

Network Intelligence Report

Climate Risk: A Growing Threat to Businesses



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Changing Climate Regulation Landscape Following the “Year of Elections”

Key elections in the European Union and the United States in 2024 could lead to significant changes in climate policy with global implications. In the EU Parliament’s elections, far-right political parties gained more ground, potentially allowing conservative Members of Parliament (MPs) enough power to delay deadlines on major climate legislation. In the United States, presidential candidates Kamala Harris and Donald Trump have proposed contrasting ideas on climate policy so far. If Vice President Harris wins, continuity and a potential expansion of President Biden’s climate agenda can be expected. Former President Trump, on the other hand, has pledged to undo many of Biden’s climate actions and focus on building American energy independence.

Despite the potential of stalled climate progress in the European Union by conservative MPs and in the United States under a second Trump presidency, in the long run, it is likely that key initiatives to address climate change will keep moving forward. Conservative leaders in the European Union may delay legislative deadlines, and Trump could issue executive orders (EOs) to bypass Congress, but it remains unlikely that major climate legislation will be overturned in either the European Union or the United States.

To further explore the impacts of these elections on the future of climate policy and their global implications, RANE spoke with experts **Antoine Oger, Director of Research at the Institute for European Environmental Policy**, and **John Lushetsky, Senior Vice President at ML Strategies, a Washington, D.C., government relations firm**.

The Rising Far-Right’s Impact on European Parliament Climate Policy

During elections in June, far-right parties gained more ground in the European Parliament. Beyond increasing the number of seats, **Oger** emphasizes that the far-right has managed to organize itself in a more coherent way, including obtaining positions of responsibility within the committees of Parliament that are ultimately responsible for drafting legislation. While the centrist coalition is

still leading Parliament, the far-right has effectively managed to increase their capacity for influence, says **Oger**. Ultimately, **Oger** believes that the centrist coalition’s continuity of power will overcome disruptions led by conservative legislators and that the enactment and design of new EU sustainability-related policies will remain possible. What is of greater concern, according to **Oger**, is that the far-right will back a push from conservative forces to water down and deregulate the most stringent provisions of environmental regulations that will come under review from 2025–2028.

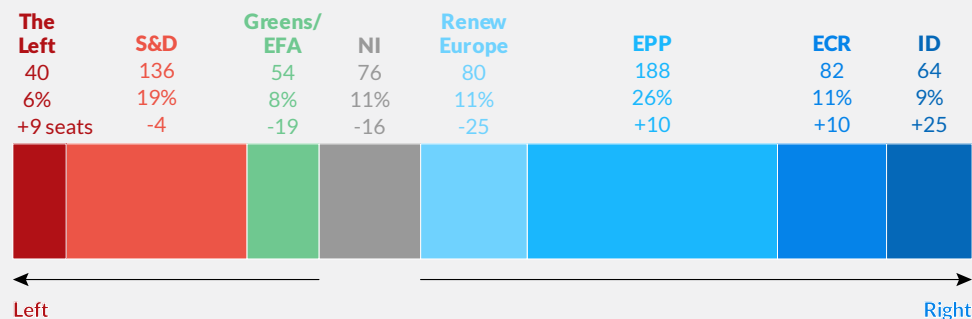
Policies that could be affected during revision periods include the ban on internal combustion engines, with the 2035 deadline potentially being postponed. Another regulatory item that could be delayed is the EU Deforestation Regulation. The compliance deadline of the legislation is December 2024, but concerns over readiness from companies and regulators, in addition to the Regulation’s potential economic impacts, have led to growing calls to push back the target date. On 3 October, the Commission announced that it would propose delaying implementation of the law by a year. **Oger** explains that the “major stress test” for the new political framework within the European Institutions will be the proposal for climate targets in 2040, which is widely expected to call for a 90% reduction in emissions. Since the proposal will be published in early 2025, “whether or not that ambition from a climate perspective can be reached will serve as a very important marker” for the right’s impact on other legislation moving forward, determines **Oger**.

As far as sectors that may be most affected by the far-right’s new role within Parliament, **Oger** believes agriculture may be most impacted. Over the spring, farmers in the European Union

European Parliament 2024 Election Seat Apportionment

Seats per political group, projected results as of Oct. 7

Total seats: 720



Source: European Parliament

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protested proposed environmental regulations like nitrogen emissions curbs and restrictions on water and land usage – items under the Common Agricultural Policy that provide subsidies to farmers. Following the protests and subsequent action from Parliament, **Oger** feels “any kind of new legislation or new development in the agricultural realm will be extremely politically sensitive, and the far right is very likely to have a very strong influence on this aspect.”

Additionally, the transportation sector will likely be affected by the push to delay bans on internal combustion engines and the conservative goal of increasing personal vehicle ownership, adds **Oger**. These changes would conflict with the European Green Deal, which aims to achieve a 90% reduction in greenhouse gas emissions related to transport by 2050. Beyond this, a priority of the new European Commission will be to facilitate business

and increase competitiveness, which means cutting environmental red tape and facilitating permitting and licensing across the board, says **Oger**.

Post-Election Climate Policy in the United States

In the United States, Democratic candidate Kamala Harris has offered limited details on planned climate policies, while Republican nominee Donald Trump has promised a 180-degree turn from President Biden’s climate agenda. Though there is ambiguity surrounding the Harris campaign, she has served as the vice president to Joe Biden, who has had one of the most progressive agendas on climate change. Harris is therefore widely expected to continue along the same lines. Trump, meanwhile, pulled the United States from the Paris Climate Agreement during his first term as president and has pledged to do it again in a second term, as well as roll back other policies from the Biden administration. While each candidate’s policy agenda could be quite different, major policies like the Inflation Reduction Act (IRA) would likely still remain standing, as there are layers to the legislation that would need to be undone at the Congressional level.

CLIMATE POLICY UNDER KAMALA HARRIS

To date, Kamala Harris has briefly touched on climate change and refrained from giving away too much detail on specific policy plans. Harris has so far said she would not ban fracking as president – a change from her earlier position on the matter – and emphasized the importance of investing in the IRA and creating a clean energy economy. Harris also mentioned the need to reduce reliance on foreign oil and invest in diverse energy sources during her debate with Trump in September. More recently, she



Kamala Harris and Donald Trump on Climate Change

Key focuses of Kamala Harris' and Donald Trump's anticipated climate policy agendas differ, but shared concerns by both political parties could see convergence on critical issues by either prospective administration.

Kamala Harris	Both	Donald Trump
<ul style="list-style-type: none"> • Focus on investing in the IRA and creating a clean energy economy • Continue Biden's climate agenda • Increase funding for climate agencies and research • Invest in diverse energy sources • Engage with allies and partners • Electrify transportation <ul style="list-style-type: none"> • Double down on environmental justice and energy poverty issues of underserved populations 	<ul style="list-style-type: none"> • Prioritize nuclear energy <ul style="list-style-type: none"> • Improve electric grid security • Make it easier to obtain permits for projects like transmission lines, oil and gas or renewables • Decrease supply chain dependence on China, including reduced dependence on Chinese-sourced critical minerals • Use of tariffs on China (EVs, batteries, solar panels) 	<ul style="list-style-type: none"> • Focus on energy security, independence, and supremacy <ul style="list-style-type: none"> • Roll back Biden's climate agenda • Reduce investments in clean energy and renewables while increasing investments in coal, oil and gas • Block funding used to boost American output of critical minerals • Reduce engagement with allies and partners <ul style="list-style-type: none"> • Pull U.S. from Paris Climate Agreement • Gut key government agencies that oversee environmental protection

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has publicly supported specific measures to build a U.S. critical minerals supply chain and reform the federal energy permitting framework. While she has refrained from announcing broader plans for climate policy, Harris has a track record of championing climate-friendly policies during her time as Attorney General of California, as a Senator of California and as Vice President. The

League of Conservation Voters gave Harris a lifetime score of 90% on environmental votes.

To gain better insight into Harris' potential climate policies, one can look to the Democratic Party's recently updated platform for guidance. Seven key takeaways from the platform that could become areas of focus during a Harris administration include building upon the IRA, achieving net zero in farming by 2050, electrifying transportation, funding climate agencies and research, taking on "Big Oil," shoring up infrastructure, and enhancing America's global climate leadership. Overall, a Harris administration would most likely seek to protect the Biden administration's progress and continue building upon those policies. In comparison to the Biden administration, **Lushetsky** suggests that Harris may "increase emphasis on environmental justice and the energy poverty issues of underserved populations," including taking steps to ensure more low-income households benefit from the IRA.

What may be less certain is whether Harris's California roots will impact her approach. California has passed legislation to promote renewable energy sources and move away from gas, oil and coal, such as banning the sale of new gasoline-powered cars by 2035 and cutting greenhouse gasses by at least 85% by 2045. Such influence might result in similar policies at a federal level, such as nationwide electric vehicle (EV) mandates, new production bans, and additional restrictions on fuel and energy choices, but **Lushetsky** notes that this potential is unlikely. Harris' climate agenda will likely take clearer shape if she wins the election, as outlining progressive climate policies beforehand could risk alienating some voters.

CLIMATE POLICY UNDER DONALD TRUMP

Overall, a second Trump administration's climate policies would likely focus on energy security and supremacy, starkly contrasting with the Biden and Harris climate agendas. Trump would likely begin by attempting to remove or revise policies implemented during the Biden era, including clean energy rules like limits on tailpipe pollution (Multi-Pollutant Emissions Standards

for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles) and unhealthy emissions from power plants (Power Plant Rules). **Lushetsky** adds that Trump may also go after EV mandates or Corporate Average Fuel Economy (CAFE) standards, as well as the Affordable Clean Energy Rule. However, "modification of these rules would require further public com-

ment and could be slowed or stalled by opposing groups," notes **Lushetsky**. Other policies, such as new voluntary emission standards for the oil and gas industry, could be more easily addressed. Additionally, "relatively minor policies defined by executive orders (EOs) would be easy for Trump to overturn, such as the Justice40 EO that sets a goal of 40% of benefits from the IRA to flow to underserved communities or the Presidential Determination that the DOE has used to apply the Defense Production Act for heat pumps," says **Lushetsky**.

Larger legislation, on the other hand, like the IRA, would be more difficult for Trump to remove. While some of the legislation can be overturned, other elements of the law would likely need to

be tackled at the Congressional level. **Lushetsky** notes that the Department of Energy (DOE) and Environmental Protection Agency (EPA) have already obligated a significant portion of their IRA funds, which would make the funding difficult to rescind. "Raising the bar to qualify under certain programs, such as the domestic content requirement for electric vehicles or EV batteries, has also been discussed as a potential way to pull back the IRA, but the rule revision process makes this difficult or unlikely," says **Lushetsky**.

As a staunch supporter of the fossil fuel industry, Trump would likely prioritize promoting energy independence. This could see accelerated permitting of oil and gas production on federal lands or an increase in the amount of federal lands and waters accessible for oil and gas drilling. Additionally, he could attempt to slow the shift to renewables and greener energies, such as offshore wind. Trump could also channel discretionary funding, such as the DOE loan programs, to fossil or other technologies he favors. Trump has also expressed intentions to gut key government agencies that oversee environmental protection, like the Interior Department and EPA.

Ultimately, Trump's ability to accomplish some of his climate- and energy-related goals will likely largely be dictated by Congressional elections. **Lushetsky** notes that in his first administration, Trump tried to reduce or zero out many energy programs — like the DOE Advanced Research Projects Agency-Energy (ARPA-E) Office and the Loan Programs Office — but funding was maintained by Congress, even when Republicans held a majority in both the House and Senate. "The fact that a substantial percentage of IRA benefits have gone to Republican districts — as

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much as 6:1 – will make these efforts that much more challenging,” notes **Lushetsky**.

During a second term, however, Trump would likely be aided by more experienced staff who may be better equipped to implement changes. If Congressional efforts are unsuccessful, Trump has the option to issue EOs. Additional orders could be similar to those implemented during his first term, including items on offshore energy exploration, expediting the permitting process and general deregulation.

AREAS OF CONVERGENCE

Despite differences between the party candidates, Republicans and Democrats share a number of priorities that would likely see support from either prospective administration. **Lushetsky** outlines four areas of convergence between both sides, including prioritizing nuclear energy deployment; improving electric grid security in order to meet increased electricity demand from data centers and AI; reforming permitting for transmission lines, oil and gas, and renewables projects; and decreasing supply chain dependence on China for goods like critical minerals while increasing domestic manufacturing. Additionally, **Lushetsky** notes that with respect to supply chains and domestic manufacturing, both sides have embraced tariffs on China, especially for EVs, batteries and solar panels, as part of broader climate policies.

CONGRESS’S ROLE

Elections in Congress could drastically impact climate policy, according to **Lushetsky**. **Lushetsky** notes that all current

Congressional election scenarios are viable. While there was some indication the House would flip to Democrats, **Lushetsky** clarifies that “the numbers are currently far from decisive” and “the Republicans may hold on, though still without a dominant majority.” In the Senate, “the current Democrat majority is severely challenged, and the best case may be that they hang on with a 50/50 split.” Ultimately, **Lushetsky** finds that the outcome will greatly impact what really happens. For example, in terms of an IRA 2.0, **Lushetsky** believes that the potential for such legislation would only exist if the Democrats win the House, Senate and presidency. In other scenarios where Congress or the government is divided, “the potential for significant legislation to pass is extremely low.” “Passing new legislation may also be further challenged in a post-Chevron environment where the Executive branch’s ability to interpret legislation could be significantly constrained, requiring Congress to be much more precise in its language,” says **Lushetsky**. Finally, legislation could be “impacted by changing leadership in Congress, with the chairs of key House and Senate energy-related committees announcing their retirement,” notes **Lushetsky**.

Global Implications

The U.S. elections could have global implications, particularly concerning U.S. leadership in climate change discussions. **Lushetsky** notes that there really is no replacement for U.S. leadership on climate change in international spheres. For example, in terms of “a bilateral dialogue with China on climate – there really is no one else that can have that dialogue on an equal basis other than the United States.” Even more impactful, **Lushetsky** adds, would be reduced leadership in the annual U.N.-sponsored Conference of Parties (COP) meetings where countries review progress,

negotiate agreements and establish legally binding obligations on issues related to climate change. A lack of coherence on climate policy internationally is a major concern of most international operators, according to **Oger**, as consistency can help lower costs.

What Companies Can Do To Prepare

In order to prepare for the uncertainty around climate policy following elections, companies can employ the following tools:

Monitor pending legislation: Given the uncertainties surrounding the future of climate policy, companies should ensure that they are closely monitoring pending legislation. Under new leadership, major legislation could see implementation deadlines delayed, while smaller items could end up being scrapped altogether amid changing administrations and Congressional/Parliament leadership.

Scenario analysis: Conducting scenario analysis and planning around essential policies of interest that Harris or Trump may alter or employ following the election allows companies to adjust business strategies accordingly, as noted in the Network Intelligence Report: A Super Election Year published by RANE in April 2024. Completing these evaluations of policy changes that pose high risks and impacts can allow organizations to adjust and implement the proper risk mitigation strategy. For example, if reduced emissions turrets are abandoned, companies will have

complications due to U.S. state requirements and EU rules that American multinational companies are subject to. These scenarios can also be assessed with the help of advisors, adds **Lushetsky**, to help better understand what obstacles businesses may face.

Review budgets and funding opportunities: In the event that financial incentives for companies to invest in greener, climate-friendly practices are delayed or potentially rolled back, businesses should review their budgets and resources allocated toward green transitions and investments. For example, if Trump withdraws the United States from the Paris Agreement again, there will be consequences for these investments, as the United States would no longer have access to the Green Climate Fund. To help with this, organizations can consider ways to secure support for green investments in third countries under Trump.

Review energy transition and climate targets: Companies with ambitious energy transition strategies should review their plans to ensure they are still viable under a second Trump administration. With uncertainties around the Securities and Exchange Commission's (SEC) climate disclosure rules under Trump, as well as potential executive action to disqualify companies for ESG-related policies at the federal level, companies with lofty climate goals may face higher risk. Part of this review may include developing a public relations strategy.

Continue investing in green transitions: If possible, companies may benefit from continuing to invest in green transitions despite any policy delays or repealing of incentives. While key climate legislation in the European Union and the United States could see

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delays over the next few years, in the long term, these policies will likely still be implemented. Businesses have the opportunity to stay ahead of these changes by continuing to prioritize climate in business strategies. As **Oger** notes, preparing to adapt to new regulations on transparency, reporting and ESG standards is vital as, eventually, there will be “increased transparency of the production process of value chains.” In the European Union specifically, **Oger** notes that these preparations are already underway and are infrequently attacked by opposition groups, so corporations should be aware that they will have to comply.

About the Experts:

Antoine Oger is a specialist in environmental and, more generally, sustainability-related policies at the EU and global levels. He is Research Director at the Institute for European Environmental Policy (IEEP). He joined IEEP in August 2021 as Head of Program for Global Challenges and SDGs to work primarily on the coherence of the European Union’s internal and external policies and

on the greening of the European Union’s trade policy. He previously worked for over 12 years in providing technical assistance for the sustainable development of countries in the global south. Antoine holds a Master of Arts in European Politics from the Institute of Political Studies of Rennes.

John Lushetsky is a Senior Vice President at ML Strategies, the government relations arm of the U.S. law firm Mintz-Levin. He supports clients in their interactions with federal agencies and state governments with respect to the development, commercialization and financing of energy and other advanced technologies. He leverages significant previous experience in government, the military and the private sector, including senior positions with the U.S. Department of Energy and the U.S. Army. He holds a Master of Business Administration from The George Washington University School of Business, a Master of Science in Engineering Science from University of Florida and a Bachelor of Science in Engineering Science, also from University of Florida. □