

Presidential Climate Action on Day One:

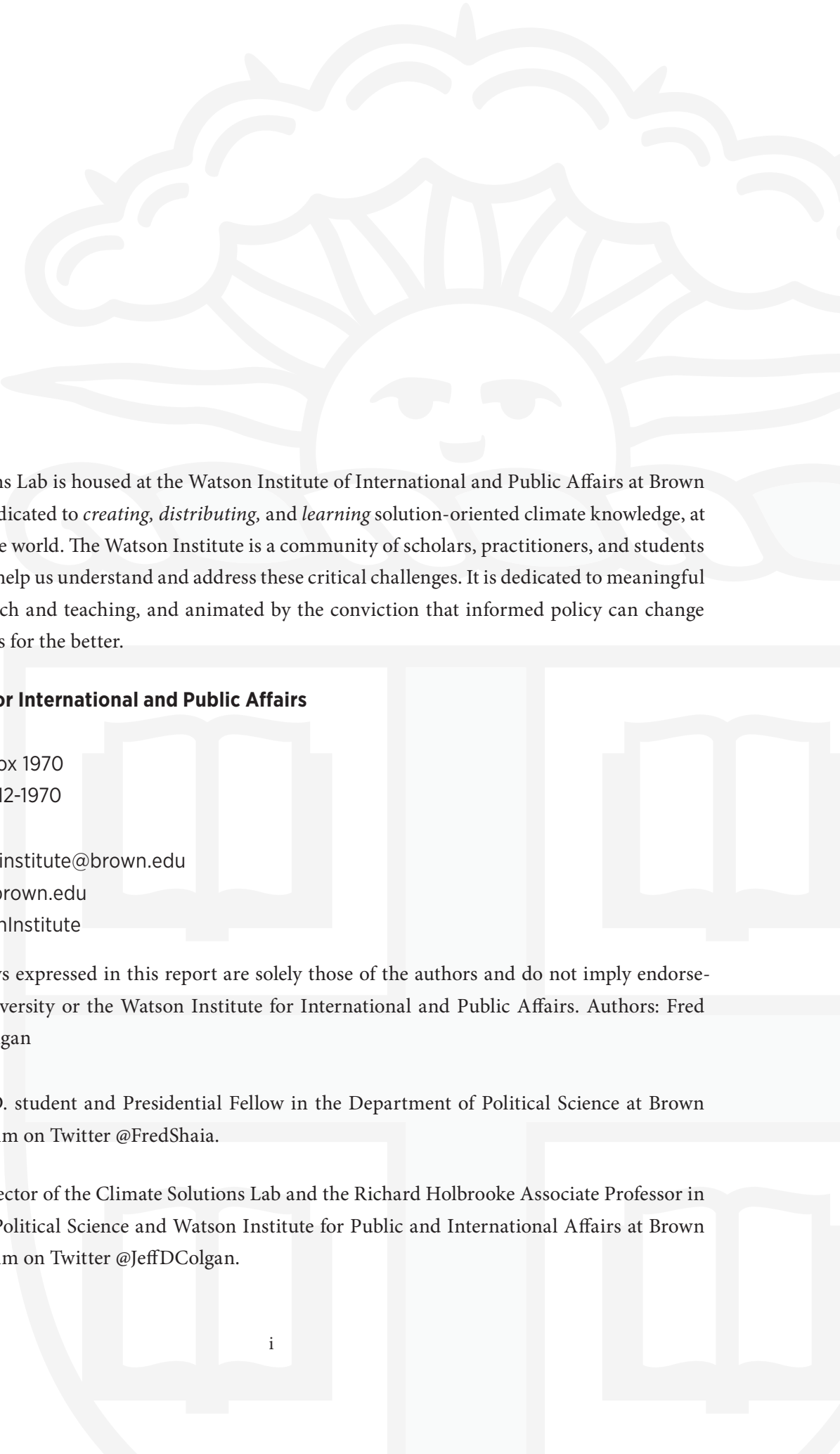
A Foreign-Policy Guide for the Next U.S. President

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PRESIDENTIAL CLIMATE ACTION ON DAY ONE:

A Foreign-Policy Guide for the Next U.S. President

Climate change is the defining global challenge of the twenty-first century. It is the cause of wildfires choking the American West and elsewhere. It is the reason tropical storms are far more intense than just a generation ago. Climate change constitutes a direct threat to the safety and prosperity of Americans. We must act on it.

Reorienting U.S. foreign policy to meet the climate challenge requires executive action from the next president. This report is directed at Democratic presidential nominee Joe Biden. We do not assume a Biden victory in the November election. Nonetheless, should Biden win office, the success of his foreign-policy agenda depends on presidential climate leadership. Biden has the most comprehensive climate plans of any leading presidential candidate in history, but there are still critical gaps in integrating climate action into his foreign-policy agenda. He must be prepared.

This report identifies ten executive climate actions, missing from Biden's pledges, which are central to advancing his foreign-policy objectives. It focuses on actions that support foreign policy, recognizing that others have identified domestic policy steps Biden could take if elected.¹ Our approach responds to calls to elevate climate change to the top of the U.S. foreign-policy agenda.²

We focus on executive climate actions at Biden's disposal. We do not cover climate-related legislation that could (and should) be passed by Congress or by other levels of government.³ Biden could act on our recommendations via presidential powers should he face legislative gridlock. There are, of course, drawbacks to using executive action. Still, the president must use the tools available to him. He should also recognize that meaningful domestic action is critical for U.S. leverage abroad. Without ambitious climate reform at home, any U.S. call-to-action would ring hollow.

It all starts with presidential leadership. Taken together, our ten policy proposals will secure U.S. global leadership on climate change, advance U.S. foreign-policy goals, and position the American economy for innovation and prosperity.

Ten Executive Climate Actions

Biden's Three Foreign-Policy Goals	Why Executive Climate Action is Needed	Executive Action Biden Has Pledged Already	Recommended Executive Climate Actions to Further Advance Biden's Foreign-Policy Goals
1. Restore U.S. Leadership on Global Challenges	Legitimacy of U.S.-led international order depends on effective climate action	<ol style="list-style-type: none"> 1. Rejoin the Paris Agreement and convene a "Climate World Summit" 2. End global fossil-fuel subsidies and ban Arctic drilling 3. Reinvigorate multilateral collaboration on clean-energy research and development 	<ol style="list-style-type: none"> 1. Create an international "Climate Club" of countries that collectively commit to: <ul style="list-style-type: none"> • Reducing emissions, penalizing non-participants through carbon tariffs, and "building back better" the World Trade Organization (WTO) 2. Rejoin the World Health Organization (WHO) and redirect its operations toward climate change 3. End routine natural gas flaring and reduce methane leakage 4. Protect the Amazon rainforest by working with Brazil and the international community
2. Safeguard the Economic Future of the United States	Economic growth and climate action are increasingly interdependent	<ol style="list-style-type: none"> 4. Prohibit the use of federal financing for domestic fossil-fuel infrastructure 5. Redirect overseas federal financing toward clean-energy infrastructure 6. Require public companies to disclose their climate risks and supply-chain emissions 	<ol style="list-style-type: none"> 5. Declare a U.S. national climate emergency, which would permit Biden to: <ul style="list-style-type: none"> • Use military funding to secure and decarbonize the electricity grid • Rapidly accelerate the expansion of clean-energy technologies • Issue loan guarantees to clean-energy developers and utility companies. 6. Direct the Federal Reserve (Fed) to address systemic climate risks by: <ul style="list-style-type: none"> • Appointing economists with climate expertise to lead the Fed • Urging the Fed to engage internationally on climate risk • Directing the Fed to invoke the Dodd-Frank Act to amend capital rules, require institutions to internalize climate risks, and apply enhanced prudential standards 7. Mitigate other climate risks to the U.S. financial system by: <ul style="list-style-type: none"> • Modernizing insurance, protecting pensions, appointing climate-conscious Cabinet members, and making climate risk a central G-20 and G-7 agenda item
3. Strengthen U.S. Democracy and Democratic Alliances	Climate action strengthens alliances with other advanced democracies and supports democracy at home	<ol style="list-style-type: none"> 7. Address environmental justice in marginalized communities 8. Reverse the environmental regulatory rollbacks of the last four years 9. Restore U.S. commitment to science in government 	<ol style="list-style-type: none"> 8. Launch a new partnership of the world's ten leading democracies ("D-10") at the "Summit for Democracy," and make climate cooperation a core agenda item 9. Decarbonize aviation and shipping sectors by working with advanced democracies 10. Address environmental migration by: <ul style="list-style-type: none"> • Establishing a task force in the State Department • Leading a coalition of democracies to improve international legal recourse • Directing the U.S. Ambassador to the UN to prioritize climate security

One Central Theme:

Reinforcing Domestic-International Climate Action

If there is one recurring theme in our recommendations, it is that the Biden administration must attend to the way domestic climate action reinforces U.S. standing in the world, and vice versa. The United States must first demonstrate that it is willing and capable of domestic climate reform before demanding action from others. But this need for credibility is only part of the issue.

The “free-riding problem” is a second and even more important reason for domestic and international climate policies to reinforce one another. Opponents of unilateral climate action, such as a carbon tax or a federal cap-and-trade system, fear that other countries would benefit from these costly domestic policies while contributing very little, if anything, themselves (known as free-riding). This concern presents U.S. policy-makers with a sequencing dilemma. If the United States were to condition domestic action on an enforceable global accord, it would take far too long given the glacial pace of international negotiations. Yet, unconditional domestic action would weaken Washington’s bargaining power and provide little incentive for other countries to follow suit—thwarting prospects of a global deal. A wise foreign policy must address this dilemma head-on.

The Biden administration should ensure that domestic and foreign policy on climate change fit together hand-in-glove. Each one is made more effective by strengthening the other. Policies should be sequenced effectively, using domestic moves to elicit reciprocal responses from elsewhere in the world. At times, foreign policy should be conditional: the United States will do more if others do, too. This conditionality is reflected across our report, including in the recommendations to support a Climate Club (recommendation one), end routine natural gas flaring and methane leakage (recommendation three), manage climate risks to the financial system (recommendations six and seven), and decarbonize the aviation and maritime sectors (recommendation nine). In each case, the Biden administration should reform domestic policy with an eye to the international context, and foreign policy should aim, in part, to remove obstacles for domestic action.

PILLAR 1: RESTORING U.S. LEADERSHIP ON GLOBAL CHALLENGES

The first pillar of Biden's foreign-policy plan is to restore U.S. leadership on global challenges.⁴ This objective requires decisive action on climate change. Biden has already pledged to recommit the United States to the 2015 Paris Agreement and convene a "Climate World Summit."⁵ He will also reinvigorate multilateral collaboration on clean-energy research and development and lead two global moratoriums: on fossil-fuel subsidies⁶ and offshore drilling in the Arctic. While these pledges are commendable, Biden's administration could and should go further by taking the following four steps.

1. CREATE AN INTERNATIONAL "CLIMATE CLUB" TO REDUCE CARBON EMISSIONS

Biden should act on his pledge to "pursue strong new measures to stop other countries from cheating on their climate commitments" by establishing an international "Climate Club" of countries that would collectively reduce carbon emissions and penalize non-members. Many economists, practitioners, and scholars of international relations believe the Club model is the most promising approach⁷ to addressing a core obstacle to climate cooperation: free-riding.⁸ Free-riding has undermined international efforts from the 1997 Kyoto Protocol to the 2015 Paris Agreement.⁹ The Club would function as follows:

1. **First, the United States would get its own house in order, by beginning to implement Biden's \$2 trillion pledge to transform the U.S. economy and energy system.** Cross-national research shows that green industrial policy plays a key role in expanding the political coalition that supports subsequent measures, such as carbon pricing.¹⁰ Furthermore, before demanding more of other countries, the United States must take action on climate change domestically to restore its diplomatic legitimacy.
2. **Second, Club members would collectively commit to a coordinated target for a minimum carbon price in each country.**¹¹ Members would then have the flexibility to choose how to implement that carbon price—through a carbon tax, a cap-and-trade mechanism, or equivalent regulation.¹² Carbon offsets should play a minimal role, if any. Biden could use presidential powers and work with allies to establish the Club, but formal ratification by Congress would boost the credibility of the United States' long-term commitment to the Club.

3. Third, the Club would penalize non-members and non-compliers via trade measures. Biden should support a uniform tariff on all imports from high-emitting countries that refuse to join.¹³

Tariffs and other border adjustments provide powerful incentives to join the Club and comply with its rules. This would require adjustments to the WTO's trade rules, which currently make it nearly impossible to apply environmental-border adjustments in a politically feasible fashion. The U.S. relationship with the WTO has deteriorated in the last four years. Biden should use this opportunity to "build the WTO back better" by making its rules fully consistent with a Climate Club.

4. Fourth, Biden should maximize membership. At a minimum, the Club should include Europe, the United States, and China.¹⁴ This might take time.¹⁵ Still, the Club's success depends on the membership of the world's largest economies, so that trade access to markets inside the Club attracts more members. If a major economy like China is left out, it could respond with retaliatory tariffs—carving the world into two separate trade blocs and crippling the Club's effectiveness. The strategic need for China's participation in a Climate Club carries big implications for the broader U.S.-Sino relationship. The world's fourth major emitter, India, is a lower priority, though still significant, for making the Club effective. We expect that if the Club includes Europe, the United States, and China, most of the rest of the world will follow in time.¹⁶

Scholars and analysts have offered specific proposals for a Climate Club, which vary in their details but share most of these essential features.¹⁷

Why would this help restore U.S. leadership on global challenges?

Establishing a Climate Club would advance U.S. leadership in at least three ways. First, the Club's penalty structure would multilateralize the carbon tariffs (otherwise known as carbon border-adjustment mechanisms) that Biden has already proposed.¹⁸ Carbon tariffs would become a legitimate part of the global trading system, which would be a significant step toward integrating climate considerations into international trade practices. Second, after three decades of failed climate negotiations, a Biden-led Climate Club could help restore the legitimacy of the U.S.-led international order. This would begin with domestic action in the United States, but must also be paired with international commitments to overcome the inevitable free-riding concerns that opponents to domestic climate action will raise.

Third, the penalty structure would help level an uneven economic playing field. Today's trade rules subsidize emissions-intensive production in countries with lax environmental standards, which hurts low-emissions manufacturing in the United States and Europe. If one country takes costly steps to reduce emissions, its manufacturers may move overseas where firms can pollute freely.¹⁹ A uniform tariff on all major economies that refuse to participate in the Club would reduce incentives to move operations overseas, counter anti-competitive trade practices, and strengthen the competitiveness of U.S. and European firms.

How could the proposal be made more effective with help from the U.S. Congress?

A Climate Club faces the domestic-international policy interaction highlighted at the outset of this report. If political conditions allow, Biden should urge the U.S. Congress to pass a law authorizing a *conditional* U.S. climate policy.²⁰ If China participates in the Club, it would join the United States and European countries in adopting a tax on carbon emissions above an agreed threshold (or an equivalent policy). No Club member would face climate-related tariffs from other members. If China declined to join, the United States and its European partners would adopt a more modest carbon tax (with fewer climate benefits for all) and also impose carbon tariffs on Chinese products. Those tariffs would be designed to economically disadvantage China's exporters at least as much as if China adopted the Club's carbon tax or equivalent, giving Beijing an incentive to join. If Beijing refused to participate, Washington and its European allies could shift the political narrative by casting China as the new global climate laggard, in addition to the economic penalties.

What are the counter-arguments and responses?

Biden would face challenges in pursuing a Climate Club. The Club's conditions would, over time, reconfigure the U.S. economy in ways that produce new economic winners and losers.²¹ Biden would face fierce political debates over how to distribute the costs among U.S. consumers (i.e., the general public) and U.S. producers (i.e., industries and laborers). The need for a "just transition" for workers who lose their jobs due to stronger climate policy could be expensive, even if that expense is justified to avoid the costs of climate inaction.

Big policies always face domestic opposition, but the important ones are worth it. Biden should coordinate closely with the U.S. Congress and European Union to shape the conditions of the Club in ways that minimize domestic distributive conflicts. In this respect, the United States has two options. It could play catch-up by accommodating new rules imposed by Europe—the European Commission is already proposing a carbon tariff as part of its \$1.2 trillion European Green Deal to reach carbon neutrality in the European Union by 2050.²² Or it could lead international climate cooperation by establishing a Club whose rules favor U.S. interests and support weaker countries that have released a far smaller volume of emissions. Biden should choose the latter.

Biden should pursue a two-pronged strategy: one domestic and one in foreign policy. This report does not focus on domestic policy, but it must work hand-in-hand with the foreign-policy approach. Specifically, it should provide a just transition.²³ Biden has rightly focused on generating green jobs. He should provide more detail about federal support for workers who will unavoidably lose from stronger climate policy.

On foreign policy, Biden could start this process by reviving the Major Economies Forum on Energy and Climate, which the United States launched in 2009 but has neglected since 2015. The core objective of this revitalization should be to engage members in a Climate Club. Natural allies for the Club include Canada, the European Union, and the United Kingdom—all of which have carbon-pricing schemes and have announced an interest in carbon tariffs.²⁴ Nonetheless, the effectiveness of the Club hinges on the participation of the world's largest carbon emitter, China.

Biden must persuade China to join the Club.²⁵ China is already taking some pro-climate actions, but it must do more.²⁶ Should diplomacy fail to motivate China to participate, Biden should act on his campaign statement that the United States “can no longer separate trade policy from our climate objectives. ... As the U.S. takes steps to make domestic polluters bear the full cost of their carbon pollution, the Biden Administration will impose carbon adjustment fees or quotas on carbon-intensive goods from countries that are failing to meet their climate and environmental obligations.”²⁷ To execute these carbon-adjustment fees, Biden could appeal to at least two national-security clauses of U.S. trade law, if necessary.²⁸ Still, Biden should use these assertive measures as a last resort because they could lead to tensions with China and the WTO.²⁹ The preferred approach would be to work with Europeans, the Chinese, and others to modify the WTO's rules to enable a Climate Club and other pro-climate policies.

2. REJOIN THE WORLD HEALTH ORGANIZATION AND REDIRECT ITS OPERATIONS TOWARD CLIMATE CHANGE

In July 2020, the United States triggered a year-long withdrawal process from the United Nations' World Health Organization (WHO). In response, Biden has pledged to rejoin the WHO on the first day of his presidency—as part of a broader aim to restore U.S. leadership on the global stage.³⁰ Biden should not only rejoin the WHO but also position climate change at the center of its mandate by leveraging the United States' position as the organization's largest financier.³¹ Specifically, he should:

1. **Direct WHO leadership to consider climate change in all agenda items of the World Health Assembly—the executive decision-making body that sets the WHO's policies, supervises its finances, and approves its budget.** Specifically, Biden should direct the WHO to allocate more funding toward: (i) partnering with climate organizations in the UN system, and (ii) contributing to peer-reviewed research that links public health with climate change. Biden should also task the WHO with assisting lower-income countries with their national-adaptation plans to climate change, by sharing best-practices in how those plans are created and implemented. As extreme weather events and resource scarcities continue to rise, member countries—many of which have public-health systems that are already fragile—will increasingly rely on the WHO's advisory and intelligence-gathering functions to adapt and recover.

2. **Ensure steady, predictable, and equitable financial support for the WHO.** Biden should lead an international coalition to reform and increase the WHO's budget, perhaps via multi-year funding arrangements,³² in ways that improve the organization's ability to address climate change across its operations. The WHO is woefully underfunded, and its reliance on voluntary contributions makes it difficult to separate its work from the political aims of its donors. At the moment, voluntary contributions comprise 80 percent of the WHO's budget.

3. **Insist that the WHO share data and best practices from all territories, including Taiwan, and improve transparency and guidelines for declaring a pandemic.**³³

Why would this help restore U.S. leadership on global challenges?

Integrating climate change into the WHO's core operations would strengthen the world's ability to tackle one of the greatest threats to global public health. Climate change undermines the fundamental determinants of public health, including access to stable living environments and clean air, food, and water. Rising average temperatures also increase the occurrence and transmission of infectious diseases, from malaria to Ebola. U.S. leadership in reforming the WHO would strengthen the world's preparedness for the public-health emergencies and pandemics of the twenty-first century—most of which will be closely linked to climate change.

What are the counter-arguments and responses?

Proponents of U.S. withdrawal argue that the WHO is a dysfunctional authority on global health policy, whose lack of transparency and accountability undermines the security of its largest donor. If the United States directs the WHO to improve coordination with Taiwan, China could respond with hostility and possibly leave the organization. Others might caution that the WHO's mandate is already broad,³⁴ and adding climate considerations would work against calls to clarify its functions.

Yet, U.S. withdrawal would abdicate leadership in a critical issue-area and only further undermine public-health safety and U.S. national security. The loss of the United States would open the door for other countries to increase their influence over global health governance. Nonetheless, Biden should not recommit the United States to a business-as-usual WHO. COVID-19 has demonstrated that the world has much to learn from Taiwan, so it must be an active participant in world health. China should not be allowed to veto its participation. Also, Biden should ensure that climate is central to this renewed focus. Climate change will almost certainly change patterns of global diseases in the coming decades.

3. END ROUTINE NATURAL GAS FLARING AND REDUCE METHANE LEAKAGE

Drilling for oil often releases unwanted natural gas, which is mostly made of methane: a potent warming gas that traps 25 times more heat in the atmosphere than carbon dioxide.³⁵ Instead of building costly infrastructure to use natural gas, drillers often release it into the atmosphere (venting) or intentionally burn it (flaring). While lots of industrial practices generate greenhouse-gas emissions, gas flaring and methane leakage deserve special attention for two reasons. First, they are inherently wasteful. The amount of gas flared in sub-Saharan Africa, for instance, could power the entire region.³⁶ Flaring and leakage do not by themselves generate revenue, so they are good targets for elimination. Second, flaring and leakage are significant sources of emissions. Flaring releases 400 million tons of carbon-equivalent emissions into the atmosphere every year—more than the United Kingdom’s annual greenhouse-gas emissions.³⁷

The global rate of gas flaring reached a ten-year high in 2019.³⁸ This spike is mostly thanks to flaring in the United States—the world’s third-largest flarer behind Russia and Iraq.³⁹ Yet, Biden has not mentioned flaring on the campaign trail.⁴⁰ He should curb gas flaring domestically, as he has pledged to do with methane leakage, and show leadership in addressing both of these practices globally. Specifically, Biden should:

1. **Take decisive action at home to signal his commitment to leading a global movement.** The U.S. government has repealed an Interior Department rule regulating gas flaring and has weakened an Environmental Protection Agency rule regulating methane emissions from new gas and oil wells.⁴¹ Biden should start by reinstating and strengthening Obama-era regulations that require producers to limit flaring on public lands, regularly inspect operations for methane leaks, and update equipment that vents gas.⁴² Biden should work with industry groups like the Oil and Gas Climate Initiative to reduce flaring. The U.S. industry can address flaring while also increasing oil production by concentrating production on sites with greater capacity to haul away gas.⁴³
2. **Work on methane leakage with the European Union, Canada, and Mexico.** Specifically, Biden should urge the European Union, the world’s largest importer of natural gas, to establish a performance standard for methane emissions and direct other major gas importers to ensure their imports meet this standard. Biden should also host a North American Leaders’ Summit with Canada and Mexico to coordinate methane standards across the continent and commit to reducing methane emissions by 75 percent by 2030, which aligns with what the International Energy Agency deems possible.⁴⁴

3. **Work globally on gas flaring and methane leakage.** Biden should join and lead the United Nation's Global Methane Alliance,⁴⁵ a global consortium that aims to reduce methane emissions in the oil and gas sector.⁴⁶ In parallel, Biden should expand U.S. support for—and assume a greater leadership role in—the World Bank's Global Gas Flaring Reduction Partnership. Biden should direct increased U.S. support toward identifying scalable programs that provide incentives for firms to capture and monetize unwanted gas.⁴⁷ Technological solutions exist. The challenge is providing the right mix of incentives (e.g., taxes) to direct firms toward these alternatives.⁴⁸ Any regulation would need to be transparent and enforceable, yet flexible enough to accommodate a range of producers operating across various development contexts. One approach is to establish markets for gas. Markets for industrial applications like cement could work because the market price of gas is already cost-competitive with many alternative feedstocks.⁴⁹

Why would this help restore U.S. leadership on global challenges?

Curbing gas flaring and methane leakage at home and overseas would help restore U.S. leadership on global challenges in the following three ways. First, ending this harmful practice would distance the United States from the sub-standard energy practices of illiberal oil regimes. The United States is the only advanced-democracy among the world's top flarers, sandwiched between Russia, Iraq, and Iran.

Second, ambitious U.S. leadership would ensure U.S. firms do not get left behind. Some actors, including the European Union, are already considering regulations that favor fossil-fuel imports with lower emissions footprints (i.e., less flaring and methane leaks).⁵⁰ The United States should proactively shape these regulations to protect the competitiveness of U.S. firms. Third, updating decades-old practices would support global efforts to achieve universal access to energy. The amount of gas flared in the United States in 2018 equaled one-third of the liquefied natural gas that U.S. firms exported that year.⁵¹ Curbing this practice would increase energy supplies, possibly including the amount of gas the United States could export to countries seeking cleaner energy sources.

What are the counter-arguments and responses?

Given the average reserve life (approximately five years) and remoteness of many oil deposits, it often makes little economic sense to construct pipelines and other infrastructure.⁵² Higher standards for gas flaring and methane leakage would increase production costs and decrease output growth, which could harm U.S. economic interests.

Yet, there is no shortage of technical solutions. While pipelines are not always practical—especially for remote oil fields that lack connections to gas networks—other options are available. Many are portable. The U.S. Environmental Protection Agency, for instance, found that portable compressed-natural-gas facilities could capture nearly 90 percent of the gas flared in a field in western North Dakota.⁵³

Higher standards would ultimately improve the industry's long-term outlook. Although they might increase consolidation in the U.S. industry in the short-term, the long-term benefits are significant. Major investors are calling for more “disciplined” capital in the shale sector, and some have started to divest from firms with high flaring rates.⁵⁴ This has prompted several firms, investors, and local governments to support more robust environmental standards.⁵⁵ Foreign governments are also taking action.

4. PROTECT THE AMAZON RAINFOREST BY WORKING WITH BRAZIL AND THE INTERNATIONAL COMMUNITY

The Amazon rainforest is critical for the planet's climate.⁵⁶ Biden recognizes the need to protect it.⁵⁷ Brazilian President Jair Bolsonaro has systematically rolled back once-ambitious environmental regulations across Brazil. These reversals have led to a dramatic rise in deforestation and biodiversity loss.⁵⁸ For example, the number of fines issued to illegal loggers is the lowest it has been in more than 24 years.⁵⁹ While the world is distracted by the global pandemic, Brazil's Minister of the Environment, Ricardo Salles, has advised the Bolsonaro administration to further weaken environmental regulations.⁶⁰ Biden should:

1. **Pursue diplomacy to persuade Brazil to act, including working with the European Union to provide aid to fight fires and deforestation.**⁶¹ For example, Biden could lend U.S. technical and advisory support for the global Tropical Forest Alliance⁶² and the 2019 Leticia Pact on afforestation.⁶³
2. **Should diplomacy fail, Biden should lead a broad coalition of governments, environmentalists, and global fund managers to pressure Brazil to combat illegal deforestation and restore its environmental regulatory framework.**⁶⁴ Unilateral U.S. sanctions would fail, but a coordinated, multilateral approach could work. In addition to natural allies like the European Union, members of this U.S.-led coalition should ideally include countries that hold the purse strings like China, which is Brazil's largest trading partner. This coalition could apply pressure in the following three ways:
 - a. Delay Brazil's long-sought foreign-policy goal of becoming a full member of the Organisation for Economic Co-operation and Development.⁶⁵
 - b. Obstruct the ratification of a major trade deal between the European Union and the Mercosur South American trading bloc.⁶⁶ Threatening its ratification is significant since economists expect that deal to inject more than \$90 billion into the Brazilian economy over the next 15 years.⁶⁷ Delaying the deal would also be easy, because provisions of the trade deal require Brazil to combat deforestation and fulfill its pledges under the 2015 Paris Accord.

- c. Pressure foreign investors and multinationals to avoid Brazilian firms that produce beef or soy on illegally deforested Amazonian land—similar to previous product boycotts.⁶⁸ The diplomatic approach is most likely to work if commercial pressure can be applied to Brazilian firms.

Why would this help restore U.S. leadership on global challenges?

Protecting the Amazon would help restore U.S. leadership on global challenges by combatting a significant regional and international threat. The destruction of the Amazon constitutes a significant risk to long-term prosperity in Latin America. The Amazon plays an essential role in regulating rainfall and producing energy and agricultural products across South America.⁶⁹

The loss of the Amazon would also have global ramifications. The Amazon rainforest is one of the world's largest carbon sinks, an essential temperature regulator, and a critical fresh-water source. Unbridled deforestation could lead to an irreversible tipping point, transforming the rainforest from a vital carbon sink into a carbon emitter. Biden's leadership could help avoid catastrophic effects on the Earth's climate, including the release of hundreds of billions of tons of carbon emissions.

What are the counter-arguments and responses?

Bolsonaro may interpret Biden's leadership as a form of eco-imperialism that places unreasonable economic demands on a country far less responsible for climate change than the United States. If advanced-industrialized states in North America and Northern Europe could raze their forests to become the modern economic powerhouses they are today, why should Brazil not do the same?

The international community is not alone in calling for Bolsonaro to restore Brazil's environmental regulatory framework. Bolsonaro also faces intense domestic opposition to his ecological ideology. This pressure stems not only from the general public and Indigenous populations but also from Brazilian elites and major financial institutions—including former finance ministers and central bank presidents.⁷⁰ Biden should direct the State Department to fully understand the local context and engage with the economically liberal faction of the Brazilian government, which has cautioned that Bolsonaro's environmental policies threaten Brazil's long-term economic and foreign-policy interests.⁷¹

PILLAR 2: SAFEGUARDING THE ECONOMIC FUTURE OF THE UNITED STATES

The second pillar of Biden's foreign-policy plan aims to support the wellbeing of the American middle class, increase investment in innovation, and strengthen U.S. trade competitiveness. Climate change threatens each of these objectives and the economic future of the United States.⁷² Biden views climate change as an economic opportunity. He has already pledged to prohibit federal financing for domestic fossil-fuel infrastructure,⁷³ ban federal financing for fossil fuels overseas via institutions like the Export-Import Bank,⁷⁴ and require public companies to disclose their climate risks and supply-chain emissions. Still, Biden should go further by declaring a U.S. national climate emergency, directing the Federal Reserve to address systemic climate risks, and mitigating other climate risks to the U.S. financial system.

5. DECLARE A U.S. NATIONAL CLIMATE EMERGENCY

Given the growing reliance on electricity as a means for economic functions, the United States must protect its outdated electrical grids from threats like climate disruptions and cyber-attacks. The National Emergencies Act provides the U.S. president with significant discretion to declare emergencies. Biden should invoke the Act to declare a national climate emergency.⁷⁵ This would formally recognize climate change as a threat to national security and unlock 123 special statutory powers, which would otherwise be unavailable to the executive branch. Biden could use this vast array of presidential powers to protect the U.S. economy against climate disruptions.⁷⁶ Specifically, Biden should:

1. **Use statutory powers to direct military funding toward clean-energy infrastructure projects that would address the national climate emergency.**⁷⁷ Under the emergency, 10 U.S.C. 2808⁷⁸ would provide Biden with special construction authorities. He could use these authorities to redirect resources from the U.S. Department of Defense to rapidly modernize the national electricity grid in ways that make it greener, more secure, and more cost-effective.⁷⁹ Modernizing the grid is vital because the electrical power system is not just another sector: it is a major greenhouse-gas emitter in its own right and decarbonizing other sectors typically requires electrification. Biden could also encourage a massive renewable-energy program that would address the United States' remaining energy needs—increasing energy access via wind, solar, and battery-storage installations on degraded land. On renewables, what is needed is not so much federal subsidies as the political guidance and regulatory reform to steadily increase investment from utilities and private firms.⁸⁰

2. **Distribute loan guarantees to clean-energy developers and utility companies to incentivize them to upgrade outdated grids that are economically vulnerable to both climate disruptions and cyber attacks.**⁸¹ Biden could do so by leveraging 50 U.S.C. 4531 to issue loan guarantees to industries critically important for addressing the national emergency.⁸² This would also support Biden’s pledge of creating “10 million well-paying jobs” in the clean-energy economy.⁸³

3. **Invoke expanded emergency powers to rapidly accelerate the production of battery-storage technologies, charging stations, and electric vehicles.**⁸⁴ 50 U.S.C. 4533 would authorize Biden to respond to a “shortfall” in vital technologies or industrial resources.⁸⁵

Why would this help safeguard the U.S. economy?

Declaring a national climate emergency would support Biden’s goal of strengthening the U.S. economy in at least three ways. First, emergency statutory powers would permit Biden to decarbonize and modernize the U.S. electricity sector—which, in its current state, is an economic risk. The declaration would also generate a significant number of jobs, helping to ensure the clean-energy revolution does not leave the working class behind. Job training and opportunities for displaced labor are essential to a just transition.

Second, emergency powers would allow Biden to rapidly strengthen the United States’ competitive edge over the production of clean-energy technologies, standards, and data. The United States is losing the renewables race to China, which is poised to dominate the clean-energy market of the future.⁸⁶ China already has an advantage in solar. The United States should focus on improving its competitiveness in other areas like hydrogen.

Third, the declaration would signal that the United States views climate change as a serious threat to economic security and is ready to take action. This signal could provide the United States with more leverage in climate-related negotiations with other high-emitting countries in ways that could help direct negotiations toward U.S. economic interests.

What are the counter-arguments and responses?

Declaring a national climate emergency could be perceived as circumventing the legislature and stretching the National Emergency Act beyond its intended use. Directing funding toward climate change could also reduce the resources available to address other pressing threats to the U.S. economy and national security.

Nonetheless, climate change is one of the most pressing threats to the U.S. economy. According to the United Nation's Intergovernmental Panel on Climate Change, the world has only ten years left to take action to avoid a climate catastrophe.⁸⁷ Declaring a national climate emergency is commensurate with the minimal time the United States has left to address this challenge. Biden's declaration would also be in line with the actions of former U.S. presidents,⁸⁸ as well as other advanced democracies. The European Union, for instance, has already declared a national climate emergency.⁸⁹ This declaration would unlock executive tools that Biden needs to safeguard the United States' economic future.

6. DIRECT THE FEDERAL RESERVE TO ADDRESS SYSTEMIC CLIMATE RISKS

The largest financial institutions in the United States continue to lend, invest, and underwrite the very fossil-fuel industries that have created the climate emergency we face today.⁹⁰ It is time for the Federal Reserve (the Fed), among other U.S. regulators, to address this malign feedback loop in which finance for fossil fuels exacerbates climate change, and climate change, in turn, destabilizes the U.S. financial system.⁹¹ If the Fed fails to act in the near term, climate-related risks could generate a financial crisis that far exceeds the severity of those in 2008 and 2020.⁹²

The executive branch lacks formal power to direct the Fed to take action. But the president's voice can go a long way in directing the Fed to address the effects of climate change. Specifically, Biden should:

4. **(Re)appoint leaders of the Fed based, in part, on their commitment to mitigating climate risks to the U.S. financial sector.** In the first term of his presidency, Biden must nominate the Chair of the Fed and the Vice Chair for Supervision to the Board of Governors. New leadership in the White House could motivate Fed Chair Jerome Powell, who is up for reappointment in 2022, to take more decisive action on climate change.
5. **Use moral suasion to direct the Fed, among other U.S. financial regulators, to increase its international engagement on climate-related risks to the global financial sector.** The Fed, for instance, should join the Network for Greening the Financial System. The Treasury Secretary should join the Coalition of Finance Ministers for Climate Action.
6. **Urge the Fed to invoke the Dodd-Frank Act, a 2010 law that protects the U.S. financial system from "systemic risks" of the twenty-first century.** Climate change constitutes the very type of systemic threat that legislators designed Dodd-Frank to address. Biden should urge the Fed to use its authorities under Dodd-Frank to mitigate systemic climate risks in the following three ways:

- a. **The Fed should amend capital rules to capture the physical risks and transition risks that climate change poses to certain financial activities.**⁹³ Increasing the “risk weights” of loans, investments, and capital exposures vulnerable to the effects of climate change would better reflect the true costs and potential losses.⁹⁴ Many other central banks, including the Bank of England, have started to develop climate-related stress tests.
- b. **The Fed should coordinate with other regulators to require major financial institutions to internalize their climate-risk exposure via “stress tests,” which model how adverse climate-related scenarios would affect their balance sheets.**⁹⁵ Firms should integrate the projected losses from these models into their minimum-capital ratios and planning.⁹⁶
- c. **The Fed should leverage the broad authorities of Section 165 to apply a suite of “enhanced prudential standards”⁹⁷ to “mitigate risks to the financial stability of the United States.”⁹⁸** These standards apply to the nation’s largest bank-holding companies and other financial entities deemed “systemically important”⁹⁹ by the Federal Stability Oversight Council. The Fed could act on these authorities by strengthening standards for considering climate risks, increasing climate-related reporting requirements, and limiting the concentration of high-risk climate exposure in banks’ portfolios.

In sum, these three actions—related to regulatory oversight over bank-holding companies and “systemically important” financial institutions—would complement monetary-policy tools the Fed should also consider. For example, Biden could encourage the Fed to employ dual-interest rates by increasing the return households receive on savings and reducing the rate borrowers pay on clean-energy loans. Lending to borrowers at negative rates (so long as the loans support the renewables sector) would help bridge the gap in returns between high-carbon and low-carbon investments.¹⁰⁰

Why would this help safeguard the U.S. economy?

The effects of climate change threaten the stability of the U.S. economy and financial system in two main ways: physical risks and transition risks.¹⁰¹ The manifestations of climate change, such as intensified storms, physically threaten asset values.¹⁰² For example, rising sea levels and flood exposure decrease property values in ways that compromise insurance and mortgage markets. Second, the transition from a fossil fuel-based economy to a net zero-emissions economy also undermines asset values. Carbon assets like oil, for instance, risk becoming “stranded.”¹⁰³ Globally, these physical and transition risks could amount to anywhere between \$23 trillion and \$69 trillion in losses by the end of the century.¹⁰⁴

Mitigating climate risks would also support U.S. primacy in the global financial system. The European Central Bank, among others, is meaningfully incorporating climate risks into its operations. U.S. financial regulators, by contrast, are late to act. The Fed is one of the only major central banks that has refused to join the international Network for Greening the Financial System. Green finance is projected to be a multi-trillion dollar industry. A lack of U.S. leadership in setting standards for green financing opens the door for other countries to shape the industry in favor of their banks.¹⁰⁵

What are the counter-arguments and responses?

The Fed's current leadership interprets climate change as a long-term threat that does not require immediate action and argues that its balance sheet is not responsible for directly addressing climate change.¹⁰⁶ Even so, Fed Chair Jerome Powell signaled in January 2020 that it was only a matter of time before the Fed joined the Network.¹⁰⁷

The Fed's current position is at odds with nearly every other major central bank in the world.¹⁰⁸ There is a global consensus that climate change constitutes a systemic threat and that monetary policy must become climate conscious.¹⁰⁹ There is a great debate, however, over the most appropriate policy approaches to addressing climate risk.¹¹⁰

The Fed's role in facilitating a clean-energy transition—that is, addressing climate change by directing loans, investments, and credit exposure away from fossil fuels¹¹¹—is at the center of debates among U.S. regulators.¹¹² The Fed should take care to design transition-enabling policies to manage the pace of change and avoid an excessive rate of bankruptcies.¹¹³ These recommendations are only a start. Fully internalizing climate risks to the U.S. financial system will require comprehensive reform over time, including legislation and other leadership from Biden (see recommendation seven).

7. MITIGATE OTHER CLIMATE RISKS TO THE U.S. FINANCIAL SYSTEM

As discussed in recommendation six, climate change constitutes a systemic¹¹⁴ threat to the U.S. financial system. In addition to urging the Fed to attend to this challenge, Biden should exercise presidential leadership in mitigating other climate-related risks to the system. For example, Biden should work with Congress and U.S. financial regulators to fulfill the recommendations of the Commodity Futures Trading Commission's new report, "Managing Climate Risk in the U.S. Financial System."¹¹⁵ In the meantime, absent federal legislation, Biden should exercise presidential leadership in the following four areas:

1. **Modernize the insurance industry to protect it from the effects of climate change.** Biden should re-empower the Financial Stability Oversight Council, the inter-agency body that determines what entities are “systemically important.”¹¹⁶ Biden should direct the Council to designate non-banking entities, including large insurers, as systemically important since many of their climate-risk exposures could threaten “the financial stability of the United States.”¹¹⁷ This would subject large insurers (among other major non-banking entities) to federal supervision and regulation in ways that mitigate climate risks.¹¹⁸ In exchange, the federal government may have to accept some portion of climate risks as insurer-of-last-resort.

Biden should also encourage collaboration between insurance regulators and the Fed on climate-related risks—to produce more insurance-related recommendations for Congressional review. Although insurance is difficult to manage because it is state-regulated, the Fed could work on research and information-sharing with the National Association of Insurance Commissioners.

2. **Protect pensions by directing the U.S. Department of Labor and the Securities and Exchange Commission—the nation’s pension regulators—to recognize the climate-related threats to their fiduciary duties.**¹¹⁹ Biden should start by reversing the U.S. Department of Labor’s proposed update to the Employee Retirement Income Security Act, which would require asset managers to prioritize financial gain over “non-pecuniary goals” like environmental, sustainability, and governance considerations. This new barrier to sustainable investing moves the United States away from where asset-management is heading and establishes a false dichotomy between social welfare and retirement security for U.S. workers.¹²⁰

3. **Appoint Cabinet members, including the Treasury Secretary, who understand and prioritize climate-related risks to the U.S. financial system.** The Office of Management and Budget and the National Economic Council also need climate-conscious leadership, given the power these agencies wield over the activities and budgets of other federal agencies, including the Environmental Protection Agency.¹²¹

4. **Make climate risk a central agenda item of the G-20 and G-7 meetings and bodies.** Biden should start by coordinating with Italy and the United Kingdom, the hosts of the 2021 G-20 and G-7 summits, to address systemic climate risks to the global financial system.

PILLAR 3: STRENGTHENING U.S. DEMOCRACY AND DEMOCRATIC ALLIANCES

The third pillar of Biden's foreign-policy plan aims to reinforce U.S. democracy at home, restore U.S. moral leadership, and improve U.S. alliances with other advanced democracies. Climate change undermines each of these aims. The foundations of U.S. democracy depend on meaningful climate action. Rising temperatures and sea levels exacerbate class and racial inequalities.¹²² Extreme weather events weaken state and local governments' ability to fulfill basic duties. And disaster recovery and resilience divert critical sources of funding away from other public goods.

Biden should reverse a longstanding tradition of the United States backing away from its international climate commitments—signaling an end to the practice of letting its allies and partners down. The United States should boost its relationships with its core democratic allies, with climate change at the center.

Biden has made pledges that will advance this goal domestically. He has pledged several executive climate actions to hold polluters accountable and address environmental justice in minority and low-income communities.¹²³ Biden also intends to rollback a long list of harmful environment-related reversals.¹²⁴ Biden promises to appoint climate advocates to key federal agencies and energy-governing bodies and restore a commitment to science in government.¹²⁵ These are laudable domestic goals. Still, Biden should go further in the international arena, by taking a leadership role in the following three areas.

8. LAUNCH A NEW PARTNERSHIP OF THE WORLD'S TEN LEADING DEMOCRACIES (THE "D-10")

Democracies are struggling to effectively collaborate on the world's most pressing challenges, as most recently evidenced by disinformation campaigns during elections and the cooperative failures of COVID-19. Some have proposed creating a new alliance among the world's ten leading democracies: the members of the G-7, plus Australia, India, and South Korea.¹²⁶ Biden should:

1. **Use the unmatched convening power of the United States to endorse a D-10 partnership of the world's leading democracies.** Biden intends to host a global "Summit for Democracy" during his first year in office to fight corruption, combat authoritarianism, and advance human rights. Biden should host the Summit early in his presidency and work closely with allies to formalize and announce the new partnership. Once established, the D-10 should meet annually at the leader level and focus on urgent, narrowly defined, and achievable climate objectives. This group could eventually supplant the G-7 meeting.¹²⁷

2. **Biden should make climate cooperation a core priority of the new bloc.**¹²⁸ High-level objectives of climate cooperation should include establishing a “Climate Club,” which would include China and other non-democracies (see recommendation one); pooling financial and technical resources to develop clean-energy technologies and fuels, such as sustainable aviation and shipping fuels (see recommendation nine); and addressing climate-related security threats to democracy, including environmental migration (see recommendation ten).

Why would this help strengthen U.S. democracy and democratic alliances?

A D-10 partnership would help restore trust in the United States among democracies. It would establish a new institution with the resources and political will to uphold and strengthen a rules-based, liberal international order. The membership would enhance the structure of the G-7, which, aside from Japan, excludes key democracies from the Asia-Pacific. Australian, Indian, and South Korean accession to the D-10 would strengthen trans-Atlantic and trans-Pacific democratic relationships.

What are the counter-arguments and responses?

A new partnership of the world’s major powers, which excludes China, would undermine U.S.-Sino cooperation on climate change, among other issue-areas. This new partnership could even bring Moscow and Beijing closer.

Yet, Washington should not exclusively compete *or* cooperate with China and other autocratic states. Instead, it must compete *and* cooperate with them.¹²⁹ Although climate cooperation with China is essential, democracies must also position themselves competitively to preserve shared values and pursue economic prosperity.¹³⁰

This partnership provides an opportunity to update the G-7 to match the realities of the twenty-first century. The proposed D-10’s membership is small (and wealthy) enough to advance a limited set of common interests, but big enough to matter. The advantages of establishing a bloc of like-minded democracies to restrain authoritarian aggression—including strengthening India’s commitment to Western democracies—outweigh the risks of bringing Beijing and Moscow closer.

9. DECARBONIZE SHIPPING AND AVIATION SECTORS BY COORDINATING WITH ADVANCED DEMOCRACIES

Although the aviation and shipping industries each represent only two to three percent of global emissions, their impacts are growing.¹³¹ The aviation industry, for instance, could account for up to 25 percent of global emissions by 2050.¹³² Before COVID-19, it was the fastest-growing source of carbon emissions in Europe.¹³³

Decarbonizing the aviation and shipping sectors would strengthen the United States' relationship with advanced democracies. There is a strong political will in Europe to advance sustainable aviation and maritime fuels. It also makes economic sense. The world's largest airlines and aerospace companies are all located in Europe and the United States. And 17 European and U.S. banks finance the vast majority of ships on the open seas.¹³⁴ These are the players that have the power to impact the industry.

Non-democracies would be welcome to join the U.S.-led effort to reduce aviation and maritime emission. Still, the United States should not wait for these countries. Furthermore, the United States and Europe might need to identify some first-mover benefits to their own aviation and maritime industries to generate political support for these policies. Consequently, the United States should orient its efforts primarily toward working with Europe on these sectors. Biden should:

1. **Set a global target for the minimum amount of sustainable aviation fuels used on all flights, phased in over a period of years.** For instance, 10 percent of fuel on all flights must be sustainable by 2050.¹³⁵ The most promising path to reaching net-zero emissions in the aviation sector is transitioning from conventional kerosene-based jet fuel to sustainable aviation fuels.¹³⁶ This global minimum-use requirement is an essential first step in attracting investment for sustainable-fuel production at a commercial scale.
2. **Develop a plan that incentivizes biodiesel and renewable diesel companies to produce biofuel at a commercial scale.**¹³⁷ The task force should consider government incentives, such as loan guarantees, to construct sustainable aviation fuel plants or subsidies similar to those used for renewables. The ultimate objective is to make sustainable aviation fuels cost-competitive with conventional fuel. California, for instance, has enacted policies to bridge this cost gap.¹³⁸
3. **Urge the United Nations' International Civil Aviation Organization and International Maritime Organization to increase the ambition of their targets and proposals to reduce emissions in the aviation and shipping sectors.**¹³⁹ For example, Biden should direct the U.S. Coast Guard and the National Oceanic and Atmospheric Administration, among others, to coordinate with the International Maritime Organization in establishing more ambitious 2030 and 2050 emissions targets (e.g., international shipping to reach net-zero emissions by 2050).

What are the counter-arguments and responses?

The challenge is that sustainable aviation fuels are up to four times as expensive as conventional jet fuel.¹⁴⁰ The U.S. aviation industry—already crippled by the effects of COVID-19 on air travel—would struggle to accommodate a minimum-use requirement. Reducing shipping emissions would also be costly. However, by leading in establishing standards, Biden could direct the global conversation in ways that minimize economic disruptions to U.S. airlines, aerospace manufacturers, and maritime shipping. For instance, new aviation requirements would be phased in over a period of years, giving the airlines time to adjust.

It is in the interest of U.S. airlines to have the United States play a leading role in setting those rules. Other players in Europe, Canada, and elsewhere are already forging ahead with designs for sustainable aviation.¹⁴¹ Supporting a domestic sector for sustainable aviation fuels would position the United States, which has the world's largest airline network, at the forefront of climate innovation in the aviation industry. This initiative would also create clean-energy jobs and open up a new export opportunity for U.S.-produced sustainable aviation fuel as the rest of the world works toward net-zero emissions.

10. ADDRESS ENVIRONMENTAL MIGRATION

In the next three decades, the effects of climate change could induce up to 30 million Central American migrants to move to the U.S. border.¹⁴² Biden has already pledged to ban the separation of families at the border, increase the U.S. limit for refugee admissions, and revoke travel bans based on nationality or race. While these are essential steps in restoring U.S. moral leadership, Biden has been silent on the issue of environmental migration. The effects of climate change are increasing cross-border migration, displacing vulnerable communities within the United States, and exacerbating inequality via “climate gentrification,”¹⁴³ a term that refers to the rising property values of historically undesirable yet climate-resilient areas. Biden should take the following domestic and international actions to address the growing number of people displaced by the effects of climate change:

1. **Issue an Executive Order to establish a task force in the State Department on the growing number of environmental migrants who arrive at U.S. borders.** This would help update the United States' immigration policy to reflect the reality of the rising number of climate-displaced persons.¹⁴⁴ The task force should also explore options for adopting the United Nations' Global Compact for Safe, Orderly and Regular Migration to ensure that the United States coordinates with others in addressing environmental migration.

2. **Lead an international coalition of advanced-democracies to clarify legal recourse for environmental migrants.** This could be advanced through the D-10 partnership of the world's leading democracies (see recommendation eight), or through a smaller group that faces similar challenges related to environmental migration. International law protects political refugees, but not migrants who are forced to leave their homes for environmental-related reasons.¹⁴⁵ There is no easy solution to the rising number of climate-displaced persons around the world. The coalition should explore expanding the legal definition of a refugee or establishing a new institutional framework to provide legal protection and humanitarian support for environmental migrants.¹⁴⁶
3. **Appoint a climate-sensitive U.S. Ambassador to the United Nations, tasked with prioritizing climate change in the United Nations Security Council and the U.S. Permanent Mission to the United Nations.**¹⁴⁷ The Ambassador should also advocate for the development of a United Nations Special Rapporteur on Climate and Security.

Why would this help strengthen U.S. democracy and democratic alliances?

Biden's leadership in addressing environmental migration would strengthen his foreign-policy pledge of restoring U.S. moral leadership, at home and abroad. Historically, the United States has been a global leader in refugee resettlement.¹⁴⁸ Climate-displaced persons represent the future of migration challenges, which Biden must face if the United States is to continue leading the world by example. Resettling climate-displaced persons would also strengthen the foundations of U.S. democracy by increasing diversity, revitalizing a range of industries, and improving domestic economic growth.¹⁴⁹

What are the counter-arguments and responses?

Many are concerned that the United States—among other advanced democracies and international organizations like the United Nations High Commissioner for Refugees—does not have the political or economic capacity to accommodate climate-displaced persons. Resettlement brings a host of challenges, from housing to employment.

The rising number of climate- and politically displaced persons has been, and will continue to be, one of the most contentious challenges facing advanced democracies.¹⁵⁰ Immigration was at the center of the United Kingdom's decision to withdraw from the European Union, and border security continues to embolden far-right nationalism in the United States. Ignoring or delaying action will only exacerbate the potential for this challenge to further destabilize democracies. Early action would help prevent emergency mass migrations of climate-displaced persons over the next 20 to 50 years.¹⁵¹ Biden should take domestic action and lead the international community toward solutions that balance humanitarian needs with domestic demographic considerations.

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- 135 ——— The European Commission is currently considering such a requirement for the European Union. See: Hollinger, Peggy. “Airlines Ask Passengers to Subsidise Green Fuel to Help Cut Emissions.” *Financial Times*, August 19, 2020. <https://www.ft.com/content/686a8cde-cd1a-4612-97f6-f83be5b3369b>.
- 136 ——— These fuels are produced using plants, municipal waste, algae, or synthetic fuel made from renewable energy. Alternative approaches to reaching net-zero emissions in the aviation industry include developing electric aircraft and removing emissions from the Earth’s atmosphere.
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