

Biden Doubles Down at COP27

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Last Friday at the 2022 United Nations Climate Change Conference, or Conference of the Parties of the UNFCCC (more commonly referred to as COP27), in Egypt, United States President Joe Biden asserted that global warming posed an existential threat to the planet and promised his country would meet its targets for fighting it. In his speech, he said, “The climate crisis is about human security, economic security, environmental security, national security, and the very life of the planet.”¹

The president’s speech

In his speech, Biden asserted that the global mission is to avert climate catastrophe and seize a new clean energy economy “not only as an imperative for [the] present and future, but through the eyes of history.” He pointed to the effects of climate-related phenomena in the United States and Africa. He noted that, upon his taking office in January 2021, the U.S. immediately re-joined the Paris Agreement, convened major climate summits, and re-established a Major Economies Forum to spur countries around the world to raise their climate ambitions. He stated further that, at COP26 last year, the U.S. helped deliver critical commitments from countries representing two thirds of the world’s GDP to limit global warming to 1.5 degrees Celsius by 2030, the target set at COP21 in Paris.²

He laid out the following actions his administration has taken on the climate front:³

- Passed legislation to improve the nation’s infrastructure to make the power grid better able to transmit clean energy, expand public transit and rail, and build a nationwide network of over 50,000 electric vehicle charging stations.

¹ “COP27: Biden says the climate crisis is about ‘very life of the planet,’” William James and Nandita Bose, Reuters, 11 November 2022, available at www.reuters.com/business/environment/cop27-biden-says-climate-crisis-is-about-human-security-economic-security-2022-11-11/.

² “Remarks by President Biden at the 27th Conference of the Parties to the Framework Convention on Climate Change (COP27) | Sharm el-Sheikh, Egypt,” The White House, 11 November 2022, available at www.whitehouse.gov/briefing-room/speeches-remarks/2022/11/11/remarks-by-president-biden-at-the-27th-conference-of-the-parties-to-the-framework-convention-on-climate-change-cop27-sharm-el-sheikh-egypt/.

³ Ibid.

- Passed a climate bill last summer to invest \$368 billion to support clean electricity through offshore wind farms, distributed solar generation, zero-emission vehicles, sustainable aviation fuels, more efficient electrified buildings, cleaner industrial processes and manufacturing, and climate-smart agriculture and forestry.
- Required major federal suppliers to disclose their emissions and climate risks and set targets for themselves that are aligned with the Paris Agreement.

It is estimated that these initiatives will reduce U.S. emissions by about 1 billion tons by 2030 while unleashing a new era of clean-energy-powered economic growth. U.S. investments in technology, from electric batteries to hydrogen, are also expected to spark a cycle of innovation that will reduce the cost and improve the performance of clean energy technology. These advancements in technology will be made available to nations worldwide to accelerate decarbonisation on a global scale. These actions, the President claimed, put the U.S. on track to achieve its Paris Agreement goal of reducing emissions 50% below 2005 levels by 2030.⁴

The president also referenced the following commitments by his administration:⁵

- Updated the Methane Emissions Reduction Act Plan to crack down further on the U.S. oil and gas industry's emissions of methane. The plan would invest more than \$20 billion in domestic methane mitigation through capping orphan wells leaking methane and improving industrial equipment in the oil and gas sectors to reduce emissions. It also emphasises strong regulatory actions, including the strengthening of standards on methane across sectors, especially from "super-emitters." By 2030, these steps are expected to reduce U.S. methane emissions from covered sources to 87% below the levels of 2005.
- Announced more than \$150 million as a "down payment" on the Emergency Plan for Adaptation and Resilience to help developing countries embrace the energy transition and respond to climate change with a goal of funding more than \$2 billion over the next year.
- Supported Global Shield, a G7 initiative to better protect vulnerable countries by helping them adapt and prepare for the impacts of a warmer world and quickly respond to climate-related damages.

⁴ Ibid.

⁵ Ibid.

- Supported the G7-led Global Infrastructure and Investment Partnership to meet critical infrastructure needs in low- and middle-income countries with a specific focus on climate.

With the impact of Russia's unprovoked war against Ukraine on energy dynamics, Biden asserted it is more urgent than ever that the world's community of nations "double-down" on their respective climate commitments.⁶

What it means

The president's speech is a strong statement to his base and is buoyed by his party's stronger-than-expected showing in the U.S. midterm elections. The midterms are likely to embolden the Democrats' focus on transitioning from "incrementalism" to "transformation," and that boldness is implicit in Biden's speech. As he made clear, the U.S. is doubling down on meeting its 2030 emissions targets. His speech underpinned global aspirations to avoid "climate hell."⁷ Russia's war in Ukraine, spiralling inflation and the spectre of a global recession are mere distractions. In fact, Biden said global crises, including Russian aggression, are not an excuse to lower climate ambition.⁸ With that, a fragile and uncertain economy and potential impending energy shortages are unlikely to be deterrents.

The speech was interrupted by protesters sceptical that world governments are doing enough to address climate change. A U.N. report released last week disclosed that, by 2030, global greenhouse gas (GHG) emissions are on track to rise 10.6% over 2010 levels. Scientists say that these emissions must instead drop 43% by that time to limit global warming to 1.5 C above pre-industrial temperatures as targeted by the COP21 Paris Agreement.⁹

The realities and roadblocks

Should the president require more spending or even landmark legislation (e.g., carbon tax, carbon capture, etc.), what are the political and economic realities? The Democrats have retained control of the Senate through two possible scenarios – either 50-50 (with the tiebreaking vote of Vice President Kamala Harris) or 51-49, depending on the results of the

⁶ Ibid.

⁷ "World is on 'highway to climate hell', UN chief warns at Cop27 summit," Fiona Harvey and Damian Carrington, *The Guardian*, 7 November 2022, available at www.theguardian.com/environment/2022/nov/07/cop27-climate-summit-un-secretary-general-antonio-guterres.

⁸ "Remarks by President Biden at the 27th Conference of the Parties to the Framework Convention on Climate Change (COP27) | Sharm el-Sheikh, Egypt,"

⁹ "COP27: Biden says the climate crisis is about 'very life of the planet.'"

Georgia Senate race run-off in early December. Sustaining Democratic control of the Senate likely means that the administration can get the cabinet and sub-cabinet level policymakers it wants. That would enable follow through on much of what was laid out in the president's speech, particularly with respect to execution and enforcement.

The proposed new requirements for entities doing business with the federal government are another step toward mandating the need to act more sustainably and report on it regularly – not only for the firms covered specifically by the requirements, but also for their respective suppliers, third-party providers and lenders that will all likely be expected to provide regular data in support of those requirements.

While the Republicans likely will assume control of the House, their majority may be as thin or even thinner than Speaker Nancy Pelosi's in the present Congress. But a thin margin may be sufficient to control the purse strings, likely enough to limit the president's options insofar as additional legislation and funding are concerned. This could present an issue with respect to boosting funding for additional climate adaptation assistance to developing countries. Insufficient loss and damage finance has become a significant source of tension between developed and developing countries.

The yet-to-be-finalised Securities and Exchange Commission (SEC) climate change disclosure enhancements, proposed in March, are another factor to consider. When approved in final form, these rules would require public companies to disclose certain climate-related financial data and GHG emissions information in registration statements and periodic reports filed with the SEC. The objective is to enable investors to assess an issuer's exposure to climate change risks.

There are some roadblocks the administration will need to address.

1. Research by University of Oxford and Protiviti is not encouraging insofar as the private sector's level of commitment is concerned. The [research findings](#) suggest that North American companies are less committed to ESG-related matters than their counterparts in Europe and Asia Pacific (and less so than the results of a [global survey of CFOs and other finance leaders](#) suggest, as well), and may be underrating the importance of external pressures – stakeholder expectations and regulatory

commitment – that appear to be key drivers for companies in other parts of the world.¹⁰

2. Banks continue to provide money to fund fossil fuels projects. In 2021, banks organised \$742 billion of bonds and loans for the oil, gas and coal sectors—little changed from the prior year, despite escalating calls to rein in such lending to help tackle global warming.¹¹ In the aftermath of last year’s COP26 meeting, shareholder activists have proposed that banks take stronger action on climate change by ending new fossil fuel financing. These proposals have not gotten far, as the banks are earning lucrative fees on these transactions.¹²
3. Many countries, including the U.S. and members of the EU, have been calling for a near-term increase in the supply of fossil fuels to bring down consumer energy prices that spiked after Russia's invasion of Ukraine. The Biden administration insists that its calls to boost oil and gas production do not conflict with its longer-term ambition to decarbonise the U.S. economy.¹³ In effect, it is a bump in the road.

In summary, the aftermath of COP27 will be interesting. In the U.S., the enactment of new climate change legislation will be tough to achieve with a Republican-controlled House. In that event, the market can expect the Biden administration to resort to policy initiatives to drive visibility, accountability and transparency through execution, enforcement and requiring disclosure of climate data. Thus, the Democrats’ movement on climate initiatives in the first half of Biden’s term will continue into the second half, with the election results hamstringing the extent to which they will be able to advance that movement.

¹⁰ “Protiviti-Oxford survey shows North America ‘enthusiasm gap’ about ESG’s future impact,” University of Oxford and Protiviti, September 2022, available at <https://vision.protiviti.com/insight/protiviti-oxford-survey-shows-north-america-enthusiasm-gap-about-esgs-future-impact>.

¹¹ “World’s top banks pumped \$742 bln into fossil fuels in 2021 – report,” Simon Jessop, Reuters, 30 March 2022, available at <https://www.reuters.com/business/sustainable-business/worlds-top-banks-pumped-742-bln-into-fossil-fuels-2021-report-2022-03-30/>.

¹² “Bank shareholder proposals to curb new fossil fuel lending get slim support,” Elizabeth Dilts Marshall and Ross Kerber, Reuters, 26 April 2022, available at www.reuters.com/business/sustainable-business/bank-shareholder-proposals-curb-new-fossil-fuel-lending-get-slim-support-2022-04-26/.

¹³ “COP27: Biden says the climate crisis is about ‘very life of the planet.’”

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