

Spotlight on COP26:

Asia Pacific countries have come a long way on their climate commitments

Critics may be disappointed by the actions of Asia Pacific governments at COP26, but there has been major progress over the past two years, write **Scott Neilson** and **Goran Galic**.

After two weeks of headlines, protests and proclamations, COP26 is over. The international climate change melee has left Glasgow and a deal has finally been agreed.

Asia Pacific countries were at the heart of many of the biggest controversies at the conference: India and China were **blamed for watering down a pledge** to phase out coal; Indonesia criticised a deal to **end deforestation as 'unfair'**; and **Australia refused to sign** up to a pledge to reduce methane emissions, with one Australian political party leader saying the only way it could be met "would be to grab a rifle and go out and start shooting your cattle". We would suggest that is not the only way.

Given all this, it would be easy to paint many of the largest Asia Pacific countries as global laggards when it comes to climate change. But if we zoom out from the COP26 conference and take a longer-term view, we believe there is cause for optimism and that there has been a step change in attitudes to climate change across Asia Pacific. Governments have made major pledges to reduce emissions and the private sector is starting to find ways of adapting its business models to reshape the economy, which should not involve rifles.

It means that the coming years will be a busy period for us and our clients, as we help turn lofty government pledges to hit net zero into a reality.



The long view

Over the past 18 months, Japan, Korea, India, Indonesia, China and, more recently, even Australia, have all committed to becoming carbon neutral over the coming decades. It is easy to forget that even a few years ago these pledges would have been unthinkable and politically toxic.

Japan's commitment to hit net zero by 2050 was particularly surprising because the world's fifth largest polluter had largely ignored climate change for the past decade. But earlier this year, the then Japanese prime minister Yoshihide Suga beefed up the nation's commitments even further, pledging to cut emissions by 46% by 2030 relative to 2013 levels. South Korea reportedly became only the 14th country to legislate its net zero target in September this year.

Some have argued that these net zero commitments do not go far enough and are too slow to have a meaningful impact.

It is true that: India has committed to carbon neutrality by 2070 and China by 2060 – well past the 2050 date that scientists say is needed to limit global warming to 1.5 degrees; and at COP26, both countries were part of a group responsible for committing to a 'phase down' of unabated coal plants, rather than their 'phase out'. But it is worth remembering that these countries are all still developing and are not responsible for much of the world's historic greenhouse gas emissions. China tends to under-promise and over-deliver on its climate commitments. It has been an important player in the green revolution, making solar panels and wind turbines cheap and accessible; starting a huge renewables buildout; and introducing a number of major hydrogen initiatives.

The details

Details are also starting to emerge about how Asia Pacific countries will hit their net zero targets.

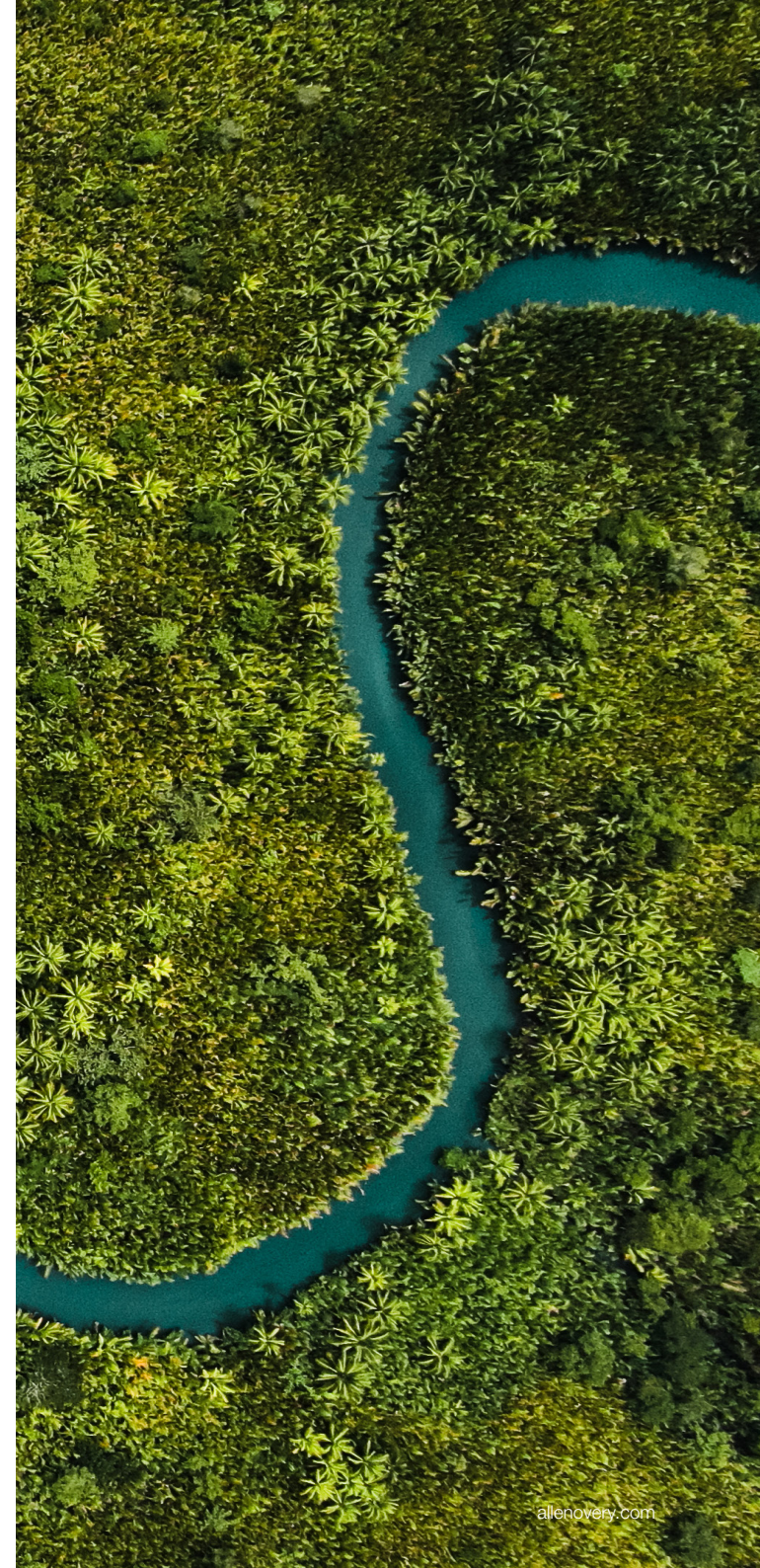
India's Prime Minister **Narendra Modi pledged in November** that renewables would provide 50% of the country's energy requirements by 2030 – a punchy target given that coal powers around 70% of the country's energy at present.

Australia has also just published its roadmap to carbon neutrality, with the country focused on technology initiatives including ramping up of renewables, carbon capture and storage and building out its electric vehicle infrastructure. Hydrogen also has a key role. Australia's ambition is to be a leading producer and exporter of hydrogen (to substitute its status as the world's number 2 LNG producer), with **deals already beginning to be announced**.

Amplifying change

All of these promises are clearly at an early stage. But we believe the momentum and desire within the business community for change will amplify action taken by governments.

Shareholder activism on climate change is here to stay and money is simply not flowing into high-polluting projects like it once did.





For instance, international banks are no longer willing to finance new coal plants. This combined with **President Xi's announcement in November** that China will no longer fund coal fired power plants overseas will be a death knell for many Asia Pacific coal projects. At the very least, it will turn coal into a domestic industry in many countries.

Separate to the positions of respective governments, Asia Pacific companies are also already demonstrating their commitment to reducing emissions.

Sony said that it will **move its factories outside of Japan** if the government does not create enough renewable energy to power its factories. Japanese power company **JERA plans to add low-carbon ammonia** to its coal power plants to help meet its target to be carbon neutral by 2050, while in Australia, iron ore mining company **Fortescue Metals**, through its subsidiary Fortescue Future Industries, is pivoting its whole business to green fuels, aiming to become the world's biggest green energy group.

What happens in Asia Pacific matters for the planet? The region accounted for 52% of global carbon dioxide emissions last year and is home to 60% of the world's population. There are many challenges ahead and lofty goals need to be turned into action at a much more urgent pace than is currently happening. But in a relatively short period of time we have started to see real commitment to tackling climate change across Asia Pacific after years and years of inertia. It means that for us and our clients in Asia, the real work is only just getting started.

Look out for a growing wave of legislation and funding to implement the target as structural change is required to shift Asia Pacific economies and help countries mitigate and adapt to climate change. For most of us, we will spend the rest of our careers working to implement the targets now being made.

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