by more than 65% up to 2030, doubling these. Solar, wind and modern bioenergy are particularly significant, with contributions from hydropower and nuclear as well. The flipside is that demand for fossil fuels declines by 30% during this decade. Coal falls by 50% and oil falls by about 30% after an initial rebound. Natural gas peaks in the coming years and then falls below its 2020 level. No new oil and gas fields are approved for development, no new coal mines or even extensions are required. Prices of these fossil fuels are far below current levels. Second, electrification gains further ground, pushing up its share in energy consumption - to over 25% by 2030. Underlying this figure is a massive growth in electric heat pumps, electric vehicles (EV) and appliances. For example the global share of EV sales goes from 4.6% in 2020 to 60% in 2030. Third, new technologies and low emission fuels make vital progress. Hydrogen and fossil fuels with CCUS are exploited, leading to a small yet

[8] It is to be distinguished from the gap between APS and Net Zero 2050 or ambition gap that will be discussed below.

[9] The IEA call this the implementation gap, which we think is a bit misleading as it is not the implementation of the policy that is at stake, but rather the development of a credible policy plan to meet the net zero targets.

significant share in consumption (3%). Modern bio-energy more than doubles, which is relevant for progress in long distance transport. More importantly, these technologies allow further innovation and cost reductions without which 2050 targets would not be achievable. Fourth, in the NZE scenario, energy intensity of the global economy declines by 4.2% this decade - double the level of the previous decade. Without this improvement, energy demand would be more than 30% higher in 2030. Fifth, a massive surge in energy investment takes place, from 2.5% now to 4.5% of GDP in 2030, after which it starts easing to 2.5% of GDP by 2050. The vast majority of spending goes to clean energy technologies, increasing from USD 0.5 trillion to USD 1.7 trillion annually by 2030. Of the latter amount USD 1.3 trillion is spent on renewables. Spending on the power infrastructure, particularly on the electricity grid, goes from USD 0.4 trillion to USD 0.9 trillion. After 2030 the spending on capital investment continues to climb, especially in transport where the EV drives it up, and in buildings, where retrofit programmes and electrification surges.

Figure 8 Daunting energy investments in NZE



This projected state of the world is still a rather long way off. Between the APS and NZE there is the so-called ambition gap that needs to be reduced by policy action. This centres around four themes, again focussing on the current decade.

Firstly, clean electrification. The electricity sector currently emits more than any other sector (36% of all emissions). Coal is the largest single source of electricity, and it accounts for 75% of all electricity emissions but only 33% of the electricity supply. Decarbonisation of electricity is the single most important step to close the gap between NZE and APS in 2030. Crucially, the share of renewables in electricity generation is to accelerate, from 45% to 50% in the NZE, by predominantly wind and solar PV. Geographically, it is in the emerging economies that the largest gains are to be made. Tackling emissions from existing electricity sources is another priority. Coal fired power plants are to be retrofitted, repurposed or retired. Energy storage systems are to be scaled up, alongside rapid expansion of grid modernisation and increased battery storage capacity. The latter increases by a factor of 30 in the NZE against 18 in the APS. An increase of electricity use is also needed, particularly in the transport and building sector. In transport, emerging economies, especially, should expand electrification to reach the NZE target. Heat pumps and ensuring new buildings are zero carbon are important as well.

Second, energy efficiency. In the NZE, energy demand is 15% lower than in the APS. Much stronger policies, particularly in the transport and construction sector, reduce emissions in the NZE as compared to the APS. Of these, almost 80% can be achieved without additional costs, the IEA estimates. Digitalisation and materials efficiency allow further reduction, much of which is to be achieved in the industry. The NZE also takes account of additional reduction due to behavioural changes, notably in the transport sector such as the shared use of cars. Retrofits in the building sector are higher by a factor of 2.5 than in the APS.

Third, methane emissions contributed to around 30% of the global rise in temperature. One of the largest sources is the energy sector. The IEA estimates that 45% of the gas and oil methane emissions could be avoided at no (net) cost. Well known technologies and measures can be deployed. These contain leak detection and repair requirements, staple technology and a ban on non-emergency flaring and venting, which have the potential to halve methane emissions for oil and gas. Performance standards or emission taxes as well as robust measurement and verification systems help as well. Methane emissions from coal are less cost effective. Therefore, most of the NZE coal related methane reductions come from much lower coal production. In total, methane emissions fall by 75% in the current decade in the NZE.

Fourth, whilst clean electrification, energy reduction and methane emission are key policy areas in the current decade, they are insufficient to reach the NZE target. Almost half of the emission reductions achieved in 2050 come from technologies that are at the prototype stage today. Development of these prototypes is particularly important for heavy industrial sectors and long distance transport. This calls for governments to support key technologies such as advanced batteries, low carbon fuels, hydrogen electrolysers and direct air capture. For efficiency and cost reasons, as well as pace of development, international collaboration is needed. In the NZE, USD 90 billion of public money is available for research on technology before 2030; currently that is still only USD 25 billion. It allows these technologies to be developed and made ready for deployment after 2030. In APS, milestones with respect to technologies are missed, causing a difficult catch-up task after 2030.

7. COP26: keeping the pressure on

The IEA 2021 World Energy Outlook was written in the run up to the Cop26 Summit in Glasgow and therefore reflects policies and pledges until date of publication, October 2021. This is what the APS scenario reflects. It raises the question to what extent the sense of urgency that exudes from the Outlook is reflected in further policy action before and at the summit. In this context, three achievements of the Summit

should be considered: emission reduction, finance and collaboration.[10]

First, reducing emissions. After the Summit, over 90% of world GDP is covered by net zero emissions pledges. Moreover, 153 countries have put forward renewed 2030 emission targets in their NDCs, covering around 80% of emissions. This is not yet compatible with Net Zero and countries have agreed progress must be accelerated. It was agreed that during 2022 countries will revisit and strengthen their emission targets.

Energy sector related emission reduction commitments were agreed to move away from coal power, speed up the switch to electric vehicles and reduce methane emissions. As to coal power, 65 countries have agreed to phase out coal, with 20 new commitments during the Summit. A reference to phasing down coal was delivered in the Summit final statement. Furthermore, international coal finance stops by 2021. On the switch to electric vehicles, over 30 countries, six manufacturers and other actors agreed on their determination for all new car sales to be zero emission by 2040 globally and 2035 in major markets. Countries representing a fifth of the global car market have made commitments to end sales of polluting vehicles. At the Summit over 100 countries, including the top six of the top ten emission countries that represent 46% of global methane emissions, signed up to the Global Methane Pledge to reduce global methane emissions by 30% by 2030.

Finance is the second area of achievement. During the Summit, developed countries committed to raising USD 100 billion of public finance every year to catalyse private financing of the energy transition. The public goal is to be delivered by 2023 at the latest and will be the benchmark for further rises during the decade.

Collaboration to deliver the commitments was the final major achievement affecting the energy transition. The starting point is the so-called Paris rule book which sets detailed rules and systems to underpin delivery of the Paris Agreement, now beefed up to Net Zero 2050. Frameworks have been established to support international collaboration and monitor achievements, such as during the COP27 Summit in Egypt later this year.

Overall, the assessment of the COP26 Summit is that it has certainly maintained and reinforced the momentum to take further policy action in the energy transition. The pressure remains on. Net Zero may not yet be in sight, but steps have been taken towards it, and the objective is still within reach. That said, the clock is ticking.

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