

Getting It Done

New York Climate Week 2022

Brunswick Climate Hub

Brunswick Business & Society

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Getting It Done: Climate Week 2022

As business and politics move from net-zero commitments to action, the major theme of this year's climate week was "getting it done." Expectations and scrutiny of climate-linked promises and actions will increase. Several Brunswick partners attended the week's events in New York and shared these observations:

Rich nations are under pressure to lead the energy transition.

The UN is focused on pressuring rich nations to make good on their commitments both to reduce their own emissions and to finance the energy transition in developing countries. Incoming COP27 President Sameh Shoukry or UN Climate Change High-Level Champion for Egypt Mahmoud Mohieldin appeared at nearly every convening throughout the week – emphasizing that the goal of COP27 is to create trust between the developed and developing world. They urged developed countries to make good on their \$100B commitment of financing to developing countries – warning that the "developing world will be reluctant to take measures themselves" until then.

Climate change and ESG are being politicized.

Complicating the push for climate action is the increasing emphasis on the politicization of climate change and a debate around to what extent either politics or economic impacts are the real drivers behind the ESG push. This came to a head during The New York Times "Climate Forward" event when David Malpass, president of the World Bank, avoided questions about the science of climate change. "I don't even know – I'm not a scientist," he said, continuing that we must "get past the point of talking about beliefs and get to the point of talking about the actions that will have impact, and that will have a lasting contribution to greenhouse gas reduction." In response, several leading climate figures called for Malpass to step down. A couple of days later, Malpass walked back his statements in a note to World Bank staff, saying "it's clear" that the burning of oil, natural gas and coal is generating greenhouse-gas emissions.

Better data will make organizations more accountable.

The first-ever publicly accessible Net-Zero Data Public Utility (NZDPU) was launched to make climate transition-related data openly available in a one-stop shop. The comparability of data has driven investor action. Technology companies emphasized the need for data organization and analysis tools. At a Techonomy event, Mark Kroese, Microsoft's general manager for sustainability solutions, explained the need to understand how to make ESG data and reporting accessible to those who need it. Financial firms recognize that squishy ESG data, analysis and outcomes reporting leads to criticism from across the political spectrum. They want to be able to make more convincing links between ESG data and business performance.

Banks want to work more closely on climate initiatives.

Bank executives emphasized the need to get money out and bridge the "great finance divide" in developing countries, through blended finance, data and first-loss guarantees to de-risk investments. Several bank CEOs noted on a panel during Climate Week that we cannot confuse the creation of net-zero portfolios (created by asset managers) with net-zero climate (which is what the broader system, including corporates, are working to achieve by reducing emissions). Corporate leaders called for more "shovel-ready projects" as the IMF head, Kristalina Georgieva, said it was past time for capital to get off the sidelines.

Economic instability is causing doubts about ESG.

Inflation and the European energy crisis stemming from Russia's invasion of Ukraine have rattled financial institutions. Behind closed doors, they expressed reservations about the validity of ESG in the light of serious macroeconomic challenges. Even sustainability-focused leaders at these institutions questioned whether it was political or moral positions pushing ESG forward, instead of sound business sense.

For politicized climate action, see California.

California Governor Gavin Newsom was busy in New York touting the sweeping legislation California passed on September 16, which established a legally binding goal for California to achieve statewide carbon neutrality no later than 2045 and 90% clean energy by 2035. The package established new setback measures for oil drilling, initiatives to capture carbon pollution from the air, and advance nature-based solutions.

Governor Newsom celebrated his state's investments in green technologies, while criticizing Republican politicians for not taking similar stances. He also explained the practicalities of investing in green technology, noting that the state's ability to avoid widespread power outages during the extreme heat wave earlier this month was due to a significant investment in big batteries.

Innovation and technology will drive the energy transition.

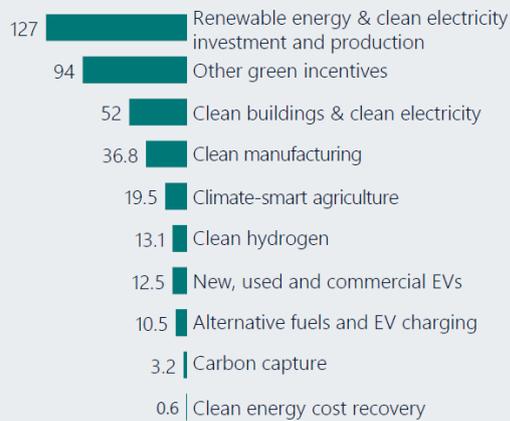
The majority of the nine winners and finalists at the Earthshot Prize Innovation Summit were in climate tech. Hydrogen was mentioned frequently by energy companies and government as an exciting new and potentially low-cost technology. Speaking at the summit, Bill Gates spoke of the importance of hydrogen and its potential to significantly reduce emissions from industrial processes, if produced at a low enough cost: "If you get the hydrogen cheap enough, you get the super-magic thing, which is that the green product doesn't cost more".

Government and the private sector can work better together.

The Inflation Reduction Act (IRA) was applauded during various Climate Week and UNGA events for leveraging tax credits to encourage innovation in climate tech and infrastructure. However, companies emphasized that the government needs to go further to support efforts to de-risk innovative green technology in order to attract more financing.

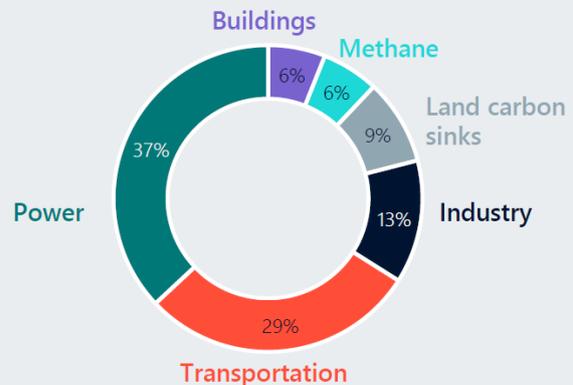
Governor Newsom noted that the IRA and California's new climate goals go "hand in glove," and explained that the tax credits will help to grow the state's regenerative agriculture sector and will accelerate the deployment of EV infrastructure, with the "private sector moving in to absorb the gaps."

IRA's green incentives - not enough on their own but the dawn of a new area (IRA's climate and energy provisions breakdown in \$bn)



Source: Committee for a Responsible Federal Budget

IRA expected to lower power and transportation emission significantly (IRA's projected 2030 greenhouse gas cuts)



Source: REPEAT (Princeton University), Preliminary Report August 2022

Overall, the world is behind in making progress on its goals, and speakers used Climate Week and UNGA as a call-to-action platform, urging business and governments to act faster and together to address the climate crisis.

To continue the conversation:

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