

Powering Up The Green Economy

President Biden's Leaders Summit on Climate: Key Takeaways For The Private Sector

Handshake has prepared this analysis of last week's White House climate summit, which marked a step change from previous administrations—and a clear path through the COP summit later this year, towards new regulation, investment and even legislation. The summit gathered 40 world leaders, alongside business and non-profit leaders, to focus on dramatic changes to several industries, driven by the climate crisis and associated investor flows. While the summit lacked key details and fell short in several areas, it also represented a clear shift in tone and focus from other global discussions about building a net zero carbon economy.

KEY TAKEAWAYS

- › The Leaders Summit on Climate was the first substantive attempt to chart a course to the next four years of the transition to a new green economy. It pointed clearly to the next global convening event, in Glasgow in November.
- › It outlined the mixture of economic incentives, regulatory interventions and political pressure that will drive investment, technology and commercial opportunities over the next decade. Many of these trends were already evident and accelerating, through investor flows, new technologies, and regulatory changes.
- › But there is no substitute in geopolitics for American leadership, and the Biden administration demonstrated that the US can drive and coordinate greater progress on a faster timeline than individual countries acting independently.
- › For the private sector, the message was clear. Executives will either lead this transition or find themselves struggling to adapt to forces beyond their influence and control.

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DAY 1, SESSION 1

LEADERS STATEMENTS

Carbon Targets And Global Competition

World leader statements often grab attention more for their timing and setting than their substance. In the case of the Biden climate summit, the roster of global powers was often matched by the level of their policy commitments. President Biden's hosting of the summit within his first 100 days in office marked a full rupture with the climate denialism of the Trump presidency. But he also backed up his presence with carbon reduction targets that exceeded President Obama's ambitions: a 50% reduction in emissions by 2030 (below 2005 levels).

The new US targets were echoed by Japan's prime minister Yoshihide Suga, who doubled his country's target from a 26% to a 50% reduction by 2030 (below 2013 levels), falling broadly in line with the EU's target of 55% by the same year. Some countries went further: Canada's prime minister Justin Trudeau increased his country's target from 30% to 45% by 2030 (below 2005 levels), while the UK's prime minister Boris Johnson said he would pass into law its higher target of a 78% reduction by 2035 (below 1990 levels).

The participation of less cooperative countries was striking, even if their commitments were less concrete or positive. Chinese president Xi Jinping repeated a rhetorical promise to wind down coal consumption after 2025, but his country will hit peak emissions in 2030 before moving to net zero by 2060. Russia's president Vladimir Putin spoke about carbon capture, storage and atmospheric removal. Brazilian president Jair Bolsonaro committed to a net zero carbon economy by 2050 and ending illegal deforestation by 2030. After four years of withdrawal from the Paris Agreement, there were substantial doubts about whether the United States could assert global leadership on climate issues. Those doubts were set aside at the climate summit. In addition to demonstrating its convening power, the White House successfully sparked a spirit of competitive target-setting and rhetoric among world leaders. However, tension with China – combined with weak Chinese targets for carbon reductions – could undermine domestic political support for Biden's investments in the new green economy.

DAY 1, SESSION 2

INVESTMENT IN CLIMATE SOLUTIONS

Financing The Green Global Economy

Instead of showcasing scientific data on climate change, or sounding the alarm on weather-related catastrophes, the climate summit laid the foundation for a new global dialogue on adapting to the new climate realities. That adaptation begins with massive investment from the public and private sectors in dollar terms that would have seemed outlandish prior to the pandemic, and prior to the huge flows of investor dollars to ESG funds. Instead, the summit's international and business leaders spoke in practical terms about investment in the new green global economy.

President Biden committed to doubling US finance to \$5.7 billion a year to help developing countries transition to net zero emissions. But this increased funding is nowhere near the level needed for the global transition, and the US budget will only reach that level in 2024. Treasury secretary Janet Yellin

placed the World Bank, and associated regional development banks, at the heart of the transition. Special envoy John Kerry focused on the role of private capital and concessional finance to leverage greater investment in economic transformation, as well as structural changes through public policy shifts such as carbon pricing, and ending fossil fuel subsidies.

Business leaders committed themselves to new coalitions including the Glasgow Financial Alliance for Net Zero, linked to the COP climate conference in Scotland later this year, and the Net Zero Banking Alliance. Brian Moynihan, chairman and CEO of Bank of America, said the alliances underscored the bank's commitment to deliver \$1 trillion of investment over the next decade in the transition to net zero carbon emissions, driving what he called "a fundamental change in demand—a change we need to finance."

DAY 1, SESSION 3

ADAPTATION,
GOVERNMENT
RESPONSE,
CLIMATE
SECURITY,
NATURAL
SOLUTIONS

Expanding Stakeholder Participation

The summit's breakout sessions attempted to draw together a broader group of leaders and issues across the wide range of challenges in transitioning to a green global economy. The Biden team favors a "whole of government" approach to many policy issues, leveraging both regulatory action and public spending to bolster its limited capacity for legislative action in a Congress where it holds the narrowest of partisan majorities. Secretaries of agriculture, homeland security and the interior explored technology, finance, and natural infrastructure

solutions to the challenges of adaptation. The EPA administrator showcased the need for leadership and coordination in government at the state, local and indigenous levels. New ground was broken in a climate security discussion among global defense officials –with command of huge budgets and political leverage–in exploring how the climate crisis can spark instability and conflict around the world.

DAY 2, SESSION 4

INNOVATION

Investing In New Technologies And Markets

European officials have argued that the US is too focused on technological innovation and not committed enough to regulatory and legislative action to drive the transition to a new green economy. That criticism reflects the different political and economic cultures on both sides of the Atlantic. But it also reflects the different levels of capital available in both the public and private sectors to invest in emerging technologies. The summit underscored how green technologies needed to be commercially available at competitive price points to drive the rapid transition to net zero carbon emissions that the world's leaders were committed to delivering. To that end, Denmark's prime minister Mette Frederiksen announced

a mission to decarbonize global shipping, in collaboration with the US. And Bill Gates announced the Breakthrough Energy Catalyst to lower the costs of new technologies with capital from the public, private and philanthropic sectors. "To provide all the benefits of the modern lifestyle to people around the world, we need new zero carbon products that are just as affordable and that have what I call a green premium of zero," Gates said. However, Fatih Birol, executive director of the International Energy Agency, warned that getting to net zero emissions by 2050 relied largely on technologies that were not yet ready to scale. "We need real change in the real world," he said. "Right now, the data does not match the rhetoric, and the gap is getting wider and wider."

DAY 2, SESSION 5

ECONOMIC
OPPORTUNITY

Shifting The Politics of Climate From Calamity To Prosperity

President Biden ended the summit where he started: pitching his new climate policies to political leaders and voters as a path to prosperity more than a means to avoid catastrophe. Biden's team promised the growth of high-quality jobs in energy, electric vehicles, and building retrofits. "No one is being asked for a sacrifice," said John Kerry. "This is an opportunity." Energy secretary Jennifer Granholm said new energy technologies would unlock a \$23 trillion market by 2030, by which time she said the US would halve the price of solar energy.

In the context of global trade and the trade wars of the last four years, Biden's trade representative cast the new green economy as "a race to the top" driving economic growth. This may be a sharp contrast to the Trump era, but it's not clear that global competition in clean energy will lead to equitable growth, given the level of public sector support envisaged by the summit's speakers. One country's innovative public-private partnership is another country's unfair government subsidy.



IN SUMMARY

The Green Road Ahead

The climate summit was the first substantive attempt to chart a course to the next four years of the transition to a new green economy. It pointed clearly to the next global convening event, in Glasgow in November. And it outlined the mixture of economic incentives, regulatory interventions and political pressure that will drive investment, technology and commercial opportunities over the next decade. Many of these trends were already evident and accelerating, through investor flows, new technologies, and regulatory changes. But there is no substitute in geopolitics for American leadership, and the Biden administration demonstrated that the US can drive and coordinate greater progress on a faster timeline than individual countries acting independently.

For the private sector, the message was clear. As the health sector has experienced through the pandemic, massive US intervention in the economy can lead to extraordinary opportunities and challenges. The pandemic-era model is now being applied to multiple industries that represent a new green economy – energy, transportation, construction, technology, and finance. Navigating these shifts requires proactive engagement with policy-makers and leaders across the public, private and non-government sectors. Executives will either lead this transition or find themselves struggling to adapt to forces beyond their influence and control.