

CLIENT ALERT

Climate Summit Signals Future Directions for U.S. and Global Policy Efforts

Apr.30.2021

The United States convened world leaders and other senior officials on April 22 and 23 for a Virtual Leaders Summit on Climate, fulfilling a campaign pledge and aimed at elevating U.S. global leadership on climate issues. At the outset of the Summit, the U.S. unveiled a new target to reduce greenhouse gas emissions by at least 50% from 2005 levels by 2030, which will serve as the country's "Nationally Determined Contribution" (NDC) under the Paris Agreement. Many details on how this will be implemented in the United States and through newly launched international initiatives remain to be announced. However, the U.S. NDC, the commitments made by other key countries, and several international initiatives announced during the Summit provide early but important guidance for companies on the direction for U.S. and global climate efforts in the coming years, potential regulatory and policy implications, and opportunities to engage constructively with governments.

U.S. Nationally Determined Contribution

The substance of the U.S. NDC is a commitment to an economy-wide net greenhouse gas emissions reduction target of 50-52% by 2030, as compared to a 2005 baseline. To develop that goal, the Administration looked at every sector of the U.S. economy. While recognizing that meeting that ambitious target will require a rapid acceleration of existing trends, the President has argued that the U.S. can meet the NDC through multiple different pathways. That is likely critical to reaching the proposed emissions target, given that it will be difficult, if not impossible, for the Administration to achieve all of its stated climate goals for every industrial sector—particularly if Congress does not pass significant climate legislation.

Since announcing the NDC, President Biden has repeatedly pointed to the jobs that will be created as a necessary result of a rapid transition to clean energy technologies. And even before announcing the NDC, President Biden laid the groundwork for that transition in his proposed infrastructure package, which included billions of dollars aimed at transitioning the U.S. motor vehicle fleet and power grid away from fossil fuels. In short, the recently announced NDC was but one step in a carefully choreographed dance, intended to complement and work in tandem with other major initiatives announced by the new Administration.

It also remains to be seen if or how the Biden Administration will explore the use of border carbon adjustments, which were raised during the presidential campaign. European Council President Charles Michel reiterated the European Union's intention to introduce a carbon border adjustment mechanism at the Summit, underscoring that "We are ready to work with all our partners on carbon pricing."

International Climate Cooperation

The Virtual Summit provided a platform for leaders to discuss climate efforts and goals ahead of the UN Climate Change Conference (COP26) in November in Glasgow. In addition to the announcement of the U.S. NDC, several other major economies announced their own goals:

- President Xi Jinping re-stated that China “strive[s] to peak” emissions by the end of this decade and reach carbon neutrality by 2060;
- Prime Minister Trudeau pledged that Canada would reduce its greenhouse emissions levels 40-45% from 2005 levels by 2030; and
- Prime Minister Yoshihide Suga announced that Japan would cut emissions 46% below 2013 levels by the end of the decade.

A number of climate initiatives were announced which could shape policy discussions and create new opportunities for industry engagement in specific sectors and geographies. These include:

- The launch of a **Net-Zero Producers Forum** between the Energy Ministries of the U.S., Canada, Norway, Qatar, and Saudi Arabia. This new forum between major oil and gas producing nations will aim to develop net-zero emission strategies, which may include advancing the circular carbon economy approach and methane abatement.
- The launch of a **Greening Government Initiative (GGI)** co-chaired by the U.S. and Canada to reduce emissions from government operations, including through adoption of green procurement strategies. Efforts will include working towards net-zero supply chains for government buildings and vehicle fleets.
- The launch of the **U.S.-India Climate and Clean Energy Agenda 2030 Partnership**, which will include a Strategic Clean Energy Partnership and a Climate Action and Finance Mobilization Dialogue. This bilateral initiative follows an announcement in March that the U.S. and India, along with Japan and Australia, will launch a Quad Climate Working Group.
- The United States is launching an **international dialogue on aligning the budget with climate risks and opportunities**. As part of this dialogue the U.S. will engage with international partners to enhance climate risk analysis in national operations and explore strategies to increase climate investments.
- The U.S. and the United Arab Emirates will create an **Agriculture Innovation Mission for Climate** to advance agricultural and food system research to enhance low-carbon growth food security. The initiative will be formally launched at COP26 in November.
- A **Global Climate-Smart Infrastructure Partnership** led by the U.S. Trade and Development Agency (USTDA) will be launched to connect U.S. industry to energy and transportation infrastructure investments in emerging markets.

The U.S. government released an **International Climate Finance Plan** at the start of the Summit, developed in response to President Biden’s January 27, 2021, Executive Order on Tackling the Climate Crisis at Home and Abroad. The Plan primarily focuses on public financing; strategies related to mobilizing private financing appear to still be developing. Key elements of the Plan and broader U.S. financing efforts include:

- Ensuring U.S. development agencies prioritize climate:
 - USAID will release a new Climate Change Strategy in November.
 - The U.S. International Development Finance Corporation (DFC) will aim to ensure at least a third of its new investments are climate-linked by FY 2023 and achieve a net zero investment portfolio by 2040.
 - The Millennium Challenge Corporation (MCC) will aim to dedicate more than 50% of program funding to climate-linked efforts over the next five years.

- The Treasury Department will seek to mobilize climate efforts at the World Bank and other regional development banks.
- Working with Congress with the goal to double by 2024 annual public climate finance to developing countries relative to the average level during the second half of the Obama-Biden Administration (FY 2013-2016).
- Seeking to mobilize greater private finance, including by expanding MCC partnerships and use of blended finance and expansion of Export-Import Bank support for environmentally beneficial exports.
- Working through U.S. agencies to seek to end international investments in and support for carbon-intensive fossil fuel-based energy projects and modify disciplines on official export financing provided by OECD export credit agencies to reorient financing away from carbon-intensive activities.
- Continuing work through the Treasury Department to promote information on climate-related risks and opportunities and investments.

The Crowell & Moring LLP and Crowell and Moring International LLC teams will analyze these developments further and discuss how they may translate into regulatory and policy impacts in an [upcoming webinar](#).

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

Amanda Shafer Berman

Partner – Washington, D.C.

Phone: 202.688.3451

Email: aberman@crowell.com

Robert Holleyman

Partner and C&M International President & CEO – Washington, D.C.

Phone: +1 202.624.2505

Email: rholleyman@crowell.com

Thomas A. Lorenzen

Partner – Washington, D.C.

Phone: +1 202.624.2789

Email: tlorenzen@crowell.com

Joshua Boswell

C&M International Director – Washington, D.C.

Phone: +1 202.508.8752

Email: jboswell@crowell.com

Himamauli Das

C&M International Senior Advisor – Washington, D.C.

Phone: +1 202.508.8751

Email: hdas@crowell.com