Our Take on the Paris Agreement Withdrawal

Although the U.S. government has announced its intention to withdraw from the Paris Agreement, progress on emission reductions will continue. The U.S.'s withdrawal from the Agreement sacrifices the country's ability to lead on groundbreaking climate policy. However, it does not prevent us from continuing to innovate and reduce emissions in the U.S. These tasks have now been moved from the federal purview to cities, states, and corporations. The shift may even engage more diverse and numerous stakeholders in the process of slowing climate change.

Many of these constituents have already stepped up to fill the void in setting and adhering to environmental standards in service of new low-carbon industries and jobs. Stakeholders are taking matters into their own hands, with one coalition of cities, states, universities, and corporations named "We are Still In", helmed by Michael Bloomberg, petitioning to join the Paris Agreement as non-state actors. The former New York City mayor announced that he is confident the U.S. can meet its emissions reduction pledge without federal policy. Another group of twelve states including New York and California, which collectively produce 30% of the U.S.'s annual GDP and 18% of its carbon dioxide emissions, formed an alliance also pledging to meet the Paris emissions reductions goals. Last Tuesday, Hawaii was the first state to formally pass a law committing to those goals. We expect to continue seeing next steps on emissions reductions and environmental protection emerging from private sector innovation, allied with measures at the state and local level.

Abroad, the U.S.'s withdrawal could have counterintuitive consequences. Many of the remaining 195 signatory countries – including the rest of the G7 countries – have re-affirmed or doubled down on their commitment to the emissions reduction pledges. Regional powers like China and India may step into positions of leadership on climate, furthering progress on coal-use reduction and sustainability measures. Earlier this year China announced plans to invest $361 billion in renewable energy by 2020. This global picture provides myriad opportunities for forward-thinking American companies and investors.

Back home, market trends and developments in energy and efficiency will have significant bearing on emissions outcomes. According to Shin Furuya, Vice President for Responsible Investment Research at Domini, the fundamental economics of energy have started to shift. Some industries are taking steps toward decoupling from fossil fuel, notably the auto industry, largely due to disruptive innovation in battery technology.

Bloomberg analysts have predicted the shift to electric vehicles could drastically reduce the demand for oil within the next ten years. Last year, battery prices fell by 35% and the installed capacity of solar power in the U.S. doubled. On a larger scale, industries and asset managers are incorporating understandings of climate change risks to a new, comprehensive degree. Sustainability has been recognized a strategic business consideration, rather than a fleeting trend.

The U.S.'s emissions reporting obligations under the Paris accord will continue until November 4, 2020, the date of official exit. After that point, a new administration could re-join the accord. In the meantime, there will be many opportunities for the private sector to lead through their emissions reduction work. The reality of the U.S. withdrawal from the Paris Agreement is that it will not halt the progress toward combatting climate change.

Domini has signed the "We Are Still In" pledge alongside 1,219 state and local officials, businesses, investors and universities, signaling our continued commitment to the emissions reduction goals of the Paris Agreement and the fight against climate change. Read the full pledge at http://wearestillin.com/

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