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## SUSTAINABILITY & ENVIRONMENT



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# The G20's Time for Climate Leadership

PARIS – At the start of 2016, the United States was well positioned to lead the global fight against climate change. As the chair of the G20 for 2017, German Chancellor Angela Merkel had been counting on the US to help drive a deep transformation in the global economy. And even after Donald Trump won the US presidential election, Merkel gave him the benefit of the doubt, hoping against hope that the US might still play a leading role in reducing global greenhouse-gas emissions.

But at Merkel and Trump's first in-person meeting, no substantive statements were issued, and their body language made the prospect of future dialogue appear dim. Trump's slogan "America first" seems to mean "America alone."

By reversing his predecessor's policies to reduce CO<sub>2</sub> emissions, Trump is rolling back the new model of cooperative global governance embodied in the 2015 Paris climate agreement. The countries that signed on to that accord committed themselves to sharing the risks and benefits of a global economic and technological transformation.

Trump's climate-change policy does not bode well for US citizens – many of whom are now mobilizing resistance to his administration – or the world. But the rest of the world will still develop low-carbon, resilient systems. Private- and public-sector players across the developed and developing worlds are making the coming economic shift all but inevitable, and their agendas will not change simply because the US has a capricious new administration. China, India, the European Union, and many African and Latin American countries are still adopting clean-energy systems.

As long as this is the case, businesses, local governments, and other stakeholders will continue to pursue low-carbon strategies. To be sure, Trump's policies might introduce new dangers and costs, domestically and worldwide; but he will not succeed in prolonging the fossil-fuel era.

Still, an effective US exit from the Paris agreement is a menacing development. The absence of such an important player from the fight against climate change could undermine new forms of multilateralism, even if it reinvigorates climate activism as global public opinion turns against the US.

More immediately, the Trump administration has introduced significant financial risks that could impede efforts to address climate change. Trump's proposed budget would place restrictions on federal funding for clean-energy development and climate research. Likewise, his recent executive orders will minimize the financial costs of US businesses' carbon footprint, by changing how the "social cost of carbon" is calculated. And his administration has already insisted that language about climate change be omitted from a joint statement issued by G20 finance ministers.

These are all unwise decisions that pose serious risks to the US economy, and to global stability, as United Nations Secretary-General António Guterres recently pointed out. The US financial system plays a leading role in the world economy, and Trump wants to take us all back to a time when investors and the general public did not account for climate-change risks when making financial decisions.

Since 2008, the regulatory approach taken by the US and the G20 has been geared toward increasing transparency and improving our understanding of possible systemic risks to the global financial system, not least those associated with climate change and fossil-fuel dependency. Developing more stringent

transparency rules and better risk-assessment tools has been a top priority for the financial community itself. Implementing these new rules and tools can accelerate the overall trend in divestment from fossil fuels, ensure a smooth transition to a more resilient, clean-energy economy, and provide confidence and clarity for long-term investors.

Given the heightened financial risks associated with climate change, resisting Trump's executive order to roll back Wall Street transparency regulations should be a top priority. The fact that Warren Buffet and the asset-management firm Black Rock have warned about the investment risks of climate change suggests that the battle is not yet lost.

Creating the G20 was a good idea. Now, it must confront its biggest challenge. It is up to Merkel and other G20 leaders to overcome US (and Saudi) resistance and stay the course on climate action. They can count as allies some of the world's large institutional investors, who seem to agree on the need for a transitional framework of self-regulation. It is incumbent upon other world leaders to devise a coherent response to Trump, and to continue establishing a new development paradigm that is compatible across different financial systems.

At the same time, the EU – which is celebrating the 60th anniversary of the Treaty of Rome this year – now has a chance to think about the future that it wants to build. These are difficult times, to be sure; but we can still decide what kind of world we want to live in.

*<http://prosyn.org/ZSqK36I>*

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