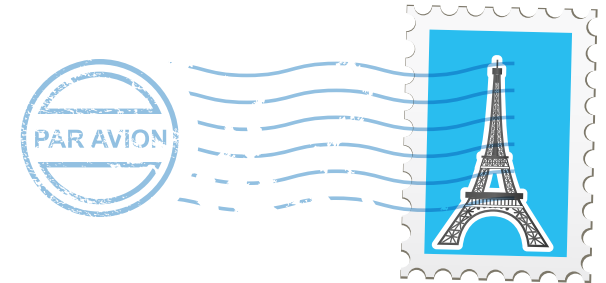


Postcard from Paris

Analysis & Insights from COP21



Carbon pricing proves elusive

The major energy incumbents toured the conference halls of COP last week calling for a global price on carbon, delivered through a cap and trade regime. But given its complexities, there was never any prospect of including global carbon pricing in the final agreement. Therefore were the big utilities being disingenuous by deliberately calling for something that could not be delivered?

Operational renewables make good investments

Renewables have always made good sense for the climate, but COP21 marks the moment when the investment case becomes equally as compelling. Provided regulatory risks are managed, operational solar and wind offer 15 years of inflation-linked returns. These assets are increasingly attractive as fund managers look to reduce portfolio exposure to commodities.

Policy certainty remains key

A recurrent theme across all side events is the benefits of consistent policy making. Aspiring to limit long term global warming to 1.5 degrees is an important step, necessitating countries to accelerate decarbonisation efforts. But this must be matched by policy framework at a country level. Governments must think beyond four or five year Parliamentary terms, introduce binding targets to drive investment, and implement severe penalties if these are not met.

“2016 will need to be a milestone year.”

Analysis

COP21 has been noted for its sense of inclusivity and friendliness – a stark contrast to the toxic atmosphere that overshadowed the 2009 Copenhagen summit. However if such optimism is to be preserved, 2016 will need to be milestone year - most notably for the global energy market. In a sector where “business as usual” no longer exists, legislators must proceed with caution as we transition renewables to a post-subsidy future.”



Robert Ede
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