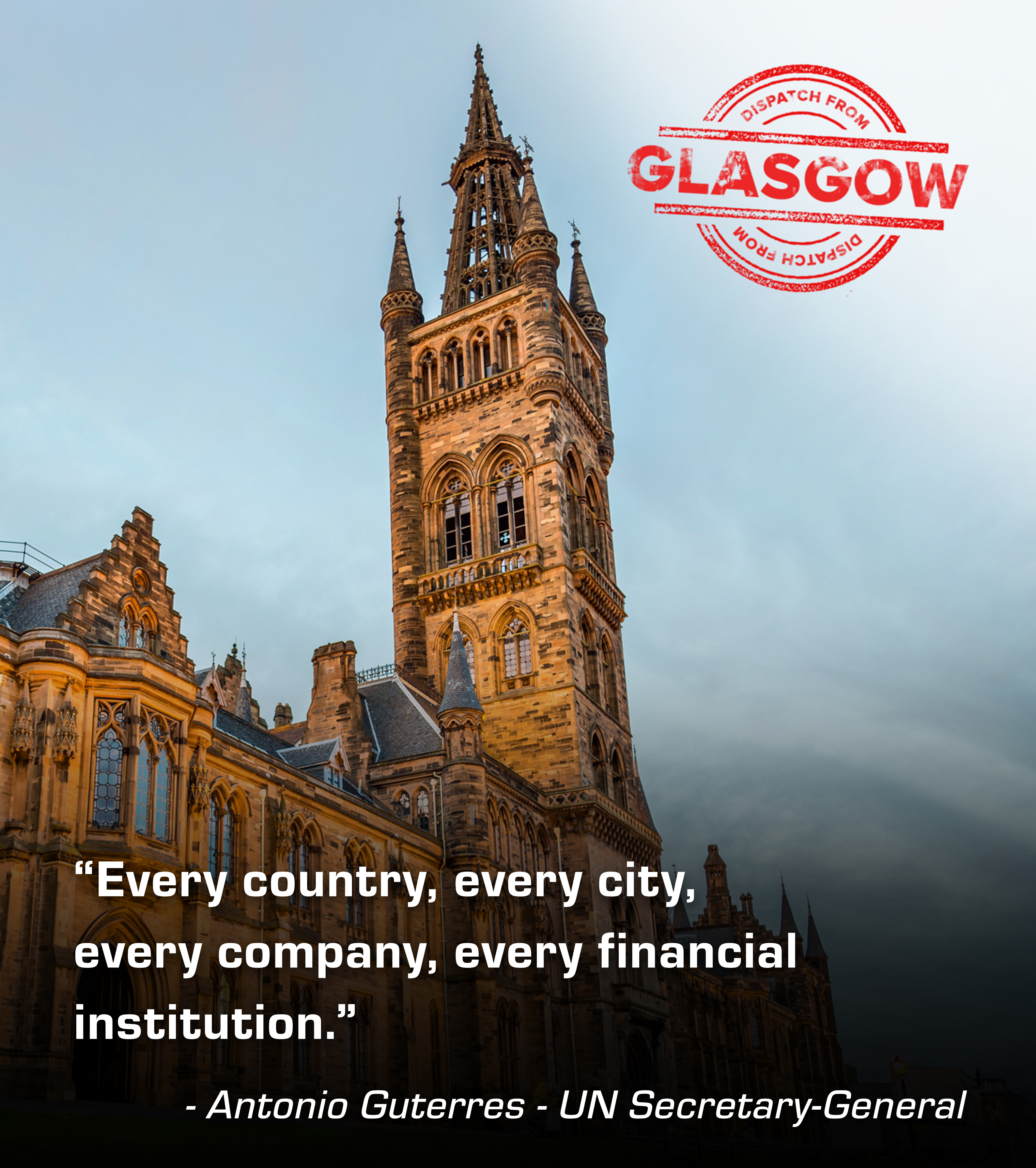

“Every country, every city, every company, every financial institution.”

- Antonio Guterres - UN Secretary-General

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There is just one day left at COP26, which means negotiation and steely nerves. It is not unusual for summits to end with last-minute compromises and agreements that are often made in 'overtime'—spilling into the weekend after their official end. The Glasgow edition is under pressure to meet the timeline, in part due to increased complexity of travel arrangements in the current COVID environment.

The talk on the fringe is around three areas:

› China

A joint agreement with the US and a hard stand on coal have given a mixed message for those looking for signals from the superpower.

› Finance

Financial help for developing nations is critical to meet the 2030 targets, as is private finance in innovation, mitigation, and adaptation.

› Annual Acceleration

There is a growing sense that the only way to reach ambitious targets is by preparing an annual progress report, as well as a ratcheting up of thresholds.

China surprised the summit with its joint announcement with the US, regarding boosting efforts to cut emissions and focusing on methane and deforestation.

The focus on methane announced by the two powers is significant as cutting that particular GHG would imply that the temperature pathway from now until 2100 will be a great deal smoother if it is tackled alongside CO_2. Methane is far more potent as an atmospheric heating accelerant than CO_2, but receives less attention as it remains in the atmosphere for decades rather than centuries. The different heating profile of these two gases, coupled with an 80-year target implies that it is possible to meet the ultimate goal of 1.5 - 2 degrees, but, with warming periods in between that are higher than 2 degrees. The impact of this on oceans, weather patterns, and ice melt could become permanent, even after the curve is flattened to meet its target range.

China's refusal to phase out coal puts a severe dent in one of the major ambitions of the summit. This will clearly make it difficult to formalize the final text of the COP declaration with a seal of success.

Finance continues to be the focus of less developed nations. These countries will not be able to build the required sustainable infrastructure without large-scale support to adapt to the unavoidable short-term impacts of climate change. One consistent theme throughout these two weeks has been the failure of large economies to provide the $100 billion per year that was promised in 2009. This 'missed' target needs to be increased substantially throughout the 2020s.

Agreement on this increased target, and mechanisms to ensure that it is met, are in the draft text but must make it to the final document.

Annual acceleration of ambition, including raising targets for overall emission cuts and robust reporting of progress is vital for success over the next 10 years. Antonio Guterres, UN Secretary-General, appealed to the summit to avoid the 'lowest common denominator' in the final agreement. He noted that while funding of fossil fuels continues at its current rate, all pledges and commitments 'ring hollow'. Memorably, he stated, "Every country, every city, every company, every financial institution, must radically, credibly and verifiably reduce their emissions and decarbonize their portfolios starting now."

From the sidelines, it does seem that there is a real desire to create the strong momentum needed to signal intent and open the floodgates of much-needed private finance. The short-term game, though, still seems like one of brinkmanship between negotiating nations over their respective commitments.

For banks as they build strategies to become catalysts of change, the difference between short- and long-term action is the difference between orderly and disorderly scenarios, with a massive difference in potential risk and cost.

One day to go, and no one watching the COP reach its denouement doubts the ambition, but the lack of details is certainly a big concern.

Signing off for today, best regards from Glasgow...

DISPATCH FROM GLASGOW DISPATCH FROM

ABOUT GREENCAP

- GREENCAP is a turnkey 'Risk as a Service' (RaaS) solution, designed to achieve sustainability and economic resiliency on an individual loan, balance sheet, and systemic level.
- The banking system is central to achieving these green goals of the global economy to arrest climate change.
- The private sector will be required to invest trillions of dollars, with banks acting as credit and funding risk intermediaries.
- It is imperative that a common capital impact language is established to assess resiliency at loan, portfolio and systemic levels.
- Financial targets have to be established to meet sustainability goals at local and global levels.
- Analytical frameworks and systems need to be in place that enable regulators, CSOs and Lending Officers to measure and monitor impact. This will empower them to make those choices which position them on the right side of history.

ABOUT GREENPOINT FINANCIAL

- GreenPoint Financial is a division of GreenPoint Global, which provides software-enabled services, content, process and technology services, to financial institutions and related industry segments.
- GreenPoint is partnering with Finastra across multiple technology and services platforms.
- Founded in 2006, GreenPoint has grown to over 400 employees with a global footprint. Our production and management teams are in the U.S, India and Israel with access to subject matter experts.
- GreenPoint has a stable client base that ranges from small and medium-sized organizations to Fortune 1000 companies worldwide. We serve our clients through our deep resource pool of subject matter experts and process specialists across several domains.
- As an ISO certified company by TÜV SÜD South Asia, GreenPoint rigorously complies with ISO 9001:2015 and ISO 27001:2013 standards.
- GreenPoint is owned by its founders and principals and is debt free.

Marcus Cree

MANAGING DIRECTOR AND
CO-HEAD OF FINANCIAL TECHNOLOGY AND SERVICES

Marcus has spent 25 years in financial risk management, working on both the buy and sell side of the industry. He has also worked on risk management projects in over 50 countries, gaining a unique perspective on the nuances and differences across regulatory regimes around the world.

As Managing Director, Marcus co-heads GreenPoint Financial Technology and Services and has been central in the initial design of GreenPoint products in the loan book risk area, including CECL and sustainability risk. This follows his extensive experience in the Finastra Risk Practice and as US Head of Risk Solutions for FIS. Marcus has also been a prolific conference speaker and writer on risk management, principally market, credit and liquidity risk. More recently, he has written and published papers on sustainability and green finance.

Marcus graduated from Leicester University in the UK, after studying Pure Mathematics, Phycology and Astronomy. Since graduation, Marcus has continually gained risk specific qualifications including the FRM (GARP's Financial Risk Manager) and the SCR (GARP's Sustainability and Climate Risk). Marcus's latest academic initiative is creating and teaching a course on Green Finance and Risk Management at NYU Tandon School of Engineering.

Sanjay Sharma, PhD

FOUNDER AND CHAIRMAN

Sanjay is the Founder and Chairman of GreenPoint Global – a risk advisory, education, and technology services firm headquartered in New York. Founded in 2006, GreenPoint has grown to over 380 employees with a global footprint and production and management teams located here in the U.S, India and Israel.

During 2007-16 Sanjay was the Chief Risk Officer of Global Arbitrage and Trading Group and Managing Director in Fixed Income and Currencies Risk Management at RBC Capital Markets in New York. His career in the financial services industry spans over two decades during which he has held investment banking and risk management positions at Goldman Sachs, Merrill Lynch, Citigroup, Moody's and Natixis. Sanjay is the author of "Risk Transparency" (Risk Books, 2013), Data Privacy and GDPR Handbook (Wiley, 2019) and co-author of "The Fundamental Review of Trading Book (or FRTB) – Impact and Implementation" (RiskBooks, 2018).

Sanjay was the Founding Director of the RBC/Hass Fellowship Program at the University of California at Berkeley and is an Adjunct Professor at EDHEC, Nice in France. Sanjay is also Adjunct Professor at Fordham University where he teaches a similar master's capstone course and at Columbia University. He has served as an advisor and a member of the Board of Directors of UPS Capital (a Division of UPS) and is a frequent speaker at industry conferences and at universities. He served on the Global Board of Directors for Professional Risk International Association (PRMIA).

He holds a PhD in Finance and International Business from New York University and an MBA from the Wharton School of Business and has undergraduate degrees in Physics and Marine Engineering. Sanjay acquired his appreciation for risk firsthand as a merchant marine officer at sea where he served for seven years and received the Chief Engineer's certificate of competency for ocean-going merchant ships. Sanjay lives in Rye, NY with his wife and two teenage sons.

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