

AAA Framework for Climate Policy Leadership | [U.S. Federal Climate Policy Priorities](#)
October 1, 2022

Introduction

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

Companies and investors have a vital role to play in advancing the public policies needed to meet both the [U.S. Nationally Determined Contribution](#) (NDC) and their own climate goals and targets. 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 2022, as agreed by the NGOs that endorse the [AAA Framework](#) for Corporate Climate Leadership:

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

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.

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.

The Inflation Reduction Act

On August 16, President Biden signed into law [the largest package of climate investments in U.S. history](#). The Inflation Reduction Act (IRA) provides \$369 billion in funding to tackle climate change, including nearly \$200 billion in incentives to ramp up solar, wind, energy storage and energy efficiency; tax credits to accelerate adoption of electric vehicles; a nationwide program to reduce methane emissions; \$21 billion for climate-friendly agriculture and \$2.6 billion to make coastal regions more resilient to extreme weather. Together, these measures will reduce climate risk and help businesses meet their climate and clean energy goals.

THANK YOU to all of the companies that lobbied for the bill's passage, through direct outreach to lawmakers, [White House](#) visits, [letters to Congress](#), [company statements](#), and/or business sign-on letters led by [C2ES](#) and [Ceres](#).

Passing the IRA was the first step: now we need robust uptake of its provisions to fully realize the law's environmental and economic benefits. With the implementation process ramping up now, **we want to hear from you** about the opportunities and challenges you see in accessing IRA incentives and investments.

Here's what you can do:

- Thank Senators and Members of Congress who voted for the Inflation Reduction Act
- Engage with the Dept. of Treasury's [request for public comment](#) on implementing the tax credits ensure IRA implementation is efficient, effective and equitable.
- Reach out to us to talk about the IRA's business benefits and how you can take advantage of them.

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. 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. Together, policies should ensure that climate pollution from the power sector drops at least 80% below 2005 levels by 2030 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

- 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

- Support implementation of the clean energy tax credits and incentives in the Inflation Reduction Act.

Timeline for business engagement

- **October - November:** Respond to the Dept. of Treasury's [request for input](#) on updating the tax code to implement the energy generation incentives in the Inflation Reduction Act.
- **October – December:** Watch for opportunities to support FERC rulemaking.

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 basis, and the same is true in some medium and heavy-duty applications. 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

freight vehicles operating in ports, distribution facilities and urban centers. 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 impact and 2.5% of global CO₂ emissions, which are projected to triple by 2050. 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: Establish new long-term 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.
- EPA: Issue a supplemental proposal for medium and heavy-duty trucks that considers the impacts of the Inflation Reduction Act on EPA's proposed pollution standards for MY 2027-2029. (2) Establish phase 3 long-term multipollutant truck standards that require deployment of zero emitting vehicles consistent with eliminating pollution from all new medium- and heavy-duty vehicles by 2035.
- EPA/FAA: Establish multi-pollutant, technology-forcing standards under the Clean Air Act to limit aircraft emissions.

Federal Legislation

- Support implementation of the clean transportation credits and incentives in the Inflation Reduction Act.
- Incentives to scale sustainable aviation fuels that meet the sustainability criteria and traceability and information transmission requirements like those developed by ICAO,
- Support the inclusion of e-fuels in the next phase of the Renewable Fuels Standard.

Timeline for Business Engagement

- **December- February:** File public comments with the EPA supporting strengthened emissions standards for heavy-duty trucks and buses that reflects the extensive information in the record documenting the substantial impacts of the Inflation Reduction Act on the feasibility of MHD ZEV deployment. Urge the administration to finalize this proposal by May 2023.
- **January – June:** Urge EPA to propose long-term heavy-duty truck standards for MY 2030 and beyond and finalize that rule by the end of 2023. Strong support from business *ahead of* the EPA regulatory timeline is critical to raise ambition and urgency.
- **October - December:** Support long-term multi-pollutant emission standards for cars and freight trucks and buses. Urge the administration to introduce these standards in 2022 and finalize them in Fall 2023 at the latest. Urge the administration to set standards that ensure that at least half of new vehicles are zero-emitting by 2030.
- **October – November:** Respond to the Dept. of Treasury's [request for input](#) on updating the tax code to implement the electric vehicle incentives in the Inflation Reduction Act.

- **October - December:** 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. 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. 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.

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, and industrial process emissions must also be reduced.

Key Policies to Support:

Federal Administrative Action:

- Clean procurement: 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.
 - Leverage federal funds at GSA, DOT, and other agencies to procure infrastructure materials – particularly concrete and steel – with lower embodied carbon.

Federal Legislation:

- Support implementation of the clean energy and manufacturing incentives in the Inflation Reduction Act.
- 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 difficult to decarbonize with end-uses like high 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:

- **October - November:** Respond to the Dept. of Treasury's [request for input](#) on updating the tax code to implement the advanced manufacturing tax credits in the Inflation Reduction Act.

- **October:** Watch for opportunities to support administrative action on Clean Procurement-related policy.

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 2030, and 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: Strengthen proposed rules addressing methane emissions from the oil and gas industry by extending regular leak monitoring to all potentially significant sources of emissions, including smaller wells, and adding provisions to curtail routine flaring of associated gas.
- BLM: Update and strengthen rules requiring prevention of methane waste from oil and gas production on public and tribal lands by eliminating routine venting and flaring and updating royalties.
- DOT/PHMSA: Establish rules requiring use of advanced technologies to detect and repair methane leaks from gas gathering, transmission and distribution pipelines.

Federal Legislation:

Timeline for business engagement

- Administrative action:
 - **October:** Participate in the 60-day public comment process for EPA's proposed supplemental methane rule when introduced.
 - **October - December:** Participate in public comment processes for BLM and DOT rulemaking when new standards are introduced.
 - **October - December:** Participate in the public comment process for DOT/PHMSA rulemaking when new standards are introduced.

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 a legislation considered in 2023.

Timeline for Business Engagement:

- **October - December:** Educate lawmakers -- especially Republicans and moderate Democrats -- on the business case for carbon pricing.

Manage Climate Risk

Relevant to: All companies and investors.

Rationale: Climate change presents grave risk across the U.S. economy 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 [issued a new proposed rule](#) on climate risk disclosure that will require publicly traded companies to disclose the financial risks they face from climate change. The SEC intends to finalize that rule by the end of 2022.

Key Policies to Support

- SEC: Finalize new, mandatory disclosure regulations that will yield comparable, specific and decision-useful climate risk information.
- FAR Council: Require GHG disclosures and other climate risk disclosures from major federal suppliers and require federal agencies to consider climate risk in major procurements.

Timeline for Business Engagement

- **October - December:** Ask trade associations to validate SEC action on climate risk disclosure and are consistent with the [Essential Principles for SEC Climate Change Disclosure Rulemaking](#).

- **October - December:** File comments on FAR’s proposed rule, when released, supporting the federal government’s role in elevating consideration of climate-related financial risks as part of its role as the world’s largest buyer.

Resources

General:

- [Climate Policy Priorities for the New Administration and Congress](#) (C2ES, 2021)
- [Ceres 2022 Policy Outlook](#) (Ceres, 2022)
- [Corporate Support for Robust Climate Investments in Budget Reconciliation](#) (Wakelet) (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

- [Clean Energy Standards: State and Federal Policy Options and Considerations](#) (C2ES, 2019)
- [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)
- [Into the Fast Lane: Investing in the future of zero emission trucking](#) (EDF, 2022)
- [Technical Report: Medium and Heavy-Duty Electrification Costs MY 2027-2030](#) (EDF, 2022)
- [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

- [Evaluating Net-Zero Industrial Hubs in the United States: A Case Study of Houston](#) (Center on Global Energy Policy, 2021)
- [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)
- [Investor Guide to Proposed EPA Methane Regulations](#) (EDF, 2022)

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)

Manage Climate Risk

- [Ceres Climate Disclosure](#) microsite (Ceres, 2022)
- [Foresight is 20/20: Reporting Climate-Related Risks and Opportunities](#) (C2ES, 2022)
- [Implementing TCFD: Strategies for Disclosure](#) (C2ES, 2020)
- [Climate change creates financial risks. Investors need to know what those are](#) (EDF, 2022)
- [Stakeholder Guide to the SECs Proposed Rule on Climate-Related Disclosure](#) (EDF 2022)
- [Mandating Disclosure of Climate-Related Financial Risk](#) (EDF, 2021)
- [What Investors and the SEC Can Learn from the Texas Power Crises](#) (EDF, 2021)