



COP26: immediate implications

Transport

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An overview of key announcements and implications for transport companies up to and including Transport Day (November 10th)

Expectations going into COP

Transport subsectors face distinct climate challenges, but through which run a common thread: how to address a significant carbon footprint – [24% of direct CO2 emissions](#) from fuel combustion – while limiting any ‘green premium’ for customers.

- With road vehicles accounting for nearly [three-quarters of transport CO2 emissions](#), **automotive** is in focus. Electrification is technically proven and increasingly set to be a regulatory requirement. Yet with limited global coverage of charging infrastructure, and with cost parity with internal combustion engine (ICE) vehicles yet to be achieved, emphasis is on delivery: government funding and incentives will be under as much scrutiny as automakers’ business models.
- For **aviation**, by contrast, the technical solutions are less proven, with scrutiny on the scalability of emerging technologies the industry highlights as core to its transition. With electric and hydrogen aviation still very early stage, a key question is whether either tax breaks or hikes could help improve the availability of the scarce biofuels on which up to [65% of the sector’s decarbonisation could depend](#).
- **Shipping** faces a similar challenge, with zero-carbon infrastructure not yet in place at scale, and with growing consensus that a major regulatory push will be required to drive progress. Discussions held by the International Maritime Organisation around proposals for how carbon is priced into maritime trade are a pressing issue that could shape the industry’s operating environment.

Uniquely, **rail** can claim to be an existing low carbon form of transportation and, perhaps as a result, has been omitted from the presidency programme. Success for rail is therefore more about the extent to which it is positioned as a low carbon alternative to other forms of transport.

Across subsectors, the case for pricing carbon emissions will continue to be debated, with who would pay and how this should be organised remaining an outstanding issue for most governments.

The prospect of price rises raises a more fundamental question around hard to decarbonise modes of transport: should we simply travel less?

All eyes are on industry – and its innovation pipeline – to make the case for a different trajectory.

Implications for business

Automotive

Research by Bloomberg New Energy Finance, commissioned by the UK COP Presidency and published on Transport Day, highlighted both the rate of change and need for further progress:

- 31% of the global passenger vehicle market is now covered by vehicle manufacturer commitments to end sales of fossil fuel-powered vehicles, up from a near zero share of the market at the start of 2021
- ZEVs are forecast to be 70% of all new car sales in 2040, with this projection having doubled in the last 5 years
- 19% of 2020 passenger vehicles sales were in countries that now have an internal combustion engine (ICE) phase-out date, up from 5% in 2019

In this context, the **Zero Emission Vehicles Transition Council** (ZEVTC), an intergovernmental coordination body co-chaired by the US and UK, [indicated key areas where nations will focus efforts on policy change](#) that can drive progress: prioritising charging infrastructure, fuel efficiency standards and regulations and the heavy goods vehicle transition.

Agreement of a **2040 target to eliminate new car and van emissions** has created an even clearer point of business and political differentiation, with customers and activists likely to feel bolder in pressing automakers that have not signed up to do so. That constituent states and city regions have in some cases signed up even where their national governments have not – the US, China and Germany have not signed – formalises a trend of differing expectations within major urban centres and regions where climate action enjoys broad popular support.

Notable comments from the conference

- *"There is no longer a range anxiety in the automotive industry, we know the vehicles can manage – it's now a case of charge anxiety, consumers are needing confidence in the charge point networks,"*
Lorna McAtear, National Grid
- *"Now, the majority of the industry are behind recognising that, not only is sustainable aviation fuel the real opportunity for the next 10 years, but also for medium- or long-haul flying by 2050, which will represent 50% of our emissions."* **Jonathan Counsell, Group Head of Sustainability, IAG**
- *"It's really about making sure that we use policy tools to encourage the adoption, to get scale big enough that we close the cost gap between conventional jet fuel and sustainable aviation fuel."*
Pete Buttigieg, US Transportation Secretary

In parallel, the challenge of **decarbonising heavy goods vehicles** (HGVs) has been highlighted by the fact that the UK alone committed to phasing out new, non-zero emission HGVs by 2035.

For automotive, COP26 will heighten the competitive dynamic between companies that have committed forcefully to electrification, and those that have yet to do so; and similarly, place a greater weight of expectation on governments to support related infrastructure.

Aviation

COP26 has reinforced a sense that there are no easy answers, particularly for long-haul flights where emerging technologies are unlikely to be applicable soon. As a result, the possibility of significant policy intervention via the tax system at national or international levels remains.

The need for action on **sustainable aviation fuels (SAF)** has been a major focus. The Sustainable Aviation Buyers Alliance launched the Aviators Group at an event attended by US Transportation

Secretary Pete Buttigieg, who challenged the group to come to COP27 with significant new SAF agreements. Yet as stakeholders learn more about SAF, they are realising not all SAF is made equal – with some forms of the fuel are potentially more polluting than kerosene. It will be important for aviation companies to be progressively more granular in explaining SAF.

Notably absent from the conference were emerging technologies like hydrogen and electric aviation, potentially hardening a view that demand-side measures may be needed where no climate-friendly option exists.

Shipping

There has been bold political action, with a **commitment to establish at least six green shipping corridors by 2025** signed by 19 nations including the US, UK, Japan, France and Germany. Although operators will not be mandated to be zero emissions, signatory nations have pledged to look at policy, regulatory frameworks, and incentives.

The gap between the expectations of the green shipping corridors and established practices in the industry increases the likelihood of public policy interventions, including a potential carbon levy on global shipping.

Rail

The effective omission of **rail** from the COP26 agenda could be considered to have denied the industry an opportunity to argue its case for increased investment. Yet, with some other transportation sub-sectors still needing to build broad confidence in their net zero trajectory, over time, the intensifying scrutiny may make this case by itself; similarly, any overarching policy moves towards carbon pricing would be likely to advantage rail relative to other subsectors.

Summary of key developments

Geopolitical announcements

International policy commitments and declarations

- 24 countries including the UK signed the [COP26 declaration on accelerating the transition to 100% zero emission cars and vans](#) by 2035 in leading markets, and by 2040 globally.
- Fifteen countries, including the Netherlands, and several transport companies [signed an agreement](#) aimed at making all road traffic clean by 2050, through support for electric and hydrogen powered vehicles.
- The US' Federal Aviation Administration (FAA) published its [Aviation Climate Action plan](#), which outlines the whole-of-government approach to put the sector on a path toward achieving net-zero emissions by 2050.
- The UK is to make an initial £4 million (US\$5.3m) contribution to the World Bank's new global facility for decarbonised transport. The fund plans to mobilise \$200 million over 10 years to support transport decarbonisation in developing countries.

Automotive

- 24 countries, 6 major vehicle manufacturers (GM, Ford, Mercedes, BYD, Volvo, Jaguar Land Rover), 39 cities, states and regions, 28 fleets and 13 investors committed to working towards 100% zero emission new car and van sales by 2040 or earlier, as part of the aforementioned [COP26 declaration](#).
- The UK become the first country in the world to [commit](#) to phasing out new, non-zero emission heavy goods vehicles weighing 26 tonnes and under by 2035, with all new HGVs sold in the UK to be zero emission by 2040.

Aviation

- The [International Aviation Climate Ambition Coalition](#) launched – committing signatories to support the adoption of an ambitious global goal for international aviation CO2 emissions by the International Civil Aviation Organization.

Shipping

- A number of countries including the UK, US and Australia, signed an agreement – the [Clydebank Declaration for Green Shipping Corridors](#) – to accelerate the decarbonisation of the shipping sector and its fuel supply through green shipping corridor projects.

Corporate announcements

Automotive

- Volvo Cars, Jaguar Land Rover, General Motors, Ford, Mercedes and BYD all [signed](#) the Glasgow Declaration on Zero Emission Cars and Vans. Volvo also introduced an internal carbon price of 1,000 SEK (US\$114) for every tonne of carbon emissions across its entire business – in line with its ambition to become climate neutral by 2040.
- BMW [confirmed](#) it would not sign the deal and noted “there remains considerable uncertainty about the development of global infrastructure to support a complete shift to zero emission vehicles, with major disparities across markets”.
- Volkswagen CEO Herbert Diess [told](#) an online summit that while his company had not signed the deal, the automotive industry had to “do our part” to tackle climate change. He noted it “could still make sense to use synthetic fuel cars in Latin America in 2035” via a combustion engine.
- Tesco [announced](#) that all future home deliveries in Glasgow will now be made using electric vehicles – completely ending the use of fossil fuel vans in its delivery fleet.

Aviation

- US airlines including Amazon Air, Alaska Airlines, JetBlue and United Airlines, [launched](#) the Aviators Group, aimed at driving investment in high-integrity sustainable aviation fuels.

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Brunswick's Climate Hub brings together senior expertise from across the connected worlds of finance, policy, and society, to help companies engage meaningfully with the full range of stakeholders on climate change.

Our ambition is to help clients play a successful role in the transition to a resilient, zero-carbon world.

<https://www.brunswickgroup.com/climate-hub/>

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