

## AAA Framework for Climate Policy Leadership | U.S. Federal Climate Policy Priorities Spring 2024

Businesses 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 enterprise-level targets. Climate should be a top advocacy priority for every company and investor – on par with other core business issue – and such advocacy should be driven from the C-suite.

Passing the Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL) in 2022 was the first step. We still need robust uptake of the clean energy incentives and investments in these laws to fully realize their environmental and economic benefits. **Business advocacy is critical to protect the climate provisions in the IRA from legislative rollbacks, and to enact the additional policies needed to cut emissions in half by 2030 and to net zero by 2050.**

The following are the current top policy priorities for corporate advocacy, as agreed by the NGOs that endorse the [AAA Framework for Corporate Climate Leadership](#).

They advance the following objectives:

- **Decarbonize electricity**
- **Decarbonize transportation**
- **Decarbonize industry**
- **Limit methane emissions from oil and gas**
- **Advance climate-smart agriculture**
- **Address climate-related financial risk**

In addition to being critical to meet national and enterprise-level climate targets, these policy priorities will drive economic growth, create well-paid jobs in the United States and boost U.S. competitiveness. They 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 affected 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 performance in their portfolio companies.

### Key Advocacy Opportunities (Spring 2024)

- Continue to publicly support the SEC’s final rule. Raise your support with your trade associations and industry groups and reach out to your Members of Congress and convey its importance to level the playing field and provide business certainty.
- Submit comments to the EPA on its [proposed](#) structure on the methane waste emissions charge in the Methane Emissions Reduction Program (MERP) - due March 26.
- Urge the EPA to finalize pending rules by April 2024.
- Reach out to FERC directly or issue a public letter urging FERC to finalize a strong Transmission and Cost Allocation rule as early as possible in 2024.
- Continue to impress upon your Members of Congress the importance of the Inflation Reduction Act to your business and the need to ensure full funding of its provisions and implementing agencies.

## Decarbonize Electricity

**Relevant to:** All companies

**Why it matters:** Decarbonizing electric power generation is critical to meet the U.S. NDC and achieve net-zero emissions economy-wide by 2050. To ensure that our increasingly electrified economy is powered with clean energy, new policies are needed to limit pollution from power plants and modernize the grid to enable deployment of zero-carbon electricity at scale. Updating transmission and interconnection rules, including reform of the cost-allocation process for interregional transmission projects, is also critical to accelerate buildout of renewable energy and make the grid more resilient to extreme weather events. 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, with prioritized action in communities bearing a disproportionate burden of air pollution.

### Key Policies to Support

#### Administrative Action

- FERC:
  - Enact [Interregional Transfer Capacity Minimums](#) to facilitate the sale of renewable energy from one region to another with high demand.
  - Create a “State Agreement Process” where states within a planning region can develop and agree to a cost allocation for projects identified in planning.
  - Reform [Interconnection Rules](#) to mitigate the backlog of clean energy projects in the queue, including by enabling cost-sharing for grid upgrades among generators.
- EPA:
  - Finalize strong power plant rules on carbon pollution standards for new and existing power plants under sections [111\(b\)](#) and [111\(d\)](#) of the Clean Air Act.
  - Strengthen and modernize the [Mercury and Air Toxic Standards \(MATS\)](#) to protect communities from toxic pollution.

#### Congressional Action

- Oppose any efforts to roll back the clean energy incentives in the Inflation Reduction Act. Clean energy is now the [most affordable option](#) and funding from the Inflation Reduction Act is turbocharging its adoption.
- Ensure that any permitting reform legislation prioritizes clean energy development, preserves bedrock environmental laws and protects disadvantaged communities.

#### **Timeline for business engagement**

- **Ongoing:** Watch for FERC’s proposal on interregional transfer capacity minimums.
- **Ongoing:** Issue public statement supporting the [new power plant standards](#) and urging the EPA to finalize the rule by April 2024.
- **Ongoing:** Engage lawmakers and issue public statements to demonstrate support for the clean energy incentives in the Inflation Reduction Act.

## Decarbonize Transportation

**Relevant to:** Companies with significant GHG emissions associated with transportation, companies in the automotive and/or EV charging supply chain, aircraft manufacturers and fuel producers.

**Why it matters:** 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. To meet the U.S. NDC, updated standards are needed to ensure all new cars, trucks and buses sold in the U.S. are zero-emitting by 2035 and to accelerate the transition for freight vehicles operating in ports, distribution facilities and urban centers. This rapid progress is achievable thanks to private-sector investment in EV manufacturing, federal incentives in the Inflation Reduction Act and state policies such as the Advanced Clean Trucks rule.

New policies are also needed to limit GHG emissions from the rapidly growing aviation sector. Aviation policies must address CO<sub>2</sub> and non-CO<sub>2</sub> emissions and set mandatory reduction targets that are science-based and consistent with achieving net-zero emissions by 2050. Establishing policies to incentivize the use of high-integrity sustainable aviation fuels is also essential to rapidly decarbonize this sector.

### Key Policies to Support

#### Administrative Action

- EPA:
  - Finalize [GHG emissions standards for heavy-duty vehicles \(Phase 3\)](#) by April 2024.
  - Strengthen multi-pollutant, technology-forcing standards to limit aircraft emissions, building on the [Control of Air Pollution from Aircraft Engines rule](#), and support the inclusion of e-fuels in the next phase of the [Renewable Fuel Standard](#).

#### Congressional Action

- Enact a science-based low-carbon fuel standard that includes aviation fuels.
- Oppose any efforts to roll back the clean transportation incentives in the Inflation Reduction Act.

#### **Timeline for Business Engagement**

- **Ongoing:** Issue public statement supporting the [GHG emissions standards for heavy-duty vehicles \(Phase 3\)](#).
- **Ongoing:** Engage lawmakers and issue public statements to demonstrate support for the clean transportation incentives in the Inflation Reduction Act.

## Decarbonize Industry

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

**Why it matters:** Industry accounts for 23% U.S. GHG emissions, making it the third highest emitter after electricity and transportation. Factoring in CO<sub>2</sub> emissions from electricity generation, industry accounts for 30% of total U.S. emissions and is the highest emitter. To meet 2050 climate goals, the U.S. industrial sector must reduce emissions from energy use by approximately 74% from 2019 levels by 2040; industrial process emissions must also be significantly reduced. New policies will be needed to drive industrial decarbonization at the speed and scale to meet these targets. Strategies to decarbonize the sector include (1) promoting energy efficiency and industrial electrification; (2) deploying innovative processes and low-carbon fuels, and (3) enhancing material efficiency, recycling, and circular economy. Specifically, there are key opportunities now to build a robust market for clean materials and ensure that key technologies like hydrogen are deployed effectively.

### Key Policies to Support

#### Administrative Action

- DOE: establish a consistent classification of hydrogen lifecycle GHG emissions that accounts for leakage of all GHGs (e.g., carbon dioxide, methane, and even hydrogen itself), and uses effective accounting mechanisms that recognize short-lived climate pollution.

#### Congressional Action

- Sustain funding for RD&D in industrial processes to address specific technical challenges. Even after BIL/IRA, industry remains relatively underfunded in RDD&D compared to other sectors.
- Develop policies that encourage material efficiency, substitution, reuse and recycling, especially for steel, aluminum, and plastic.
- Oppose any efforts to roll back the clean manufacturing incentives in the Inflation Reduction Act.

#### **Timeline for Business Engagement**

- **Ongoing:** Apply to [DOE grants](#) New BIL/IRA programs are injecting unprecedented resources into a wide variety of [industrial opportunities](#), including the \$5.8B Advanced Industrial Facilities Deployment Program and the 48C tax credit for industrial retrofits.
- **Ongoing:** Watch for opportunities to support administrative action on Clean Procurement-related policy.
- **Ongoing:** Engage lawmakers and issue public statements to demonstrate support for the clean manufacturing incentives in the Inflation Reduction Act.

## Limit Oil & Gas 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.

**Why it matters:** Methane accounts for [about 30%](#) of today's warming, and its [largest industrial source](#) in the U.S. is oil and gas operations. 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. Minimizing methane emissions from oil and gas is the [fastest and most cost-effective](#) way to slow climate change. This sector can achieve a [75% reduction](#) with technologies available today, with some solutions even leading to a [net profit](#).

### Key Policies to Support

#### Administrative Action

- EPA:
  - Finalize proposed rule to reduce wasteful methane emissions from the oil and gas sector as part of the [Methane Emission Reduction Program](#) (MERP).
  - Finalize protective standards for new and existing oil and gas facilities, including strengthened provisions for leak monitoring, polluting pneumatic devices and flaring.

#### Congressional Action

- Oppose any attempts to undermine progress on methane reduction. Defend methane-related provisions in the Inflation Reduction Act (e.g., Methane Emissions Reduction Program).

#### **Timeline for Business Engagement**

- **Ongoing:** Engage lawmakers and issue public statements to demonstrate support for the methane-related provisions in the Inflation Reduction Act (e.g., Methane Emissions Reduction Program).

## Advance Climate-Smart Agriculture

**Relevant to:** Companies in the food and agricultural supply chain, from producers to retailers.

**Why it matters:** Agriculture accounts for more than 10% of all U.S. GHG emissions and is the country's next largest source of methane emissions after oil and gas. USDA's voluntary, incentive-based conservation programs enable producers to adopt practices that build soil health, sequester carbon and reduce GHG emissions, while also improving water quality and resilience to drought and flood. These programs also help companies in the food and agriculture sector reduce their Scope 3 emissions.

The reauthorization of the Farm Bill, which expires September 30<sup>th</sup>, represents the best opportunity in decades to meet producer demand for conservation programs. Support from businesses will be critical to preserve funding for these programs, including those expanded by the Inflation Reduction Act. Key programs include the [Environmental Quality Incentives Program](#), the [Conservation Stewardship Program](#), the [Regional Conservation Partnership Program](#) and [Rural Energy for America Program](#).

There's also an opportunity to accelerate FDA approval for livestock feed additives that reduce enteric methane emissions from livestock, which accounts for 41% of agricultural GHG emissions in the U.S.

### **Key Policies to Support**

#### Congressional Action

- Maintain mandatory funding levels for conservation programs in the Farm Bill and preserve new funding for such programs allocated by the Inflation Reduction Act.
- Enact legislation to reform and streamline FDA review of enteric methane inhibiting products while ensuring safety and efficacy of enteric methane reducing products.

#### **Timeline for Business Engagement**

- **Ongoing:** Advocate for the protection of funding for conservation programs during the appropriations process and Farm Bill reauthorization.

## Address Climate-Related Financial Risk

**Relevant to:** All companies

**Why it matters:** Climate change presents material risks 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-related financial risk is not routinely disclosed to the public. Momentum for corporate disclosure is growing due to increasingly stringent reporting requirements in Europe, the proliferation of voluntary frameworks and standards, and demand from investors, but the U.S. still lacks a regulatory framework for consistent and reliable disclosure of climate-related financial risk. Given the inadequacy of the current regime, the SEC [issued a proposed rule](#) requiring publicly traded companies to disclose the financial risks they face from climate change. The SEC intends to finalize that rule by April 2024.

The SEC's rule would benefit investors, who need more and better information on climate-related financial risks, as well as companies, due to a more streamlined and credible disclosure process. Public support for the final rule from both investors and companies is critical to defend the rule from attempts to repeal it through litigation and/or legislation.

### Key Policies to Support

#### Congressional Action

- Oppose any attempts to repeal the SEC's mandatory climate disclosure rule through the Congressional Review Act.

#### **Timeline for Business Engagement**

- Make public statements of support for the SEC's rule.
- Reach out to your Members of Congress and convey the importance of this rule, that it is possible and necessary.
- Raise your support for SEC's action with your trade associations and industry groups.
- Consider joining an amicus brief in support of the final SEC climate disclosure rule in any litigation that moves forward to repeal it.

## Resources

### General:

- [Reaching for 2030: Climate and Energy Policy Priorities](#) (C2ES, 2023)
- [Understanding the Inflation Reduction Act](#) (EDF, 2023)
- [Inflation Reduction Act Tracker](#) (EDF, 2023)
- [Tracking Progress: Climate Action Under the Biden Administration](#) (WRI, 2023)
- [Ceres 2022 Policy Outlook](#) (Ceres, 2022)
- [ClimateVoice Policy Guide](#) (ClimateVoice, 2022)

### Decarbonize Electricity

- [US Clean Energy Goals Hinge on Faster Permitting](#) (WRI, 2023)
- [Strong Pollution Standards can Ensure Decarbonization of the Power Sector](#) (WRI, 2023)

### Decarbonize Transportation

- [U.S. Electric Vehicle Manufacturing Investments and Jobs: Characterizing the Impacts of the Inflation Reduction Act after 6 Months](#) (EDF and WSP, 2023)
- [A North Star for Sustainable Aviation: Science, People and Nature](#) (EDF, 2023)
- [Into the Fast Lane: Investing in the future of zero emission trucking](#) (EDF, 2022)
- [Electric Vehicle Market Update](#) (EDF & 2022)
- [Technical Report: Medium and Heavy-Duty Electrification Costs MY 2027-2030](#) (EDF, 2022)

### Decarbonize Industry

- [Next Steps on the US Journey Toward Industrial Decarbonization](#) (WRI, 2023)
- [U.S. Electric Vehicle Manufacturing Investments and Jobs: Characterizing the Impacts of the Inflation Reduction Act after 6 Months](#) (EDF, 2023)
- [Decarbonizing US Industry: 3 Questions, Answered](#) (WRI, 2022)

### Limit Methane Emissions from Oil and Gas

- [Companies show historic levels of support for EPA methane rules](#) (EDF, 2023)
- [Investor Guide to Proposed EPA Methane Regulations](#) (EDF, 2022)

### Advance Climate-Smart Agriculture

- [Calling all food and ag companies: it's time to reap the benefits of the Inflation Reduction Act for climate-smart agriculture](#) (EDF, 2023).
- [Food and Agriculture Climate Alliance FARM Bill Policy Priorities](#) (FACA, 2023)

### Address Climate-Related Financial Risk

- [Stakeholder Guide to the SEC's Proposed Rule on Climate-Related Disclosure](#) (EDF, 2024)
- [Ceres Climate Disclosure](#) microsite (Ceres, 2022)
- [Foresight is 20/20: Reporting Climate-Related Risks and Opportunities](#) (C2ES, 2022)
- [Climate change creates financial risks. Investors need to know what those are](#) (EDF, 2022)