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THE MESSAGE

MORE POWELL THAN COP28

The Climate Transition

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Sustainable finance according to AISM LUXEMBOURG

In December, the annual meeting on climate transition took place. Expectations were high: on one side, Europe reaffirmed its “fit for 55” program, aiming to reduce greenhouse gas emissions by 55% by 2030 compared to 1990 levels. On the other side, the promises from the USA and China: both found a common ground in climate, pledging to triple investments in renewables by 2030.

The conference started uphill, with Al Jaber, the meeting’s president and CEO of Adnoc, the national oil company of the United Arab Emirates, stating that a failure to use oil would regress the world to primitive conditions. He emphasized the absence of scientific evidence proving

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that a gradual elimination of fossil fuels could curb global warming.

The final proclamation did not echo unanimous support for climate action. Instead of concluding at noon, the proceedings extended until 3 am the next day. The planned "phase-out" of fossil fuels, favoured by greener countries, faced resistance from oil-producing nations and conference organizers. A middle ground was eventually reached, termed as a "transition away" from fossil fuels, leaving room for doubts and concerns about possible delays from resistant countries. Nonetheless, some see the glass half full, noting it's the first time in a COP that some mention of phasing out fossil fuels has been made.

Optimism also surrounded initiatives such as six major oil companies allocating **funds to reduce methane emissions** by 2030, **a promise to triple investments and double the efficiency of renewable energies** by the same year, and the signing of the **Global Decarbonization Charter**, in which 50 fossil fuel producers commit to zero emissions by 2050. However, this commitment lacks intermediate benchmarks or quantitative checks, making it a voluntary, non-binding limit with no sanctions for non-compliance.

Nuclear energy was also acknowledged as clean energy, with 22 countries pledging **to triple nuclear energy production by 2050**. After having been considered unsustainable by the European Parliament in 2020, it re-entered in the European taxonomy in 2022 as a transition activity and was eventually declared entirely sustainable in COP 28 in 2023, considering the expected tripling of production by 2050. All this on the backdrop of the Russo-Ukrainian war and threats to the Zaporizhzhia nuclear power plant.

All these promises and celebratory results – unprecedented in previous COPs – did not alleviate the negative sentiment surrounding renewable energies. The S&P Clean Energy index still showed a -30% performance from the beginning of the year as at the conference's close, and lost -5% while the conference was underway, suggesting investors were sceptical or found promises too vague and far in time.

In contrast, the December 13 FED meeting and the pivot point on interest rates, with a more dovish Powell than expected, buoyed growth stocks, especially renewables – the most affected stocks during the year. In the remaining ten days of 2023, the renewable index mentioned earlier gained over 10%.

Investors continue to be profit-driven, as evidenced by the performance of defence-related companies following substantial government investments in defence due to the ongoing wars. If countries, especially Europe, want to attract private capital into sustainability, they should support their intentions with clear incentives, investments, and programs: these are the weapons at their disposal.