

**23 January 2023**

## **CLIMATE CHANGE: NEW YEAR, NEW COP PRESIDENCY, THREE NEW CHALLENGES**

Living and working in the UK and now here in the UAE has given me a valuable sense of global perspective. Cultural and social diversity between Europe and the Middle East most would expect, but I've also gained insight in my line of work: helping drive HSBC's global progress to support a net zero economy.

International perspectives about the Middle East are changing. It's clear that the UAE, and the Middle East more broadly, has a critical role to play in the transition to net zero and tackling the challenge to remain on track to limit global warming to 1.5 degrees Celsius by 2050, or sooner. We are already seeing a rapid acceleration in momentum in the region: from clients working on transition plans; the massive investment into renewables, clean hydrogen, carbon capture or sustainable buildings and mobility; and the support for climate tech start-ups and the sustainability related upskilling taking places in businesses. It's an interesting and rewarding time to be living and working here in the UAE, and the sense of responsibility about the scale of the climate challenge is shared across the region.

Following important agreements reached at COP27 in Sharm El Sheikh last year, where developed countries agreed, for the first time, to provide financial assistance to fellow nations affected by climate related disasters, the momentum continues ahead of COP28 in November here in the UAE. This month's Abu Dhabi Sustainability Week (ADSW) provided a clear platform for the three challenges I believe we must collectively solve this year. We have to close gaps in ambition, implementation and finance.

First, closing the ambition gap, between where we are and where we need to be, to remain on track to hit the 1.5-degree target. At HSBC, we're aligning our policies to what expert guidance advises is required to meet this target, and we will not provide new finance for the specific purposes of new oil and gas fields, or related infrastructure.

Second, 2023 will need to show evidence that transformation within the regional and global economy is happening, and that multinational business is delivering climate solutions. As a bank, we are well advanced in ongoing dialogue with our clients to support and roll out their individual climate transition plans.

The third challenge is one that's at the heart of HSBC's climate mission – closing the gap in transition finance. A recent UN report estimated that USD 1 trn in external finance is needed in emerging and developing markets by 2030, predicted to be 10 to 20 times more than at present. Our leadership in global coalitions such as the Glasgow Financial Alliance for Net Zero (GFANZ) is proposing radical solutions to restructure global finance, for instance via financed emissions target setting, to deliver net zero.

This year will be a challenging one for all of us, but I predict we will see greater transparency in climate planning and how capital is shifting as well as an acceleration in renewable capacity investment and addressing emission reduction. At HSBC, this year



we'll be publishing financed emissions targets for five sectors, an updated deforestation policy, and our own bank-wide transition plan.

We look forward to working with the UAE Presidency for COP28 as it takes forward the global policy leadership on climate change.

*This article first appeared on Enterprise on behalf of Zoe Knight, 23<sup>rd</sup> January 2023*