"स्थायित्वम्"

CNK & Associates LLP
Chartered Accountants

# *Investing in a Sustainable Future*

***Edition - December, 2024***

## Editor's Nest

*"Preserve and cherish the pale blue dot, the only home we have ever known" – Carl Sagan, Astronomer*

As the impacts of climate change grow more urgent, the world's attention turns once again to the United Nations Conference of Parties ('COP'). COP is the global stage where nations, scientists, activists, and industry leaders come together every year to negotiate solutions for the climate crisis. Each year, these summits determine how we collectively tackle issues like greenhouse gas (GHG) emissions, adaptation to climate impacts, and the funding needed to transition to a sustainable future.

In this edition of the Newsletter, we will focus on the latest COP29 that was held at Baku, Azerbaijan from 11th – 22nd November as well as the decisions that were taken in the previous COP28 that was held in Dubai, UAE. *Check out our January 2024 edition for a summary of the key takeaways from the previous COP.* Together, these conferences are pivotal moments in humanity's quest to combat climate change – and this edition will keep you informed about the discussions and potential outcomes shaping our planet. Before we begin, let's first revise some key concepts as follows:

***Problem:*** GHGs are naturally occurring gases, such as $CO_2$ and Methane, that trap heat on Earth - like a greenhouse traps heat to grow tomatoes in cold climates.

***Target:*** Since the Industrial Revolution, most scientists agree that an increase in the global surface temperature should be below limit of 1.5°C, beyond which the effects of climate change would be the most dangerous and irreversible.

***Solution:*** A net-zero gain of GHG in the atmosphere would be achieved when annual GHG emissions are equal to the amount removed each year through decarbonization or carbon removal.

## Expert Speak

**Rupam Baruah – Business Head, Sustainability Services, South Asia Region, Bureau Veritas COP29 Outcomes –**

Implications for Advisory and Assurance:

The 29th United Nations Climate Change Conference (COP29) concluded in Baku, Azerbaijan, with significant outcomes that will shape the advisory and assurance landscape. The conference saw the establishment of a new climate finance goal of $300 billion, aimed at supporting developing countries in their transition to renewable energy and climate resilience. However, this figure falls short of the $400-900 billion annually that many experts argue is necessary.

One of the key outcomes was the finalization of rules for carbon market, which will allow countries to trade carbon credits and meet their emission reduction targets. This development is expected to create new opportunities for advisory services, as companies will need guidance on navigating the carbon market and ensuring compliance with the new regulations.

The conference also highlighted the need for greater transparency and accountability in climate finance. This will likely lead to an increased demand for assurance services, as stakeholders seek to verify that funds are being used effectively and that emission reduction claims are credible.

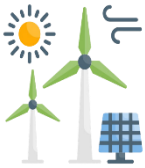
Advisors and assurance providers will need to stay abreast of these developments and adapt their services to meet the evolving needs of their clients. This includes offering expertise in scenario analysis to measure climate-related financial risks and providing guidance on integrating ESG factors into risk management framework.

Overall, COP29 has set the stage for a more robust and transparent climate finance system, with significant implications for the advisory and assurance sectors. As the world moves towards a low-carbon future, the role of these professionals will become increasingly critical in ensuring that climate.

## COP28: A Refresher

COP28 marked a turning point with landmark agreements on phasing out fossil fuels and increasing financial support for climate action. As COP29 builds upon this foundation, the outcomes of COP28 serve as a vital reference for shaping global climate strategies. Let's recap some of the key decisions made at COP 28 that continue to influence the trajectory of international climate efforts.

**1. End the era of Coal, oil and gas - Transition Away from fossil fuels -** COP28 concluded with a landmark agreement to accelerate the transition from fossil fuels, urging nearly 200 nations to cut emissions by 43% by 2030. This aligns with the first global stocktake, aiming to keep the 1.5°C temperature goal within reach. Based on current plans and projections made by various government authorities, coal production is expected to keep growing until 2030, and oil and gas production will likely rise until at least 2050. This goes against the promises these governments have made under the Paris Agreement and at COP28 to reduce emissions and transition to cleaner energy. It also conflicts with predictions that the world's demand for coal, oil, and gas will likely peak within the next few years, even if no new policies are introduced. In short, governments' actions don't align with their climate commitments or the expected decline in fossil fuel use.



**2. Renewables on Boost: Triple Capacity, Double Efficiency -** More than 130 nations agreed at COP28 in Dubai last year to commit to the Global Renewables and Energy Efficiency Pledge and aim to triple renewable energy capacity to 11,000 GW and double energy efficiency improvements to 4% annually by 2030. In 2023, about 0.5 TW of renewable energy was added globally, leaving 7.3 TW to reach the 2030 target, requiring clean power equivalent to 80% of the current 9 TW global capacity. Achieving it demands an annual investment of $1 trillion, up from $623 billion in 2023. The IEA projects significant renewable energy milestones in the coming years. By 2024, wind and solar PV will collectively generate more electricity than hydropower. In 2025, renewables are expected to surpass coal as the largest source of electricity, with wind and solar PV each exceeding nuclear generation by 2026. By 2028, renewable energy sources will account for over 42% of global electricity, with wind and solar PV doubling their share to 25%.

**3. New funding for loss and damage -** COP28 saw progress in the New Collective Quantified Goal (NCQG) with a historic agreement to operationalize funding for loss and damage, supporting vulnerable countries. The World Bank was invited to host the fund's secretariat. Initial pledges totalled $792 million, primarily from Germany, France, Italy, the UAE, and Japan, but this represents less than 0.2% of the estimated annual need. Since then, the fund's total has reached $702 million, with only $10 million disbursed so far. As COP29 progresses, additional contributions are anticipated to bolster the fund.


**4. Accelerating towards net zero emissions –** Over $1 billion in new funding was pledged for methane mitigation, including $410 million from governments and $640 million from the private sector, with a focus on low- and middle-income countries. The EU and its Member States contributed €175 million to the Methane Finance Sprint, while the World Bank launched a $255 million Global Flaring and Methane Reduction Partnership. The Global Methane Hub and UNEP aims to raise $300 million by COP29.

This momentum has motivated nations to meet the challenge and pave the way for a climate-resilient future.

## COP 29: In Solidarity with a Sustainable World

Amidst complex negotiations and diverse priorities, COP29 highlighted the urgency of collaborative efforts as mentioned below:

**1. New Collective Quantified Goal - Scaling Climate Finance:** The conference called on all actors to work together to deliver $300 billion annually by 2035 inviting wealthy countries to help poorer nations to cope with the impacts of climate change. This ambitious plan aims to drive global investment, promote equity, and support sustainable development while emphasizing urgent action during this critical decade to address gaps in achieving the Paris Agreement goals. However, developing countries led by India, strongly opposed not only the amount agreed upon but also the way the agreement was adopted. The COP29 Presidency also succeeded in operationalizing the Loss and Damage Fund, with funds set to be distributed by 2025.

**2. Operationalising Article 6- Breakthrough on Carbon markets:** Countries agreed on rules for trading carbon credits under Article 6.2 of Paris agreement, clarifying processes for authorizing trades and tracking them through registries with strict environmental safeguards. A centralized UN market, the Paris Agreement Crediting Mechanism (Article 6.4), was also established, offering developing nations financial opportunities and technical support. This framework includes robust standards for emissions verification, Indigenous rights protection, and prevention of double counting. These advancements are expected to accelerate emissions reductions and lower the cost of implementing national climate plans by up to $250 billion annually.

**3. Commitments for Sustainable Energy and Emissions Reduction:** Five crucial actions were highlighted to accelerate global energy transitions: scaling up energy storage and electricity grids to meet the goal of tripling renewable capacity by 2030, reducing methane emissions and fossil fuel reliance; boosting clean energy investment in developing countries with a goal of tripling concessional funding to $115 billion annually by 2030. **Over 50 countries, including the largest organic waste methane emitters, committed** to reducing methane from organic waste in future NDCs.

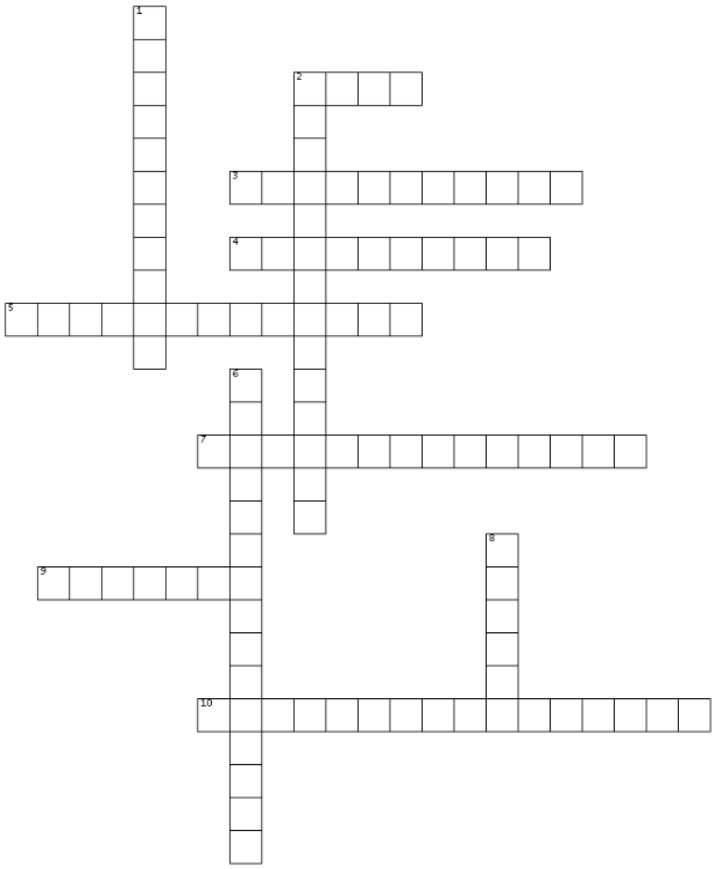
**4. Advancing Sustainable Tourism Through Sustainable Agriculture:** Over 60 government joined in the COP 29 Declaration for Enhanced Climate Action in Tourism marking a major step towards integrating tourism into global climate strategies. Panellists highlighted the importance of using local produce and sustainable farming to cut the food industry's carbon footprint and promote eco-friendly tourism. These initiatives are expected to drive substantial changes in the sector's approach to climate action and sustainability.

**5. Empowering Youth for a Digital Climate Revolution:** The panel session, "Empowering Youth for a Digital Climate Revolution," highlighted the role of young people in driving innovation through digital solutions for climate action. It showcased how digital platforms, applications, and AI-powered tools are enabling youth to advocate for sustainability, monitor environmental impacts, and scale climate initiatives.

***Did you Know?***
The EU's Carbon Border Adjustment Mechanism (CBAM), set to be implemented in 2026, will impose a tariff on carbon-intensive goods like iron, steel, and cement entering the EU. This could impact trade for developing nations such as India and China, while Brazil, Canada, South Africa, and Turkey are expected to face the highest exposure, particularly in iron and steel sectors.

## Flex your Green Thumb!

Before we delve into how India can benefit from the COP discussions, let's have a quick crossword puzzle to tickle your brain cells on environmental issues!



**Across -**

2. A border tax to curb emissions aimed at keeping global trade green.
3. Market-based system where companies buy and sell emission allowances to stay under the limit.
4. Earth's Protective shield against harmful rays.
5. Global pact designed to reduce GHGs signed in 1997.
7. Human driven solutions to tweak Earth's climate from the ground up.
9. Japanese water based natural calamity.
10. 1984 disaster in India where toxic gas turned the night air deadly.

**Down -**

1. This particle covers glacier snow absorbing heat and hastening glacier melt.
2. Indian event where people hugged trees to prevent deforestation.
6. A quiet ride powered by volts, not gas.
8. Payment to balance your ecofootprint, like planting trees for your travel.

***Answers: 1. black carbon; 2. (across) CBAM; 2. (down) chipko movement; 3. cap and trade; 4. ozone layer; 5. kyoto protocol; 6. electric vehicle; 7. geo-engineering; 8. offset; 9. tsunami; 10. bhopal gas tragedy***

### What India can take away?

- Financial backing and technology transfer are essential for India's renewable energy goals, particularly in solar and wind power. Securing these resources will position India as a credible partner, helping other developing countries adopt sustainable energy solutions without following polluting pathways.
- India must leverage its MSMEs, which contribute 50% to exports and 30% to GDP, to drive innovation in renewable energy, energy efficiency, and sustainable manufacturing. Involving MSMEs in global green supply chains will support an inclusive, sustainable industrial transition and boost India's presence in the green technology market.
- India can push for women-led climate action as an innovative model of clean energy solutions at the grassroots level i.e. by emphasizing the role of women in enhancing community adaptive capacities.





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