

Climate Progress Dashboard: will 2021 be the year of decisive change?

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Schroders' latest update on climate change indicators offers a disappointing result. But our Global Head of Sustainable Investment expects more policymakers and companies to release detailed climate action plans than ever before this year.

A long-run temperature rise of around 3.7 degrees over pre-industrial levels is the latest estimate our Climate Progress Dashboard⁶⁹ suggests. This result, based on analysis of projections from four key categories in the fourth quarter of 2020, is marginally down from the 3.8° degree rise implied in the autumn of 2020.

But it is still a long way from the “below 2°” target enshrined in the Paris Accord in 2015. These headlines may be disappointing, but pressure is building and 2021 could prove to be the year of decisive change, as our analysis shows. In the run up to the 26th Conference of the Parties (COP26) in November, the stream of announcements from policymakers and companies is set to gain momentum.

With the global summit – postponed from last year due to the COVID-19 pandemic – now set to go ahead, we should start to see the much-needed details and actions for meeting the Paris Agreement ambition.

How our Climate Progress Dashboard reflects incremental improvements

To date, policymaker announcements have tended to focus more on long-term targets than on shorter-term policy action. But there are signs of tangible steps being taken in many countries. The scale of change since Q3 2020 may be modest, but the indications are reflected in the dashboard. Every indicator is either unchanged or has improved since the last reading, with sharply higher carbon prices the biggest driver of change.

EU Emissions Trading System (ETS) prices have reached close to EUR40/t at the time of writing, new highs for that market. In the US, prices in the Regional Greenhouse Gas Initiative (RGGI) carbon price auction have been similarly strong. With the Biden administration likely to take a new direction in climate policy, pressure on the US could well accelerate.

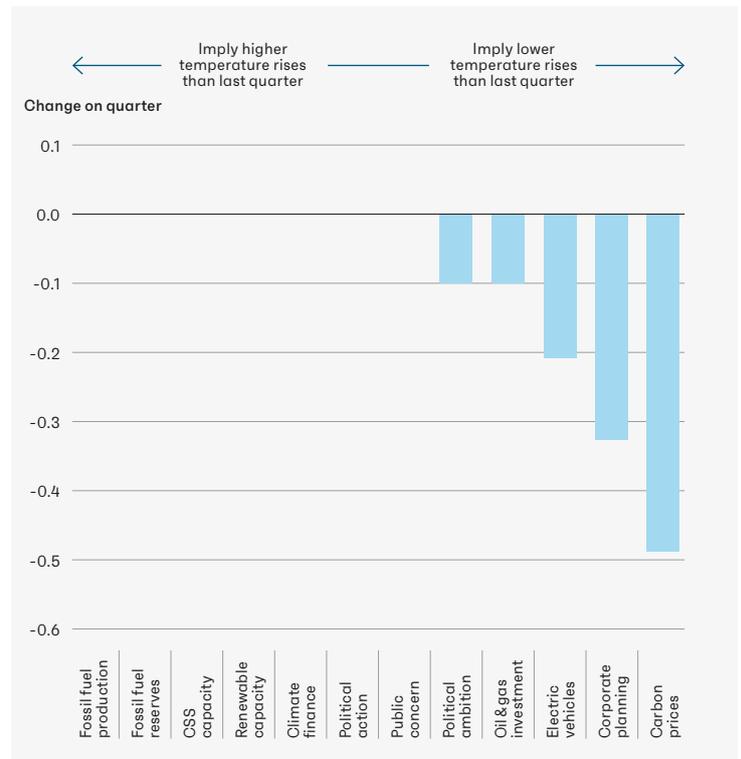
Coordinated response needed

As an active asset manager that invests across the public and private markets globally, we have a fundamental responsibility and imperative to encourage companies to re-orientate their business models towards decarbonisation, and to lead by example with our own business practices.

Now is not the time to be complacent. We are in a pivotal moment, and whilst some progress is being made, we need an aggressive and coordinated approach across policy markets, corporates and investors.

Summary of changes

The chart below plots the changes in each indicator relative to the last update (Q3 2020).



⁶⁹ The Climate Progress Dashboard compares projections made by international organisations to estimate the temperature change implied by the current progress seen in four categories: political action, business and investment, technology development and fossil fuel use. Overall, we monitor 12 individual indicators (3 in each category).

<https://www.schroders.com/de/ch/asset-management/themes/climate-change-dashboard/>