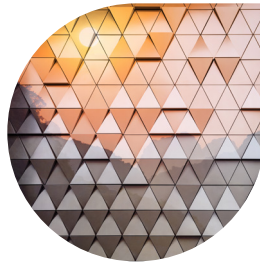


# Linklaters



Interview with:

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## Marco Tonegutti, Managing Director and Senior Partner Boston Consulting Group (BCG)

Marco Tonegutti, Managing Director and Senior Partner at Boston Consulting Group (BCG) spoke to Marco Visaggio, Co-Head of BD – Western Europe, and Alessandro Gemmo, member of the ESG working group at Linklaters, about the role of BCG as consultancy partner of COP26 and the impact of the Race to Zero on economic operators.

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**Q:** Why did you decide to be one of the partners to COP26?

**A:** The COP26 summit, will bring parties together to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. BCG's role as Consultancy Partner complements its other efforts to help shape the global climate agenda through partnerships with the WEF (World Economic Forum), WWF (Worldwide Fund for Nature), TED Countdown, SBTi (Science Based Targets Initiative), and CDP (Carbon Disclosure Project).

We are at a critical juncture in the fight against climate change, and there is nothing more urgent than finding a path to net zero. To avoid irreversible damage, global emissions must be cut in half by 2030 to stay on track with Paris Agreement goals and reach net zero by 2050. This is not easy, but for business it represents both an imperative and opportunity to achieve sustainable competitive advantage. COP26 represents a pivotal moment in the global drive for businesses, governments, and society to take decisive action, and we are honoured to be able to play a role in this.

**Q:** What would you consider to be a successful outcome for COP26? What do you think are the biggest challenges that the COP26 process will face?

**A:** Given the stark warnings in the latest IPCC report, COP26 is a moment of truth for whether we can keep a 1.5 future alive. Emissions need to be halved by 2030. A successful COP outcome would involve concrete commitments from the parties in relation to a number of policies, including near-term coal and internal combustion engine phaseouts, pledges to substantially reduce methane emissions and reverse deforestation, as well as greater focus on adaptation and resilience. There will also be a strong focus on whether the promise to mobilise \$100bn of public finance for developing countries by 2020 will be delivered, and furthermore, whether this can be amplified with private sector finance. This COP also brings the opportunity of a whole new level of radical collaboration between parties and non-state actors.

However, there will be a number of challenges to achieving this. Firstly, it's not guaranteed that enough parties will make the hoped-for policy commitments or enact legislation to turn these commitments into action. Secondly, countries have yet to commit to mobilising the full US\$100bn. This delay, coupled with the inequitable exposure to climate change of developing countries, may create a challenging negotiating environment. Thirdly, navigating the challenges of Covid will continue to add an extra layer of complexity to the entire conference.

**Q: What changes have you detected in the operators' activities and requests after COP21 and what new kind of requests for assistance do you expect to receive after COP26 in connection with energy transition?**

The reality is that outside of Europe, we have seen limited change in activity, only in the last two years has there been a real shift in corporate attitude. The Paris Agreement created a great ambition, but there's a significant gap between the Paris vision and each country's actual nationally determined contributions (NDCs) to emissions reduction. COP26 aims to focus minds on that gap.

Nevertheless, we have seen a strong uptake in Net Zero commitments among business, including power and utility companies, with the sector hitting a Breakthrough Ambition within the UNFCCC's Race to Zero campaign, led by the High-Level Champions. Breakthrough Ambition is reached when 20% of the major players in a sector (by revenue) commit to a 1.5 science-based target and is considered to be the tipping point for decarbonisation of the sector to accelerate.

Oil and gas players are currently absent from the Race to Zero as there is no SBTi guidance for that sector. Nevertheless, we continue to work with several energy players to help them develop decarbonisation plans. For example, we have developed a proven methodology and tools to decarbonize oil and gas assets working side-by-side with operational and technical teams. This methodology provides an efficient approach to setting asset-level targets and building asset-level action plans that feed existing planning and budgeting processes to accelerate emissions abatement.

**Q: Which energy technologies (eg energy storage, hydrogen) in your opinion will play a key role in order to achieve emission reduction targets?**

Every scenario model suggests that a single technology alone is not capable of achieving our targets. We'll need to deploy all means at our disposal including both removing carbon from the atmosphere and reducing greenhouse gasses. Alternative sources of energy will play their part including solar energy, wind and electricity storage. Changing approaches within industries will also be required, including electrification, hydrogen, using sustainable bio-based feedstocks, product substitution, and carbon capture, utilization and storage (CCUS). Additional methods for removing carbon will also need to be considered: bioenergy with carbon capture and storage (BECCS), direct air carbon capture (DACCS), enhanced weathering and ocean alkalization as well as nature-based solutions such as re-forestation.

**Q: Some of the most important Parties to the COP26 (eg UE, UK, USA, Canada and China) have announced a long-term strategy aimed at carbon neutrality/net zero GHG emissions within 2050. In your opinion, how do you think this target will affect the operators?**

In reality the focus for operators will be on the latest round of NDCs ie. what we need to do by 2030 to halve emissions. This has been identified as the only way to stay on a 1.5-degree path. These are most likely to be translated into tangible policy for example Biden's budget reconciliation and infrastructure bill and the Fit for 55 package under the EU Green Deal.

In addition to parties' near-term plans, non-state actors in the Race to Zero have also been set near-term 'Breakthrough Outcome' targets, ie concrete targets that actors within a given sector would need to take to halve emissions by 2030. For the power sector, the Breakthrough Outcome is for solar and wind to make up at least 40%, and for renewables to make up at least 60% of global electricity generation by 2030. For the oil and gas industry, the Breakthrough Outcome is for a 40% reduction in oil and gas production, compared to a 2019 benchmark.



Marco Tonegutti

#### Managing Director and Senior Partner BCG

Marco is Managing Director and Senior Partner at Boston Consulting Group (BCG) and Regional Energy Practice Leader for Europe, Middle East, South America and Africa. Over the course of his experience at BCG, he has worked for large energy companies, collaborating with national and international players in Europe, Middle East, Africa and Asia. He participated in several turnaround projects, developing expertise on topics such as digital transformation, business plan development, process and production optimization, energy efficiency as well as asset and investment management. He has led several projects on corporate portfolio strategy for energy players in the space of energy transition and net zero strategy and implementation.

## Key contacts



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