The 2021 Leaders Summit on Climate: starting point of the American Green Deal?

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Gilles Lepesant, 13 May 2021

The Leaders Summit on Climate convened by President J. Biden on 22nd April 2021 gathered 40 leaders and provided the opportunity for the new US President to address effectively… the domestic American audience. Beyond the new targets set in view of the forthcoming Glasgow Conference (less ambitious targets than European ones[1]), the US President dedicated most of his speech to the building of a bipartisan support that is currently lacking because of the polarization of the US public opinion. 14 percent of the Republican electorate only consider climate change as being a "very big problem"[2].

To get the support needed, the US President picked-up one argument: jobs. "When people talk about climate, I think jobs" Joe Biden stated. Thus, international partners of the US, especially Europe and China, should at the same time look forward to a more ambitious US climate policy and prepare themselves for an enhanced competition from the US regarding the technologies needed to cut emissions. In case of China, the country is at the same time a competitor and a key argument in the US debate since its lack of commitment to climate mitigation would weaken the narrative of the new administration.

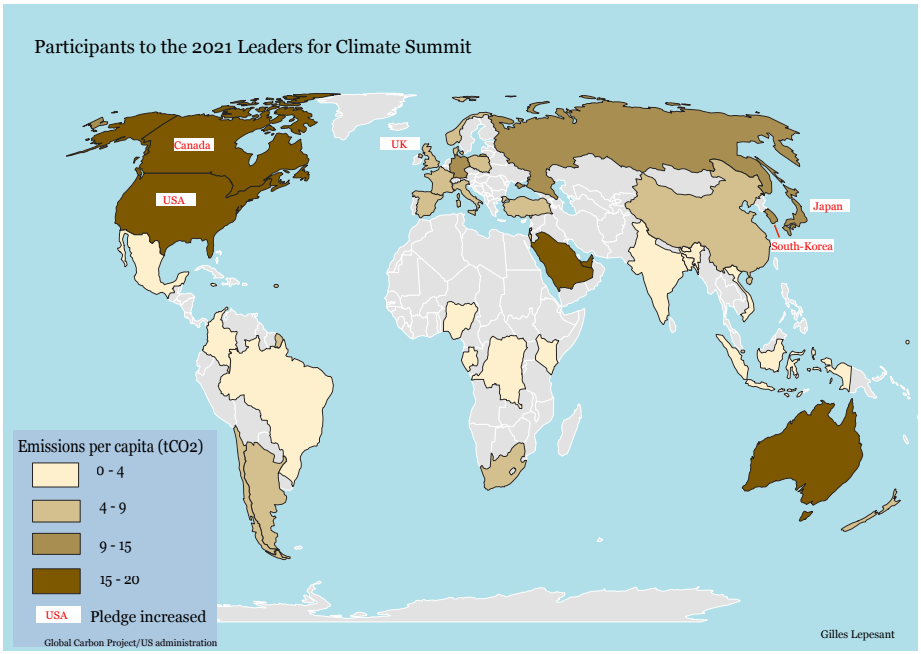
The Chinese President (first speaker of the summit after the US President) found a way between committing to new pledges that would have turned the summit into a diplomatic success for the US and refraining from any step forward that would have weakened the Chinese position on the international stage. The Chinese President didn't provide any new flesh to the commitment made in 2020 to reach carbon (and not climate) neutrality by 2060 but committed to "strictly limit the increase in coal consumption over the 14th Five-Year Plan period and phase it down in the 15th Five-Year Plan period". This statement has no precedent but should rather be considered as a consequence of the long-term climate ambitions set in 2020. As a matter of fact, this would mean a U-turn compared to the policy implemented so far. In 2020, despite the pandemic, China put 38.4 gigawatts (GW) of new coal-fired power capacity into operation, more than three times the amount built elsewhere around the world[3].

A few other countries did however contribute to the success of the summit by increasing their level of ambition. Canada, Japan, South-Korea and the UK did so[4] while EU countries limited themselves to recall their pledge (climate neutrality by 2050) and took note of the new American narrative. Since emissions from emerging economies are becoming a key issue, new pledges from India would have been meaningful. The country set to become the most populated country in 2024 is responsible for 7 percent of world emissions only but urbanization has not yet achieved the rate found in some other emerging countries, such as China. When India could peak its emissions remains unknown.

While the Chinese leader stressed the principle of "differentiated responsibility" and portrayed himself as a spokesperson of other emerging economies, the Indian Prime Minister supported high climate ambitions but didn't join the group of countries ready to increase their pledges in Glasgow. The Indian Prime Minister stressed instead the limited responsibility of its country (based on emissions per capita) and declared « We, in India, are doing our

1 Mr. Biden's promised to cut U.S. emissions between 50 and 52 percent below 2005 levels by 2030. The EU's pledge looks similar (a 55 percent cut) but the reference year is in this case 1990. If the same year was used in the US case, the pledge would amount to a 43 percent cut.
2 Pew Research Center, *Biden Nears 100-Day Mark With Strong Approval, Positive Rating for Vaccine Rollout*, 15th April 2021, p. 27.
3 David Stanway, "Energy China's new coal power plant capacity in 2020 more than 3 times rest of world's", *Reuters*, 3rd February 2021.
4 Canada pledged to reduce its greenhouse gas emissions by 40 percent to 45% from 2005 levels by 2030 (against a 30 percent reduction planned so far). Japan will cut emissions 46 percent below 2013 levels by the end of the decade. South-Korea promised to stop financing coal-fired power plants overseas and plans to increase its current target to reduce emissions by 24.4 percent by 2030 from 2017 levels. Shortly before the Summit, the UK pledged to cut carbon emissions by 78 percent by 2035 (against 2050 previously).

part »[5]. He recalled the high ambitions of the country for solar energy but didn't mention the word "coal" (although it provides 80 percent of the power mix).



What does the summit tell us about the Glasgow conference to come? Before the Paris conference, a bilateral US-China meeting did help to find a compromise. In 2021, the context looks different. The US special envoy suggested to ring fence the discussions on climate in order to go ahead despite the numerous contentious issues between the two countries. He was rebuked by the Chinese foreign minister Wang Yi: "If the United States no longer interferes in China's internal affairs, then we can have even smoother cooperation that can bring more benefits to both countries and the rest of the world"[6], he said. Secretary of State Blinken opposed such an approach "Climate is not a trading card – it's our future"[7].

Indeed, climate concerns have become a key issue in the US foreign policy. Climate warming is affecting more and more seriously the country as shown in February 2021 when the energy system of Texas collapsed following a deep freeze linked to the weakening of the Jet Stream. Such weather events are occurring more and more often, exposing the lack of resilience of the American infrastructure and the investments needed to ensure that the American grids are well connected with each other. Climate change has also security implications, as illustrated by the intensification of Russian (as well as American) activities in the Arctic[8]. Hence the priority given by the new US President both internally and externally (the US is responsible for 15 percent of the world emissions only) to climate concerns.

Last but not least, US authorities have taken note that the US industry has been outperformed by the Chinese industry over the last ten years. As stated by the Secretary of State: "it's difficult to imagine the United States winning the long-term strategic competition with China if we cannot lead the renewable energy revolution. Right now, we're falling behind"[9].

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5 « We are among the few countries whose NDCs are 2-degree-Celsius compatible. India's per capita carbon footprint is 60 percent lower than the global average » explained Prime Minister Moodi during the Summit.
6 Somini Sengupta, "Biden's Climate Summit Sets Up a Bigger Test of American Power", *New-York Times*, 23rd April 2021.
7 Antony J. Blinken, Secretary of State, *Tackling the Crisis and Seizing the Opportunity: America's Global Climate Leadership*, Speech at the Chesapeake Bay Foundation, Philip Merrill Environmental Center, Annapolis, Maryland, 19th April 2021.
8 Mike Baker, "Are We Getting Invaded?" U.S. Boats Faced Russian Aggression Near Alaska", *New-York Times*, 12th November 2020.
9 Antony J. Blinken, Ibid.

Indeed, the Market share of Chinese companies is close to 60 percent for the manufacturing of wind turbines, to 80 percent for solar module cells, and over 80 percent for battery cells. Without mentioning critical metals which come mainly from China or from countries where China has already built a strong presence. By focusing on jobs, J. Biden has chosen a risky path since the ambitious revamp of the energy system he is advocating would be much easier and more cost-effective with the support of imported equipment.

To ramp up the whole supply chain for solar panels, wind turbines, batteries might indeed take time and massive jobs creations shouldn't be taken for granted. Germany had 133 000 jobs in the solar sector in 2011, 26 000 only in 2020 despite a significant increase of installed capacities. Regarding electric vehicles, their production requires fewer parts and fewer workers than the production of combustion vehicles. Regarding wind energy, world leaders have currently no production plant in the US. The first off-shore project (Vineyard Wind) will be supplied by a US company based in Boston (GE) but with turbines built in France (Haliade-X)[10]. Maximisation of economic benefits of the ambitious vision laid out by President Biden might thus require specific measures to protect the domestic market while taking foot in countries keen to follow ambitious climate policies.

A. Blinken already spelled out his vision of the role of the diplomats in this respect: to help governments design and implement climate-smart policies and to provide simultaneously new opportunities for American companies. The biggest solar facility in Sub-Saharan Africa (in Angola), supported by US diplomats and companies, has been highlighted as a template in this matter[11]. Regarding the domestic market, protectionist measures might look attractive, but they would conflict with the support provided to multilateralism and to international cooperation in the face of climate change.

However, a US-China agreement is probably not critical to the success of the Glasgow conference. Competition could prove to be more effective and implementation of pledges (especially in emerging economies) has anyway become the key issue. Climate-financing is the most important issue in this matter and emerging economies might reap the benefits of the competition going-on to get their support (and to supply their markets). In a context where China is keen to gather support from other emerging economies, the US and India have established a "U.S.-India Climate and Clean Energy Agenda 2030 Partnership". The US is also committed to set up, to strengthen or to join various other coalitions such as the Renewable Energy for Latin America and the Caribbean initiative (RELAC), the Energy Resource Governance Initiative (ERGI) together with Australia, Botswana, Canada and Peru and the Leadership Group for Industry Transition (LeadIT) along with co-founders Sweden and India. The US Administration also announced plans to quadruple clean energy innovation funding over the next four years and to reinvigorate its participation in Mission Innovation.

With several initiatives taken abroad and in the US, the new administration is clearly shifting up a gear in its climate and energy policy, but serious challenges will have to be overcome. Climate change is often portrayed in the US narrative as the 21st-century moonshot. However, the share of R&D in GDP was as high as 1.9 percent when US astronauts landed on the moon whereas this share is now 0.6 percent. The whole economy needs to be overhauled if the US want to keep pace with Chinese technologies. Is « techno-optimism » as opposed to the focus put by Europeans on regulatory measures the right path? The Council of Advisors dismissed the idea that public intervention won't be needed: "Unlike most of its major trading partners, the U.S. government has not adopted a robust strategy to encourage the innovation and deployment of clean energy or to support U.S. workers and communities through the energy transition". The lesson drawn is clear: "Markets alone will not accelerate the energy transition at a sufficient pace or scale to address the climate crisis"[12] .

10 Gregory Meyer, « US offshore wind projects test strength of Joe Biden's green jobs promise », *Financial Times*, 12th May 2021.
11 Antony J. Blinken, Ibid.
12 Council of economic advisers, *White Paper, Innovation, Investment, and Inclusion: Accelerating the Energy Transition and Creating Good Jobs*, 23rd April 2021.

In this context, Joe Biden's commitments cannot be seen as a mere return to Obama's good old times. The US seems to agree more than ever that climate change is at the same time a security issue, a social challenge and one of the main playing fields of the competition with China.

Competition will be challenging for Europe too. The EU has built a carbon market that is at last proving effective (to the demise of the Polish authorities that fear the burden it represents for their coal sector). 14 out of the 15 countries portrayed as leaders of the energy transition by the World Economic Forum are European countries[13] and in 2020, the European market of electric vehicles overtook the Chinese one. The European Green Deal adopted in 2020 covers a broad range of policy initiatives that should contribute to reach climate neutrality by 2050. This is unfortunately not enough to ensure that jobs creations in the clean energy sector will offset job losses in the fossil fuels sector.

As shown by the boom and bust of the German solar sector, providing a huge market is not enough. The concept of lead-market is of limited relevance in time of globalization. Recent initiatives such as the up-dated EU industrial Strategy, the EU hydrogen strategy, the revised EU battery Directive are all reflecting a new thinking among EU policy makers. The idea that energy transition needs more than demand side policies is gaining ground. However, the EU will find it difficult to protect its own market (for example through the carbon adjustment mechanism) as it could face a strong opposition from both China and the US.

A better option is probably to focus on high-level standards for sustainability and to limit market access to all the parts of the supply chain that meet high social and environmental standards in this respect. This would meet the expectations of a public opinion that is more and more worried about the social and environmental conditions of extraction of the critical metals needed for the energy transition. It might also help the EU industry to cope with an increasingly tougher competition with Chinese and American technologies.

While oil, coal and gas resources matter in the age of fossil fuels, natural resources are becoming less relevant than patents when it comes to clean energy technologies. This is one of the areas where those who set the rules rule the world. From this point of view, the Leaders Summit on Climate has confirmed that the EU will have to come to terms with a new US administration that is now a like-minded ally as well as a competitor for technological leadership.

13 World Economic Forum Index of Energy Transition Readiness. https://www.weforum.org/reports/fostering-effective-energy-transition-2020. Accessed on 12th May 2021.