

AAA Framework for Climate Policy Leadership | [U.S. Federal Climate Policy Priorities](#)
September 27, 2021

Introduction

There is a narrow political window this year to enact policies that meaningfully address the climate crisis, and the need for [business leadership](#) is urgent.

With [broad business support](#), the Biden Administration set a [Nationally Determined Contribution](#) (NDC) under the Paris Agreement to cut greenhouse gas emissions 50-52% below 2005 levels by 2030. To meet this target and put the U.S. on a path to achieve net-zero emissions by 2050 – consistent with global ambition to limit warming to 1.5° C above pre-industrial levels – new policies are needed to drive down emissions across the economy.

Companies and investors have a vital role to play in advancing the public policies needed to meet both the U.S. NDC and their own emission reduction goals. Now is the time for every company to make climate a top advocacy priority – on par with tax or trade or any other core business issue – and drive that advocacy from the C-suite.

The following are top climate policy priorities for corporate advocacy in 2021, as agreed by the NGOs that endorse the [AAA Framework](#) for Corporate Climate Leadership¹:

- **Decarbonize electricity**
- **Decarbonize transportation**
- **Decarbonize industry**
- **Limit methane emissions**
- **Advance nature-based climate solutions**
- **Enact an economy-wide carbon price**
- **Mandate climate risk disclosure**

In addition to being critical to meet the NDC, all of these policy priorities will drive economic recovery, create well-paid jobs in the United States and boost U.S. competitiveness. They can and must also be designed to promote environmental justice and economic equity, by reducing climate and air pollution in overburdened communities and by ensuring a just transition for fossil fuel workers.

Budget Reconciliation

The budget reconciliation package is a [once-in-a-decade opportunity](#) to pass climate policy. Now is the time to support **strong climate provisions** including:

- Tax credits for clean energy, manufacturing, and zero-emission vehicles (ZEVs).
- Greenhouse gas pollution pricing (price on carbon and methane fee).
- A clean electricity payment program that moves the electric power sector to 80% clean electricity by 2030.
- Investments in grid modernization, transmission, and ZEV charging infrastructure.
- Funding for agricultural and forestry programs that sequester carbon.
- Funding for clean energy research, development & demonstration.
- Investments in low-income communities and growth in domestic manufacturing.

¹ This list is not exhaustive but reflects the shared priorities and expertise of contributing NGOs.

This document provides the rationale for each priority, key policies to support and timeline for business engagement. Policies of particular relevance to certain sectors are noted; accordingly, all are relevant to investors seeking to reduce climate risk and improve ESG performance in their portfolio companies.

Finally, business voices will be critical in urging the Administration and Congress to raise U.S. and global climate policy ambition at key moments in 2021 (e.g., G7, G20, COP26). Sign the [G20 Business Letter](#) to call for increased ambition on the road to COP26, and download the [WMB G20 advocacy toolkit](#) for policy context, key messages and social media content for companies to amplify.

Decarbonize Electricity

Relevant to: All companies and investors.

Rationale: Decarbonizing electric power generation is critical to meet the U.S. NDC and achieve net-zero emissions economy-wide by 2050. Renewable energy is also becoming more and more cost-competitive with fossil fuels as a new power generation option.² To ensure that our increasingly electrified economy is powered with clean energy and the power sector's emission trajectory continues to bend downward, new policies are needed to ramp up deployment of zero-carbon electricity generation, modernize the grid and accelerate clean energy innovation.³ Together, policies should ensure that climate pollution from the power sector drops at least 80% below 2005 levels by 2030⁴ on a path to 100% clean by 2035, and with prioritized action in communities bearing a disproportionate burden of air pollution.

Key Policies to Support

Federal Administrative Action

- EPA: Establish ambitious multi-pollutant standards under the Clean Air Act that protect all communities from health- and climate-harming power plant pollution.
- FERC: Enact new market rules and permitting standards that drive energy investments away from natural gas and toward renewable and clean energy technologies.

Federal Legislation

- Establish an enforceable Clean Electricity Standard designed to achieve at least an 80% reduction in carbon pollution from the electric power sector below 2005 levels by 2030.
- Clean Energy and Manufacturing Tax Credits:
 - Extend the solar investment tax credit (ITC) and wind production tax credit (PTC) at least through 2030 and expand their eligibility to include standalone energy storage.

²IRENA, [How Falling Costs Make Renewables a Cost-effective Investment](#)

³ IEA, [Clean Energy Innovation](#)

⁴ This target has been endorsed by 13 leading utilities and over 75 major electricity users: [Momentum Grows for a Federal Clean Electricity Standard](#).

- Reauthorize the 48C Advanced Energy Project Tax Credit for facilities that manufacture clean energy technologies.
- Make all clean energy tax credits refundable.
- Transition to a streamlined, technology neutral, emissions-based clean energy tax credit.
- Grid modernization and transmission infrastructure:
 - Reinstating the Smart Grid Investment Grant (SGIG).
 - Enact an investment tax credit (ITC) for high-voltage transmission.
 - Expand project eligibility under the US DOT Transportation Finance Investment Act program (TIFIA) to include transmission or establish a similar program within DOE.
- Clean Energy Research, Development & Demonstration (R&D&D)
 - Increase funding for ARPA-E to support commercialization of breakthrough technologies.
 - Increase funding for the CarbonSAFE Initiative for safe carbon capture and storage.

Timeline for business engagement

- **August - October:** Watch for opportunities to support new EPA standards and FERC rulemaking.
- **August - October:** Advocate for a Clean Electricity Standard and other clean energy provisions as part of a larger infrastructure bill, appropriations bill or other legislation including the [Clean Energy for America Act](#).

Decarbonize Transportation

Relevant to: Companies with significant GHG emissions associated with transportation; companies with zero-emission fleet and/or shipping goals; vehicle and engine manufacturers, battery and component suppliers; companies that build or install zero-emission vehicle charging equipment and infrastructure; aircraft manufacturers and fuel producers.

Rationale: The transportation sector is the largest source of U.S. GHG emissions, as well as air pollution responsible for 20,000 premature deaths a year. Trucks are responsible for a large and rapidly growing share of vehicle pollution. Despite being only 4% of vehicles on the road, trucks account for 25% of the transport sector’s CO₂ emissions, almost half the NO_x and 60% of fine particulates. Market forces are moving in the right direction: in many applications, light-duty ZEVs are already less expensive than their ICE counterparts on a total cost of ownership basis⁵, and the same is true in some medium and heavy-duty applications⁶. But the pace is not nearly fast enough. Without policy action, more than half of the trucks and 30% of the cars on the road are projected to be gas and diesel in 2050.

To meet the U.S. NDC, updated standards are required to ensure that no later than 2035, all new cars, and by 2040, all new trucks and buses sold in the U.S. are ZEVs, while accelerating the transition for

⁵ [Electric Vehicle Ownership Costs: Today’s electric vehicles offer big savings to consumers](#) Consumer Reports, 2020

⁶ [Clean Trucks, Clean Air, American Jobs](#), EDF, 2021

freight vehicles operating in ports, distribution facilities and urban centers.⁷ These standards, combined with legislation that accelerates deployment of ZEVs and charging infrastructure, will supercharge transformation of vehicle fleets, cutting climate pollution while improving air quality in communities across the country.

New policies are also required to limit emissions from the rapidly growing aviation sector. Aviation accounts for 3.5% of today's global warming impact⁸ and 2.5% of global CO₂ emissions, which are projected to triple by 2050.⁹ Aviation policies must address all global warming impacts from air travel, including both CO₂ and non-CO₂ warming effects, and set mandatory emissions targets that are science-driven and consistent with achieving net-zero emissions by 2050. High-integrity sustainable aviation fuels have the potential to fully decarbonize aviation by 2050, making the right policy and regulatory incentives crucial to support the uptake of these technologies.

Key Policies to Support

Federal Administrative Action

- EPA/NHTSA: Restore [California's authority](#) to set vehicle emission standards, and new near-term light-duty vehicle standards that reverse the prior administration's rollbacks and create a strong foundation for long-term action.
- EPA: (1) Establish new multi-pollutant standards for passenger vehicles consistent with eliminating pollution from all new vehicles sold by 2035 and ensuring that at least half of new vehicles are zero-emitting by 2030. (2) Establish new multipollutant truck standards that require deployment of zero emitting vehicles in urban and community applications prior to 2030 and are consistent with eliminating pollution from all new medium- and heavy-duty vehicles by 2040.
- EPA/FAA: Establish multi-pollutant, technology-forcing standards under the Clean Air Act to limit aircraft emissions.

Federal Legislation

- Tax credits for ZEV procurement and manufacturing
 - Extend and expand the 30(c) tax credit for ZEV charging infrastructure
 - Extend the 30(d) procurement tax credit, modify it to include point-of-sale rebates or refundable tax credits, and expand it to include medium and heavy-duty ZEVs.
 - Reauthorize the 48(c) manufacturing tax credit and expand it to include medium and heavy-duty ZEVs, infrastructure, batteries and other component parts.
- Investments in ZEV manufacturing and charging infrastructure:
 - Fund ZEV charging infrastructure, especially for medium and heavy-duty trucks to maximize climate and health benefits in communities hit hardest by air pollution.
 - Fund grant programs for zero-emission drayage vehicles and port electrification.

⁷ [Recapturing U.S. Leadership on Climate](#), EDF 2021, p. 20

⁸ [Calculating the true climate impact of aviation emissions](#), Carbon Brief, 2020.

⁹ [ICAO Global Environmental Trends -- Present and Future Aircraft Noise and Emissions](#), ICAO, 2019

- Expand the Advanced Technology Vehicles Manufacturing Program (ATVM) to include medium and heavy-duty ZEVs.
- Incentives to scale sustainable aviation fuels that meet the sustainability criteria and traceability and information transmission requirements like those developed by ICAO, such as in [H.R. 2, the Moving Forward Act](#), the [Sustainable Aviation Fuel Act](#), the [Sustainable Skies Act](#) and the [Clean Energy for America Act](#).

Timeline for Business Engagement

- **August - September:** Support restoration of the CA waiver and near-term light-duty vehicle standards.
- **August - September:** Support long-term multi-pollutant emission standards for cars and freight trucks and buses. Urge the administration to introduce these standards in 2021 and finalize them in 2022 (the administration has not yet announced a specific timeline). Strong support from business *ahead of* the EPA regulatory timeline is critical to raise ambition and urgency.
- **August - September:** Advocate for ZEV-related tax credits and investments in the bipartisan infrastructure bill and subsequent legislation this year.
- **August - September:** Support new emission standards for aviation and advocate for bills that incentivize development of sustainable aviation fuels.

Decarbonize Industry

Relevant to: Companies in the industrial sectors (such as cement, steel, chemicals, pulp and paper) and companies that use industrially produced materials as inputs (such as construction, vehicle manufacturing).

Rationale: Industry contributes 23 percent of U.S. greenhouse gas emissions, making it the third highest-emitting sector after electricity and transport. If CO₂ emissions from electricity generation required for industry are also included, the industrial sector emits 30 percent of total US emissions, making it the largest emitting sector in the US economy.¹⁰ Three-quarters of industrial emissions are direct emissions, produced on-site from fuel use for power and heat, chemical reactions, and process or equipment leaks. One-quarter of industrial emissions are indirect emissions, from the electricity used at industrial facilities.¹¹ Demand for energy from the industrial sector is expected to grow 34 percent from 2021 to midcentury, and emissions are expected to increase by nearly 18 percent.¹²

Policies will be necessary to incentivize decarbonization of the industrial sector. To meet 2050 decarbonization goals, the US industrial sector must reduce emissions from energy use by approximately 74 percent from 2019 levels by the year 2040,¹³ and industrial process emissions must also be reduced.

¹⁰ [Sources of Greenhouse Gas Emissions](#), Environmental Protection Agency.

¹¹ [EPA Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2019](#), Environmental Protection Agency, 2021

¹² [EIA Annual Energy Outlook 2021](#), U.S. Energy Information Administration

¹³ [World Energy Outlook 2020](#), International Energy Agency, 2020.

Key Policies to Support:

Federal Administrative Action:

- Buy Clean: Use the federal government's market power to purchase materials that embody lower emissions to grow the market for decarbonized products.
 - Improve transparency and disclosure of embodied emissions in materials through use of Environmental Product Declarations.
 - Provide funding for businesses, particularly small and medium-sized, to produce Environmental Product Declarations and lifecycle assessments for their products.

Federal Legislation:

- Clean Energy and Manufacturing Tax Credits:
 - Allow a direct pay option for clean energy and industrial tax credits that help reduce industrial carbon emissions. This includes Section 45Q for geologic storage and beneficial utilization of captured carbon; Section 45 for renewable electricity production; and Section 48 investment tax credit for solar, power plants, combined heat and power, fuel cells, energy efficiency, and other energy and industrial technologies that support decarbonization of industrial sectors.
 - Eliminate 45Q tax credit minimum eligibility thresholds for industrial facilities and carbon utilization projects that deter technology innovation and emissions reductions
 - Extend the 45Q tax credit to incentivize deployment of additional projects and increase the credit value for industrial projects to sufficiently compensate for the cost of capture.
 - Renew and expand the Section 48C Advanced Manufacturing Tax Credit Program to lower the cost of investing in new production lines for designated clean technologies.
- Appropriate funds for a temporarily expanded DOE cost-share program for commercial-scale technology demonstrations, front-end engineering and design (FEED) studies, and saline geologic storage sites.
- Expand block grant funding for states to support industrial efficiency, with increased funds for states that establish programs to help build market demand for low-carbon products.
- Appropriate funds for decarbonization hubs and connective infrastructure that enable low-cost supply chains for decarbonized industry. Such hubs could include CO₂ hubs connecting capture, use, and storage or hydrogen hubs connecting clean hydrogen producers and with end-uses like industrial heat or heavy-duty transport.
- Increase federal funding for research, development and demonstration to support innovation in decarbonization technologies and low-carbon materials.

Timeline for business engagement:

- **August - September:** Watch for opportunities to support administrative action on Buy Clean-related policy.
- **August - September:** Advocate for industrial decarbonization provisions as part of a larger infrastructure bill, appropriations bill or other legislation.

Limit Methane Emissions

Relevant to: Oil and gas companies, electric utilities and natural gas providers; companies that use natural gas as a manufacturing input, major electricity users in states with gas-heavy grids, and companies responsible for methane emissions from livestock and organic waste including in landfills.

Rationale: Methane, the main component of natural gas, has 84 times the heat-trapping power of CO₂ over the 20 years after its release. Methane from human actions is responsible for [at least a quarter](#) of today's warming, and its [primary sources](#) are oil and gas operations, livestock and landfills. Other pollutants emitted alongside methane exacerbate respiratory illness and contribute to ground-level ozone and smog, increasing the risk of heart disease. These impacts fall disproportionately on low-income communities and communities of color. To meet the U.S. NDC, new policies are needed to reduce methane emissions economy-wide 40% below 2005 levels by 2030¹⁴, especially in the oil and gas sector, which the [IEA](#) says can achieve a 75% reduction below current levels globally with technologies available today. In the U.S., a [recent analysis](#) shows that oil and gas methane can be reduced at least 65% below 2012 levels by 2025.

Key Policies to Support:

Federal Administrative Action

- EPA: Reinstate and strengthen new and modified source performance standards for oil and gas facilities, and expand regulations to existing sources, with emphasis on reducing methane and health-harming pollution in communities near drilling sites and pipelines.
- BLM: Update and strengthen rules requiring prevention of methane waste from oil and gas production on public and tribal lands.
- DOT: Establish rules requiring use of advanced technologies to detect and repair methane leaks from gas gathering, transmission and distribution pipelines.

Federal Legislation:

- Support measures that provide funding to plug orphaned oil and gas wells across the country, in order to reduce methane emissions and local groundwater contamination.
- Create incentives to detect and repair methane leaks and to reward early adoption of new methane regulations.

Timeline for business engagement

- Administrative action:
 - **August - September:** publicly support strong methane standards for oil and gas facilities
 - **September - December:** Participate in public comment process for EPA, BLM and DOT rulemaking when new standards are introduced.
- Legislation:

¹⁴ [Recapturing U.S. Leadership on Climate](#), p. 11

- **August - September:** Advocate for methane-related provisions in an infrastructure bill or other legislation introduced this year.

Advance Nature-Based Climate Solutions

This section is currently under construction and will be completed in the coming weeks.

Enact an Economy-Wide Carbon Price

Relevant to: All companies and investors.

Rationale: Numerous [analyses](#) show multiple pathways to meet the U.S. NDC of 50-52% by 2030, including through various combinations of aggressive sector-by-sector policies. However, not all pathways are created equal. While it is possible to get to 50% through sector-specific action alone, an enforceable declining limit and a price on emissions economy-wide will get there more quickly and affordably. Designed well, a carbon price acts as a magnet that aligns efforts to cut pollution across the entire economy, making sector-specific policies cheaper and easier to achieve, while driving investment in innovation and moving the U.S. more rapidly toward net zero. It also raises revenue that can be returned to citizens and/or directed to promote equity, invest in clean technologies and support communities impacted by the transition to a low-carbon economy. According to the [RFF Calculator](#), a \$55/ton carbon price rising at 5% annually would yield roughly \$2.5 trillion over the next decade.

Carbon pricing faces headwinds in the current political climate, though champions still exist on both sides of the aisle and several carbon pricing bills have recently been [introduced](#). Support from businesses is critical to keep carbon pricing a viable option in the near term (e.g., as a pay-for mechanism in an infrastructure or reconciliation bill), while also building bipartisan support to secure 60 votes in the next Congress.

Key Policies to Support

- Enact a carbon price as part of an infrastructure bill or other legislation passed this year.

Timeline for Business Engagement:

- **August - September:** Advocate for carbon pricing as a pay-for mechanism budget reconciliation.
- **August - December:** Educate lawmakers -- especially Republicans and moderate Democrats -- on the business case for carbon pricing.

Mandate Climate Risk Disclosure

Relevant to: All companies and investors.

Rationale: Climate change presents grave risk across the U.S. economy¹⁵ including to corporations, their investors, and the markets and communities in which they operate. Unlike other financial risks, however, climate risk is not routinely disclosed to the public. Insufficient corporate disclosures have persisted despite the Securities and Exchange Commission (SEC)'s issuance of regulatory guidance on the topic, the emergence of voluntary disclosure frameworks and standards, and growing calls from major investors for improved disclosure. Given the inadequacy of the current regime, the SEC [will issue](#) new rules on climate risk disclosure and has [invited public input](#) ahead of its formal rulemaking process, which is expected to begin in early fall 2021.

Key Policies to Support

- SEC: Issue new, mandatory disclosure regulations that will yield comparable, specific and decision-useful climate risk information.

Timeline for Business Engagement

- **August - September:** Meet with the SEC to call for mandatory climate risk disclosure that builds on the TCFD framework and elicits specific, comparable and decision-useful information, consistent with the [Essential Principles for SEC Climate Change Disclosure Rulemaking](#).
- **October - December:** File comments on proposed rule (90-day period beginning with issue date) supporting mandatory climate risk disclosure. Ask trade associations to file comments that validate SEC action on climate risk disclosure and are consistent with the [Essential Principles for SEC Climate Change Disclosure Rulemaking](#).

Resources

General:

- [What We're Watching in Reconciliation](#) and [Regular Updates from EDF](#) (EDF, 2021)
- [Climate Policy Priorities for the New Administration and Congress](#) (C2ES, 2021)
- [Ceres 2021 Policy Outlook](#) (Ceres, 2021)
- [Going "All In" -- A Climate Policy Guide for Business Leaders](#) (ClimateVoice, 2021)
- [Climate and Clean Energy Stimulus Policies to Power Up America](#) (EDF, 2021)

Decarbonize Electricity

- [The Shape and Pace of Change in the Electricity Transition: Sectoral dynamics and indicators of progress](#) (Commissioned by the We Mean Business Coalition, 2020)
- [Unpacking the US CLEAN Future Act](#) (WRI, 2021)
- [What the Clean Energy for America Act Gets Right - And How it Can Improve](#) (WRI, 2021)
- [Grid Modernization: Creating Jobs, Cutting Electric Bills, and Improving Resiliency](#) (WRI, 2020)

Decarbonize Transportation

- [The Road to Fleet Electrification](#) (Ceres, 2020)
- [Key Policies to Drive the Electric Vehicle Transition in the US](#) (Climate Group EV 100, 2021)

¹⁵ [Managing Climate Risk in the Financial System](#), Commodities Futures Trading Commission, 2020

- [Charging Forward: Recommendations for reducing charging infrastructure costs for heavy-duty trucks](#) (EDF, 2021)
- [Clean Trucks, Clean Air, American Jobs](#) (EDF, 2021)
- [Towards Equitable and Transformative Investments in Electric Vehicle Charging Infrastructure](#), (Georgetown Climate Center and MJB&A, 2021)
- [The Shape and Pace of Change in the Transport Transition: Sectoral dynamics and indicators of progress](#) (Commissioned by the We Mean Business Coalition, 2021)

Decarbonize Industry

- [Buy Clean Washington Study](#) (Carbon Leadership Forum, 2019)
- [Evaluating Net-Zero Industrial Hubs in the United States: A Case Study of Houston](#) (Center on Global Energy Policy, 2021)
- [Industry Policy Options for Inclusion in COVID-19 Economic Recovery Legislation](#) (Industrial Innovation Initiative, a partnership between Great Plains Institute and WRI, 2020)
- [Transport Infrastructure for Carbon Capture and Storage: Whitepaper on Regional Infrastructure for Midcentury Decarbonization](#) (Great Plains Institute, 2020)

Limit Methane Emissions

- [Reducing Methane from Oil and Gas: A Path to a 65% Reduction in Sector Emissions](#) (CATF, 2020)
- [Major Investors Demand Ambitious Methane Regulations in the U.S.](#) (Ceres, 2021)
- [Action Guide: Reducing methane emissions from oil and gas operations](#) (Climate Group, 2020)

Advance Nature-Based Climate Solutions

- [The Role of Natural Climate Solutions in Corporate Climate Commitments: A Brief for Investors](#) (Ceres, 2021)
- [Food and Agriculture Climate Alliance Presents Joint Policy Recommendations](#) (FACA, 2020)
- [Seven Policy Proposals to Restore U.S. Trees: How Do They Compare?](#) (WRI, 2021)
- [What are nature-based solutions and how can they help address the climate crisis?](#) (WWF, 2020)

Enact an Economy-Wide Carbon Price

- [Carbon Pricing Proposals in the 116th Congress](#) (C2ES, 2020)
- [Recapturing US Leadership on Climate](#) (EDF, 2021)
- [Pricing Carbon in the United States](#) (WRI, 2021)

Mandate Climate Risk Disclosure

- [Implementing TCFD: Strategies for Disclosure](#) (C2ES, 2020)
- [Addressing Climate as a Systemic Risk: A call to action for U.S. financial regulators](#) (Ceres, 2020)
- [Mandating Disclosure of Climate-Related Financial Risk](#) (EDF, 2021)