

JUAN VERDE

Global Transition to a Low Emission Economic Model and U.S. Policies on Climate Action



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A BALANCE?



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3 MAIN IDEAS

1

The world is already in the midst of a transition to a low-emissions economic model, and the pandemic only accelerated this trend. (Follow the money)

2

US policies on climate change, Inflation Reduction Act, tax incentives and its impacts on the fight against climate change.

3

The post pandemic economic recovery plans and the current geostrategic situation represent a great opportunity to shape a new economic model and a more sustainable, just and equitable world...



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Potential Investment 2030

Source: IFC World Bank (2021)

	Waste	Renewable Energy	Public Transportation	Climate Smart-water	Electric Vehicles	Green Building	Total
East Asia Pacific	\$ 82 Billion	\$ 266 Billion	\$ 135 Billion	\$ 461 Billion	\$ 569 Billion	\$ 16 Trillion	\$ 17,5 Trillion
South Asia	\$ 22 Billion	\$ 141 Billion	\$ 217 Billion	\$ 110 Billion	\$ 214 Billion	\$ 1,8 Trillion	\$ 2,5 Trillion
Europe & Central Asia	\$ 17 Billion	\$ 88 Billion	\$ 116 Billion	\$ 64 Billion	\$ 46 Billion	\$ 881 Billion	\$ 1,2 Trillion
Sub-Saharan Africa	\$ 28 Billion	\$ 31 Billion	\$ 281 Billion	\$ 79 Billion	\$ 133 Billion	\$ 1,1 Trillion	\$ 1.7 Trillion
Latin American & Caribbean	\$ 13 Billion	\$ 89 Billion	\$ 159 Billion	\$ 101 Billion	\$ 344 Billion	\$ 768 Billion	\$ 1,5 Trillion
Middle East & North Africa	\$ 37 Billion	\$ 226 Billion	\$ 109 Billion	\$ 228 Billion	\$ 285 Billion	\$ 4,1 Trillion	\$ 5 Trillion
	\$ 200 Billion	\$ 842 Billion	\$ 1 Trillion	\$ 1 Trillion	\$ 1,6 Trillion	\$ 24,7 Trillion	\$ 29,4 Trillion



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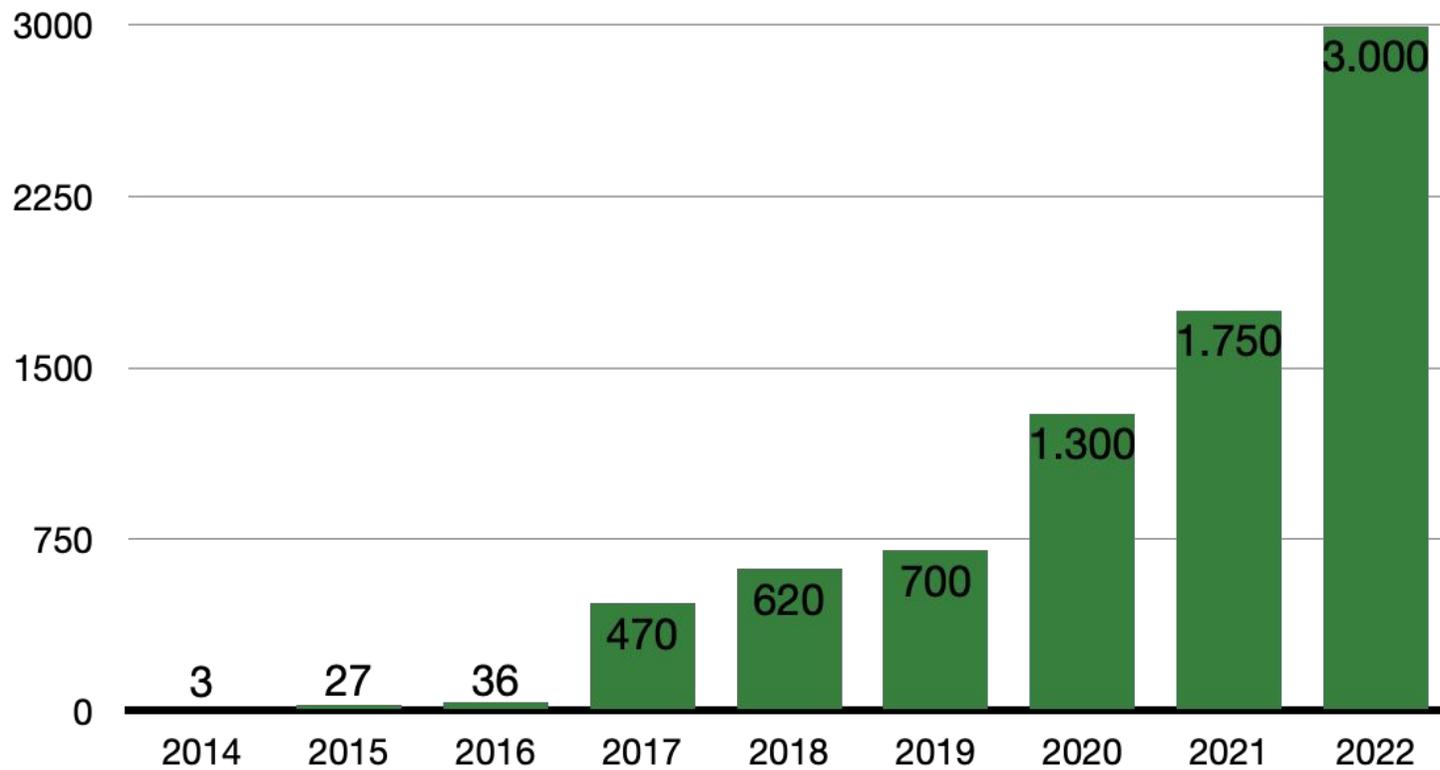
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Total Green Bond Issuance

Source: Environmental Finance—Sustainable Bonds Insight (2022)



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“Climate Change has become the defining factor for companies. We are at the beginning of a fundamental change in finances.”

- Larry Fink, BlackRock CEO

Funds change of behavior:

- BlackRock: \$9 trillion
- Vanguard Group: 6.2 trillion
- 41 more funds
- Bank of America: 1 trillion for 2030

Learning this did not come cheap to BlackRock. They lost \$90 billion in 10 years by investing in fossil fuels and ignoring tendencies.

Source: Business insider



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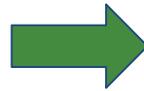


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What does a bee have to do with a bank?



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A number of regulatory changes are on the horizon that will make environmental, social and governance (ESG) reporting a must.

Source: Harvard Law School Forum on Corporate Governance, UE, White House (2022)



- **By 2022, 29 countries have introduced legally standardized criteria to make ESG reporting mandatory.**



- **Carbon credit markets soon to be mandatory**



- **In 2022, the European Central Bank (ECB) implemented so-called climate stress tests for financial institutions.**



- **Target 55 under the European Climate Law 2021/1119
EU legal obligation to reduce emissions by at least 55 % by 2030.**



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Clean energy stocks have soared in value since the pandemic.

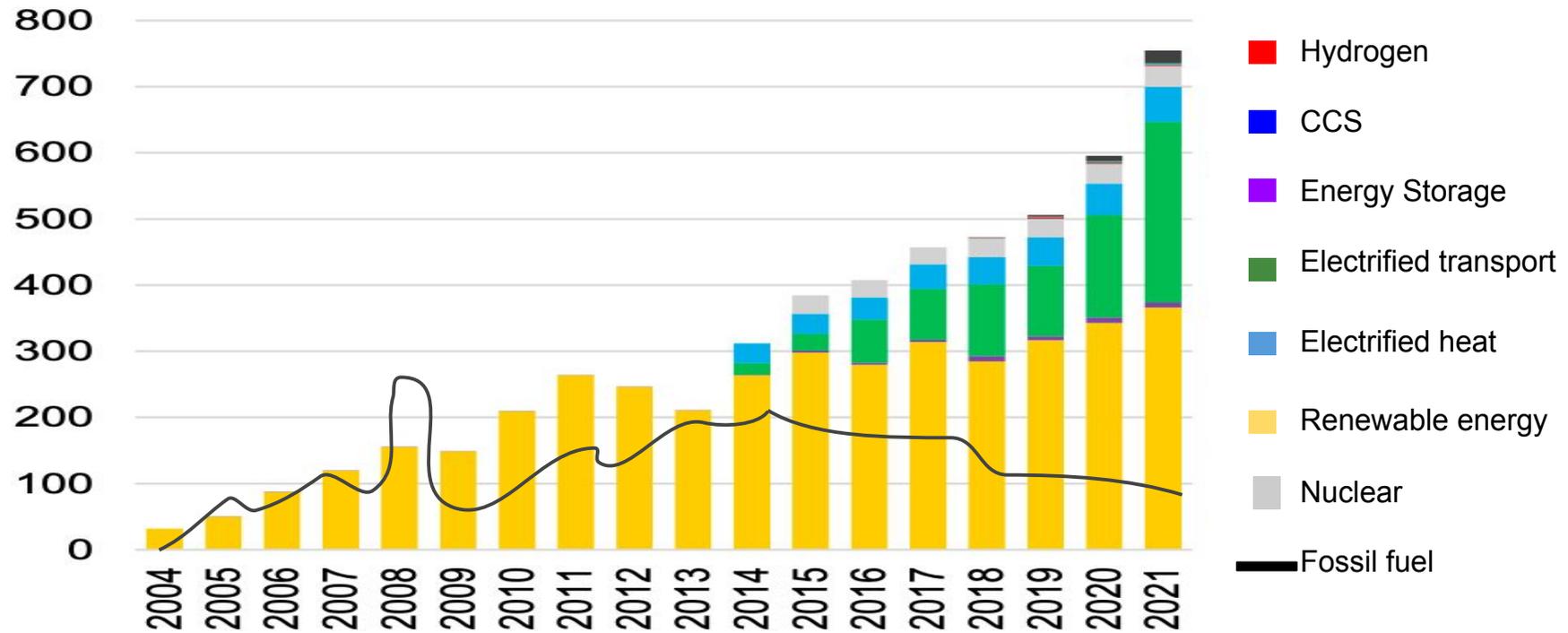
Fuente: Bloomberg 2021



Green vs. Fossil Energy Investment

Source: Bloomberg NEF Energy Transition Investment Trends (2022)

\$ billion



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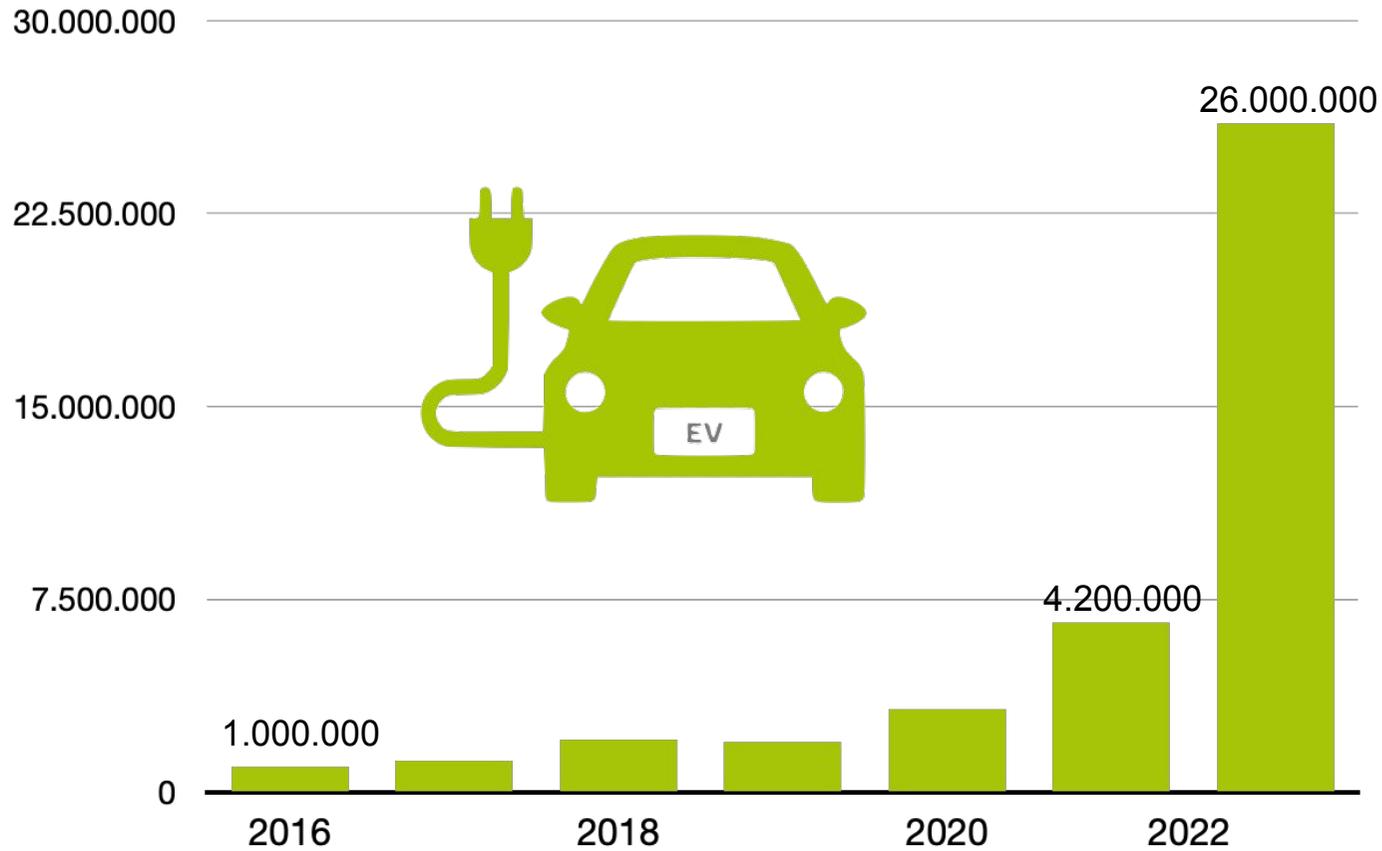
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World Electric Vehicle Sales 2016-2022

Bloomberg New Energy Finance, AIE, World Bank (2022)



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Sustainability is key for the new generation of employees, the millennials.

Source: *The Sustainability Wage Gap (2021)*, Published by the Swiss Finance Institute



- ➔ 65.5% of millennials would rather work for companies with sustainable agendas (especially the most qualified ones) (swytch, 2022)
- ➔ **Two out of three** millennials would quit their jobs if they felt that their company was focused exclusively on profit and left the planet behind (Deloitte).
- ➔ Millennials will represent two-thirds of the workforce in 3 years (2025)



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Consumer's Perception

Source: IBM "Meet the 2021 consumers driving change". | Business Wire "GreenPrint Survey"



77% of consumers consider important that brands offer sustainable products



57% of consumer would be willing to change their consuming habits in order to reduce their environmental impact on the planet



75% of consumers would pay up to 10% more for more sustainable products



92 % of consumers would choose the sustainable option if the price and quality of the product were the same



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Source: The White House (2021) National Climate Task Force

- Rejoining the Paris Agreement and restoring U.S. leadership on the world stage.
- **National Climate Task Force goals:**
 - Reducing U.S. greenhouse gas emissions 50-52% below 2005 levels in 2030
 - Reaching 100% carbon pollution-free electricity by 2035
 - Achieving a net-zero emissions economy by 2050
 - Delivering 40% of the benefits from federal investments in climate and clean energy to disadvantaged communities



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In August 2022, President Joe Biden signed the Inflation Reduction Act (IRA) into law, the largest US climate bill in more than a decade.

Source: MIT (2022) The US climate bill has made emission reductions dependent on economic success

- ➔ Fundamentally reframes how the government approaches climate change.
- ➔ The IRA pitches it as an opportunity to invest in new sources of economic growth.
- ➔ A series of updated tax incentives to which require electric vehicle batteries, wind turbines, and solar panels to be manufactured in the United States (or a free trade partner) to qualify.



The Inflation Reduction Act



Source: *The Atlantic* (2023) *Fighting Climate Change Was Costly. Now It's Profitable.*

- **370 Billion in investment**
- An analysis by American Clean Power, indicates that even just the anticipation of its bounty catalyzed **\$40 billion in investments and created nearly 7,000 jobs in the last few months of 2022.**
- These investments are focused on **four key areas:** carbon-free energy, manufacturing, transportation, and clean technology.



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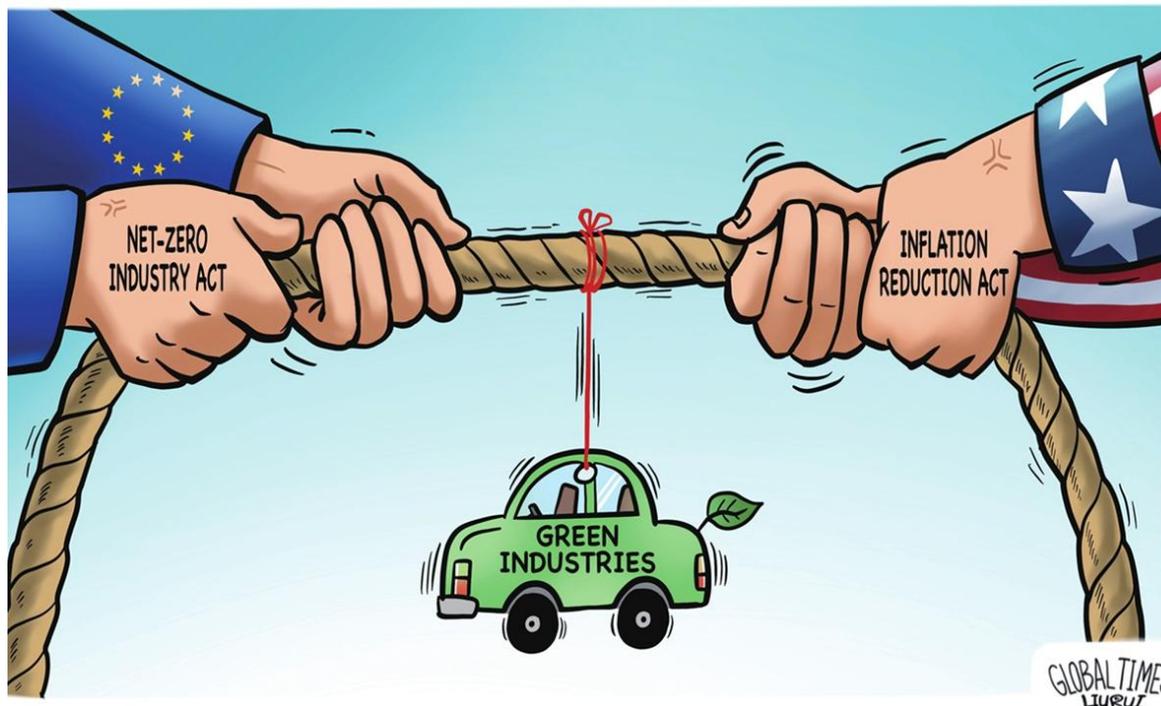
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It's go time for green business across the globe...

Source: *The Atlantic* (2023) *Fighting Climate Change Was Costly. Now It's Profitable.*



Last month, the European Commission proposed a “Green Deal Industrial Plan.” It includes **\$240 billion in loans** and **\$21 billion in grants** from EU coffers to subsidize green businesses.

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IS NOW OR NEVER



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NEXT GENERATION EU

Por una generación más digital y verde

DOTACIÓN **750 MM €**

672.5 MM €

Fondo de Recuperación
y Resiliencia

El **37%** del Fondo de Recuperación y Resiliencia se destinará directamente a los objetivos de Green Deal.

El **20%** de este fondo se destinará a la **Digitalización de Europa** y el **30%** se obtendrá a través de **bonos verdes**.

47.5 MM €

React EU

7.5 MM €

Rural development

10 MM €

Just transition Fund

1.9 MM €

RescEU

5 MM €

Horizon Europe

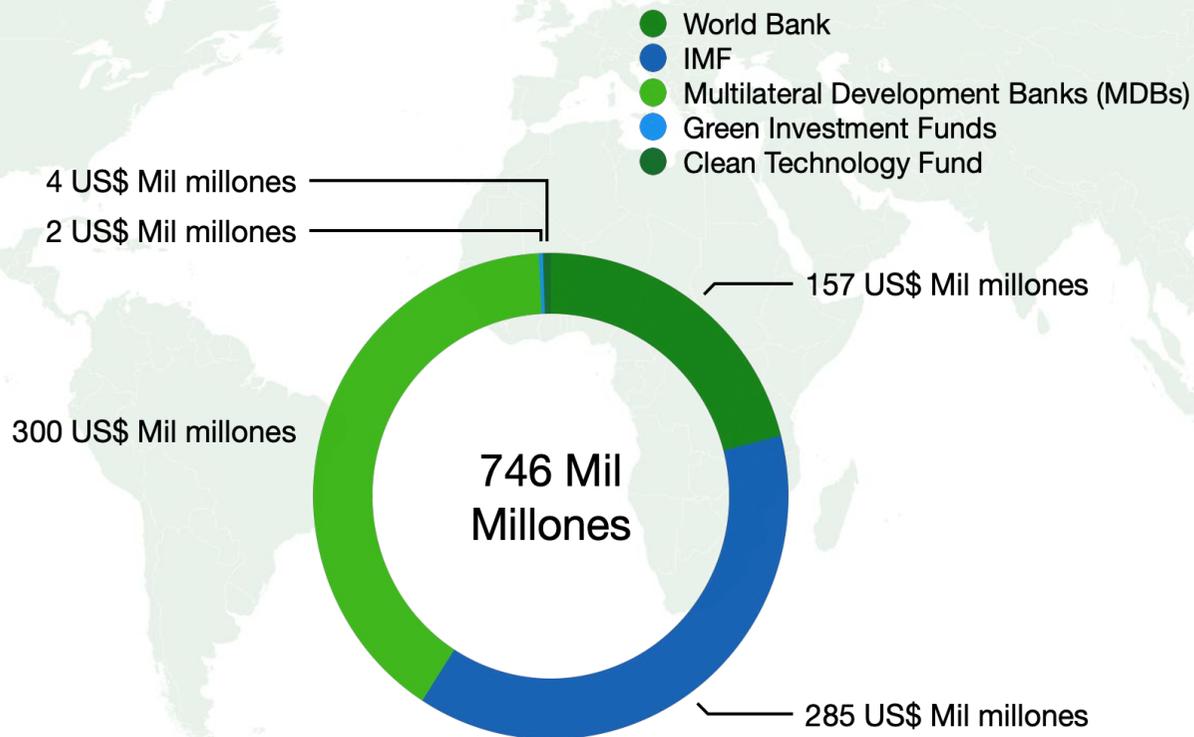
5.6 MM €

InvestEU



Approved Post-Covid Plans for Economic Recovery and promotion of Green Economy by multilateral entities

Source: World Bank, IFC, IMF, UNEP, Bloomberg y Financial Times (2022)



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The current war between Russia and Ukraine will accelerate the energy and agricultural transition as it has highlighted our dependence of energy and food imports



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U.S. supply chain to shift to Latin America



Covid-19 showed us that:

- Extreme dependency on other countries has an effect on national security
- LATAM: Proximity, solvency, delivery time, free trade agreements

3 areas where the U.S needs more resilience

1. Health (antibiotics, vaccines, material hospitalario)
2. Food Suply Chain (Food, fertilizers, agrochemicals...)
3. Rare earth elements (5G, EVs, Copper, Cobalt, Nickel, Graphite)



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Social movements demand that governments focus more on health and social issues (Sustainability)



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**Triple
Balance:
Powering
sustainable
growth**

