



Climate Action: 'Phase Out' to 'Phase Down'

A large number of experts round the globe expressed that the outcome of COP 26 is a lost opportunity. Some of them also point out India's insistence on 'Phase Down' instead of 'Phase Out'. Coal is basic reason for this interpretation. If India's assertion has made a mark and this also reflects that our diplomacy has come of age and our Prime Minister has his say amongst world leaders. Outcome statements are always approved and accepted on endorsement by Governments. Ask another set of experts and they will tell you that we have moved forward and new pathways through sustainability will be pursued. All this noise is for the commitment to magic number (year) of 2050 for Net Zero. Nobody appears to be talking of carbon neutrality which means carbon free development. The Indian Prime Minister did very well to announce that India is making best efforts but Net Zero may be attained in 2070. It's a bold and well considered option and leaving no room for doubt, it being realistic.

More than 3,000 global companies have committed to become Net Zero by 2050 or earlier as a part of the United Nations 'Race to Zero' campaign. Capital markets are increasingly building emissions risk into asset prices, and venture investments in transition technologies are at an all-time high. For their part, an even greater number of companies are

recognizing how shifting investor preferences, as well as changes in technology, regulation and customer behaviours are changing the basis for competition and are calling for an altogether greater level of global and local collaboration.

At the start of COP 26 in Glasgow, nobody expected that absolute and total commitment to 'Net Zero' will be the outcome. The well-known words of Winston Churchill spoken in a different context, seem to very well apply here too: "Now is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning." Today, GHG emissions continue apace without sufficient abatement and are not counter-balanced by removals. International Energy Agency's report- 'World Energy Outlook 2021', released in October, acknowledges that "the transition to cleaner energy sources is taking place at a rapid pace, but is not aligned with 1.5°C global temperature rise pathway".

The world would need to advance rapidly from what is to be achieved - a Net Zero World - to how it can best be done or popularly called "Rhetoric to Action". There are at least five reasons why moving from commitments to action has not proven easy or straight forward. First, the required step-up in spending on physical assets (both capital expenditures and



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consumer spends on durable goods) to reach net zero would be substantial. Second, the transition calls for collective and global action, and entails hard choices. Third, all stakeholders would need to act now to avoid an unrelenting accumulation and compounding of physical risks in the future, which would require a different time horizon and discount rate than that currently guide decision-making. Fourth, meeting these requirements would involve changing business practices and lifestyles that have been established for decades, and that have provided many benefits in the path. Fifth, the central role of energy in all economic activity and the profound consequences that disruptions in energy markets can entail, highlight the criticality of an orderly transition. A smooth transition can be charted by actions under three verticals – physical building blocks; economic and societal adjustments; and governance, institutions and commitment. Businesses have to take a 360-degree view and move forward firmly. The shape of Boards in future may be more pro-active and different.

IOD organized the '**Annual Directors' Conclave 2021**', on October 06-07, 2021 with the theme: "**Creating a Future-Ready Board for Investment and Inclusive Growth**". The Conclave concluded that the resilience that businesses have developed in the face of disruption due to the global pandemic or climate change can provide a new foundation for growth, provided leaders seize the moment to build on what their organizations have achieved.

IOD is now organizing the **22nd World Congress on Environment Management and Climate Change (Virtual)** on December 8, 2021 with the theme: "**Key Takeaways from COP 26 and Steering the Board towards Effective Climate Governance**". All members are requested to participate and take advantage of this opportunity. ■

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