

# THE MESSAGE



## THE LONG AND WINDING ROAD

### COP26

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The *Camino de Santiago* route is an 800 km long pilgrimage path. One starts walking, with only a backpack, from St Jean Pie de Port to arrive to Santiago de Compostela. Those who prepare for such an endeavour dream of arriving before even starting. They imagine the rural landscapes, the churches, the castles on their path, as much as the tiredness and the sweating, albeit sweetened by the thought of crossing the threshold of the holy city. But soon enough they realise that not all is as ideal as they imagined. The blisters are painful in the morning, the afternoon sun burns the skin and dries the throat along the *Mesetas*, and the destination seems never to be within reach. The despondence may turn into weeping, and the fear of failure is impending.

Sustainable finance  
according to



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Also those who convened in Glasgow for the COP26 meeting are preparing for a long journey. For the first time since we heard about a Green Deal and green infrastructure plans, they met all together to draw the path towards the GHG emissions neutrality within the half of the century.

Like the well-intentioned pilgrims, the “Conference Of the Parties” has started well on the issue of deforestation, with the 137 countries that hold 90% of the Earth’s forests agreeing to stop deforestation by 2030. Already on its third day, however, the first difficulties arrived: that’s when along the path they encountered the issue of methane, a gas that is 80 times more efficient than CO2 but whose effects disappear only after two decades. Despite the agreement to reduce by 30% the methane emissions within 2030 versus the 2020 baseline being feasible with the current technologies, important countries like China, Russia, India and Australia chose to opt out.

Since governments have always maintained that public money would not be enough to reach the target, new private capitals coalitions have been formed during the conference: the Glasgow Financial Alliance for Net Zero includes the existing alliances of various financial industries such as the Net Zero Banking Alliance, the Net Zero Insurance Alliance, the Net Zero Asset Owner Alliance, etc., a dowry of 130 trillion dollars between banks, insurance companies, credit institutions, funds, financial services providers to help fight

climate change. Many of these institutes, however, still hold important credits towards companies involved in gas and oil exploration, while others are not so quick in removing loans to carbon-related projects. One reason more to pay attention to the stock selection whenever sustainable funds want to invest in as varied a sector as the financial one.

Among the other initiatives mentioned all over the web by searching “COP26”, gas and nuclear are back on the table as sources necessary for the Energy Transition. Not only France, that will have one of his citizens appointed as president of the Council of the EU for the next semester, has reiterated the sustainability of nuclear energy, but also Draghi and Von der Leyen have commented that reaching the emissions target would not be possible with renewables only, as they are not yet sufficient to replace the fossil fuels.

Such comments bring about two important considerations in relation to sustainable investments: on one hand they help us understand how far we still are (thirty years at least) from an oversupply of clean energy sources such as solar, wind and hydrogen; on the other hand the possibility of having gas (as energy transition source) and nuclear within the European Taxonomy.

It’s an important recognition for these two sources, so far neglected by ESG funds, although seven European countries led by Germany have endorsed a declaration against nuclear in the Taxonomy.

In extremis, another issue has put in danger the good outcome of COP26: one word only, small but vital. Instead of a “phase-out” from carbon within 2050, the agreement settled on a “phase-down”. Thus, what should have been a GHG emissions neutrality by that date has been diluted as a target around that date. The countries responsible for such last-minute change were China and India: more and more heavyweights in the international community, their *diktat* has almost jeopardized the entire conference giving the opportunity for Greta Thunberg to reiterate her “blah, blah, blah” as a summary of the actions taken by world governments to fight climate change.

At least was saved that 1.5° established as upper ceiling of the global temperature

increase within 2050, which implies a 45% emissions reduction by 2030 versus 2010.

Despite everything, even countries that hadn't previously accepted CO2 as the main culprit of the global warming have now acknowledged this scientific evidence, leading some critics such as Greenpeace to recognise that the Glasgow COP26 has marked one important result: the start of fossil fuels' decline.

As we remarked at the end of the previous issue, TWO PRODUCTS, TWO GEARS, we are only at the beginning of a long journey, destined to last thirty years and that will see dark hours as well as days of glory. We have just got the confirmation of this.