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COP26 and mining

What does it mean for the sector?

Few industries have as much at stake at the UN's climate conference as mining. We size up the risks, rewards and key issues

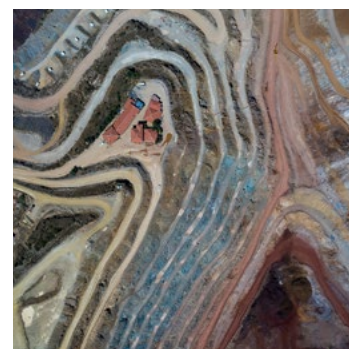
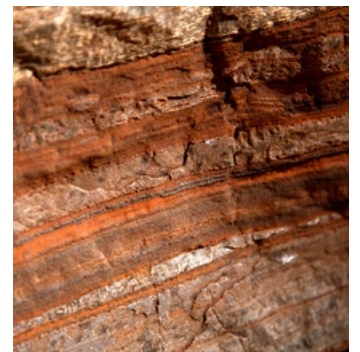
The mining sector is well versed in both the pressure to achieve meaningful emissions reduction and the opportunities to contribute to the clean energy transition. In the past year, there has been a proliferation of government, corporate and project-level net zero commitments by 2050, or more ambitious timeframes.

The United Nations Climate Change Conference (COP26) will further drive ambitious net zero commitments and the focus on delivering emissions reductions sooner with firmer outcomes, rather than aspirational targets. With mining at the sharp end of this global debate, we assess the pressure points and key issues for the extractive industries.

Summary

COP26, along with the broader global push for a cleaner and greener mining sector, creates challenges and opportunities across the industry. Some important issues for mining participants to consider include:

- Investment in greener operating methods and emissions reduction technologies to meet emissions targets and decarbonise, such as electrification and use of hydrogen-powered technologies, with support from public and private finance.
- Shifting demand for critical minerals arising from the acceleration towards electric vehicles and the uptake of renewables.



- Continued focus of shareholders and financiers on emissions reduction targets, climate reporting, climate change policies and commitments and any new actions from COP26.
- Agreement regarding the carbon pricing mechanisms under Article 6 of the Paris Agreement and potential associated compliance costs.

COP26 goals and implications for the mining sector

COP26 welcomes world leaders to make commitments to align with the target of achieving net zero carbon dioxide emissions by 2050 in accordance with the Intergovernmental Panel on Climate Change special report *Global Warming of 1.5 °C*. The conference will focus on four key goals: mitigation, adaption, finance and collaboration. Below are key areas where COP26 may impact the mining sector.

- **Greener operations** The call for ambitious emissions reduction targets and the focus on energy efficiency means a renewed focus on the emissions intensity of mining operations. Therefore, there will need to be a continued

focus on greener mining operations, including cleaner energy sources, projects for the deployment of technology and joint ventures to investigate cleaner operating methods. Electrification and use of hydrogen in mining operations, as well as other carbon abatement technologies, will continue to be increasingly important across the sector.

- **New coal commitments** COP26 refers to the phasing-out of thermal coal and scaling up of clean power among the actions that countries should take to achieve net zero. Mining companies should monitor and consider any new commitments on coal energy generation and investment in coal projects made by governments and businesses. These commitments may impact future project approvals and access to capital, finance and insurance for existing and future coal projects.
- **Shifting demand for critical minerals** Another action to achieve net zero that has been flagged for discussion at COP26 is the acceleration towards electric vehicles and renewables. This has implications for demand for critical minerals, which are components of these technologies, including copper, lithium, aluminium, nickel and rare earths.

- **The role of financiers** The COP26 goals recognise the importance of governments and financial institutions in funding the energy transition. The goals emphasise that these parties have a key role to play in facilitating investment in emissions reduction technologies and may extend to those with applications in the mining sector. (For further detail on climate finance refer to our legal briefing)
- **Collaboration** The conference's objective of collaboration underscores the opportunities for global, cross-sectoral partnerships to address the challenges of climate change. COP26 may create further opportunities for mining sector participants to work with governments, industry peers, supply chain stakeholders and broader society to address climate change in new ways (and potentially in light of new global goals).

Carbon pricing mechanisms

One of the goals of COP26 is to finalise the rulebook setting out the operational framework for the Paris Agreement, which includes agreeing the carbon pricing mechanisms under

Article 6. Agreement regarding carbon pricing may increase compliance costs for mining companies in jurisdictions with low levels of reporting or no carbon pricing. Any new carbon pricing regimes should be examined in detail to determine their impact.

For in-depth analysis on carbon market mechanisms and COP26, refer to our legal briefing.

Mobilising action and opportunities

COP26 is likely to reinforce trends in the mining sector, including increased regulation aimed at emissions reduction and accelerating the energy transition, climate change litigation, investor expectations and activism on climate, climate disclosures and sustainable financing. The conference will provide challenges and opportunities for the mining sector to mobilise and lead on climate change and ESG issues more broadly.

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