



# Overview of Sustainability Today

From ESG to Climate Change to Biden's Agenda

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**BURNS**  **MCDONNELL**

**Midwest Environmental Compliance Conference**

# Agenda



**ESG**  
(Environmental  
Social  
Governance)



**Paris Agreement**



**Biden's Plan**



**Social Cost of  
Carbon**





# ESG Overview



# What is ESG?

**Environmental (E):** The impact an organization has on the environment

**Social (S):** How organizations improve their community impact

**Governance (G):** How an organization's board and management drive positive and transparent change



# Description of ESG

<b>Environmental</b>	<b>Social</b>	<b>Corporate Governance</b>
Carbon Emissions Climate Resilience Water Waste Deforestation Biodiversity Ecological Protection Land Management Energy Use	Social Responsibility Diversity & Inclusion Labor Practices Human Capital Product Safety Community Input Occupational Safety Employee Satisfaction Environmental Justice	Board Diversity Executive Pay Customer Satisfaction Information Security Lobbying Risk Management Code of Conduct Tax Strategy Supply Chain Ethics

# Why is ESG Important Now?

- ▶ **1980-1990** Compliance with regulations (Clean Air Act, Clean Water Act)
- ▶ **1995** First Conference of the Parties (Climate Change)
- ▶ **1990-2000** Sustainability Focus
- ▶ **2000-Present** Corporate Sustainability Reports and alignment with social pushes
- ▶ **Late 2010s and beyond** ESG voluntary and required reporting
- ▶ **2021 and beyond** Governmental requirements

# Who Cares About ESG?

- ▶ 72% of Americans believe that global warming is happening
- ▶ 63% of Americans are worried about global warming
- ▶ 70% of Americans believe that corporations should do more to address global warming
- ▶ 60% of Americans believe that the President/Congress should do more to address global warming
- ▶ 52-54% of Americans believe that Governors and local officials should do more to address global warming

**Public opinion drives both  
spending and policy changes**



# Who Cares About ESG?



**ESG adoption in investing steadily increased prior to the pandemic.**



# Why is ESG Important Now?

## Investors Focused on Environment Risk



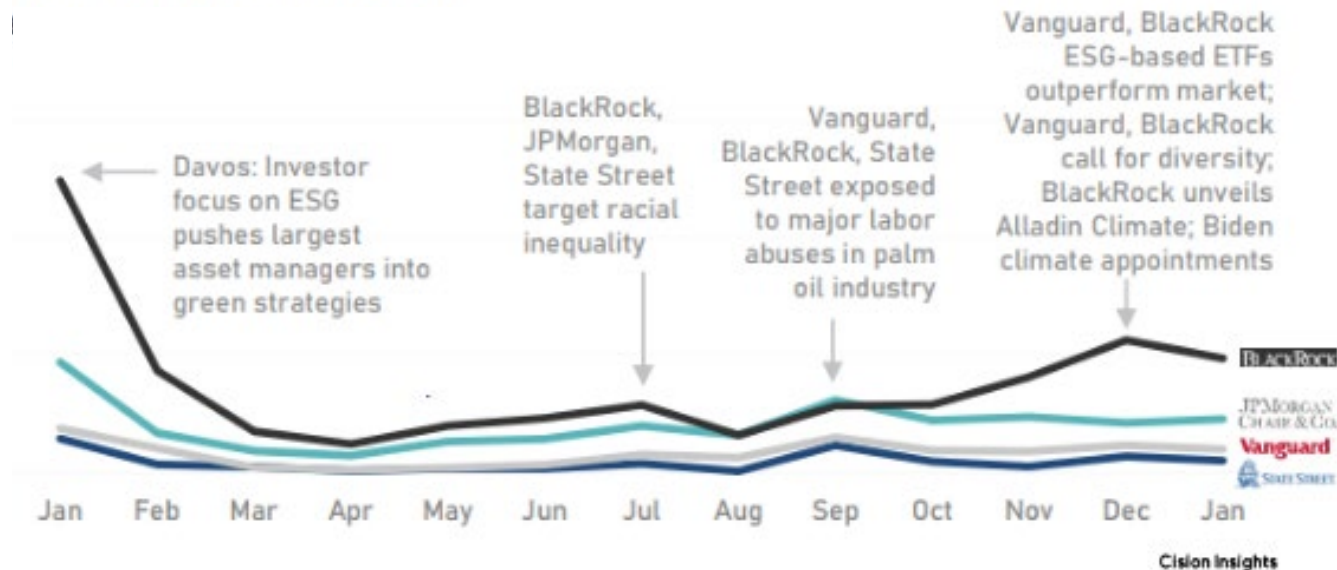
For the first time, the World Economic Forum (2020) reports all of the top five long-term risks by likelihood are environmental.

# Why is ESG Important Now?

## Blackrock Recommendations

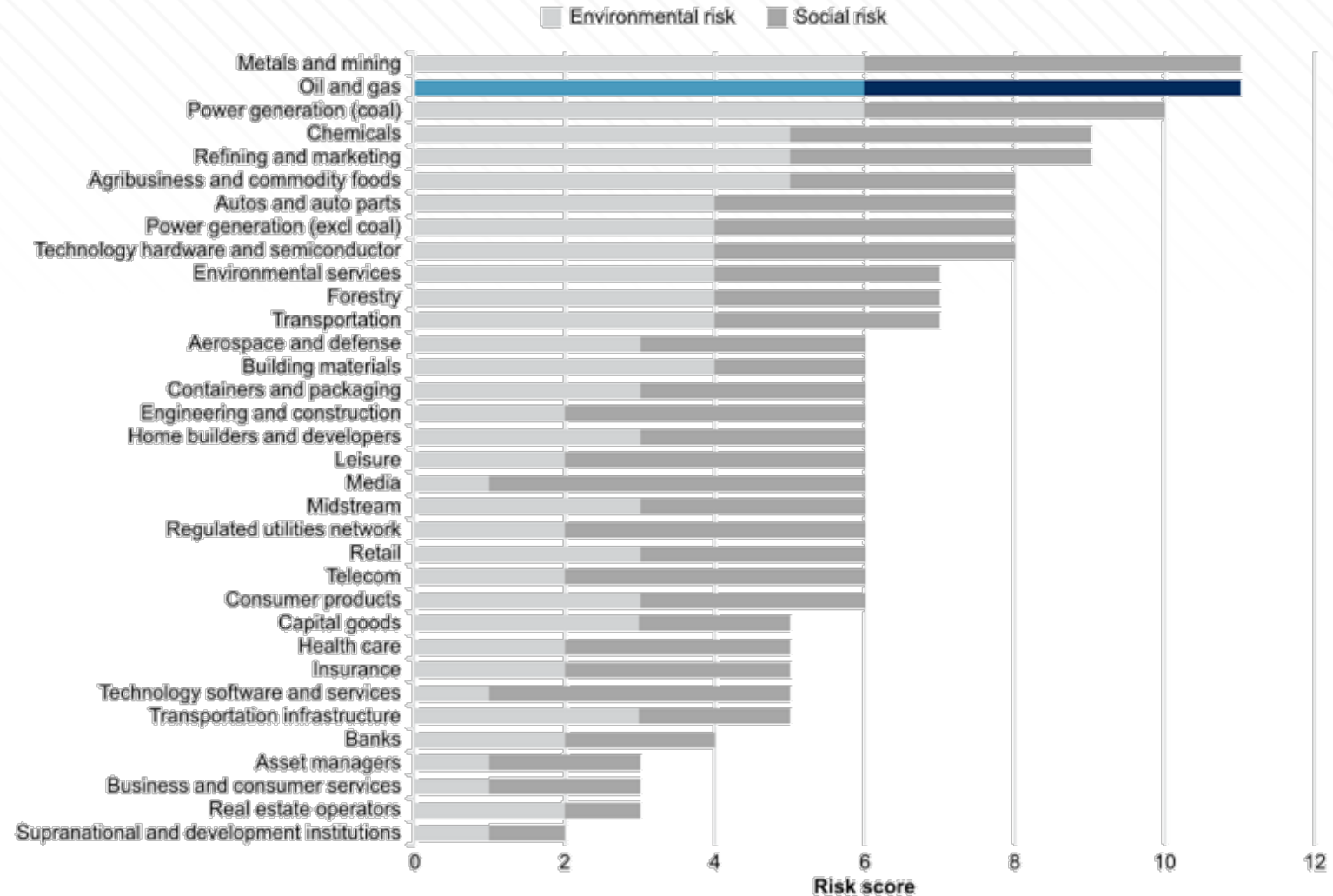
Larry Fink, Blackrock CEO, calls for Net Zero Climate Action Plans on behalf of the world's largest investor (\$9 trillion in assets). Further recommendations:

- ▶ Requirement for disclosure about how a company's climate/net zero plan is incorporated into its long-term strategy
- ▶ Companies not quickly preparing for a net zero economy will see their businesses and valuations suffer



# Why is ESG Important Now?

ESG Sector Risk Atlas



Source: S&P Global Ratings.  
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# COP26

(United Nations Climate  
Change Conference)





# Conference of the Parties 26

UN Climate Change Conference (Oct 31- Nov 12, 2021)

- ▶ Paris Agreement in 2015, a legally binding treaty in which leaders pledged to limit global warming
  - Promised to keep global temperatures to well below 2°C compared to pre-industrial levels, and ideally below 1.5°C.
- ▶ COP25 showed the stretch 1.5°C goal of the Paris Agreement is “slipping out of reach.”
- ▶ Countries’ Nationally Determined Contributions, or NDCs, are met, emissions in 2030 will be 38% higher than required to meet that target, the report concluded.

# Conference of the Parties 26

UN Climate Change Conference (Oct 31- Nov 12, 2021)

- ▶ “At COP26 we need to work together to enable and encourage countries affected by climate change to: **protect and restore ecosystems, build defences, warning systems and resilient infrastructure and agriculture** to avoid loss of homes, livelihoods and even lives.”



# Biden's Agenda



# Biden's Climate Agenda

- ▶ Executive Order on Tackling the Climate Crisis at Home and Abroad (Jan. 2021)
  - Part 1: Putting The Climate Crisis at the Center of United States Foreign Policy and National Security
  - Part 2: Taking a Government-Wide Approach to the Climate Crisis

*“This is a case where conscience and convenience cross paths, where dealing with this existential threat to the planet and increasing our economic growth and prosperity are one and the same. When I think of climate change ... I think of jobs.”*

PRESIDENT JOE BIDEN BEFORE SIGNING EXECUTIVE ACTIONS ON TACKLING CLIMATE CHANGE, CREATING JOBS, AND RESTORING SCIENTIFIC INTEGRITY (JAN. 27, 2021)



# Biden's Climate Agenda

- ▶ Reducing greenhouse gas pollution from 2005 levels by 50-52% in 2030 as part of the U.S. Nationally Determined Contribution (NDC)
- ▶ Creating a carbon pollution-free power sector by 2035
- ▶ Reaching net-zero emissions economy-wide by no later than 2050
- ▶ National Climate Task Force
  - Every agency to prioritize acting on climate change throughout the entire federal government
  - Creating jobs
  - Developed NDCs using a “whole-of-government approach”
  - National strategy coming out later this year

# Biden's Climate Agenda

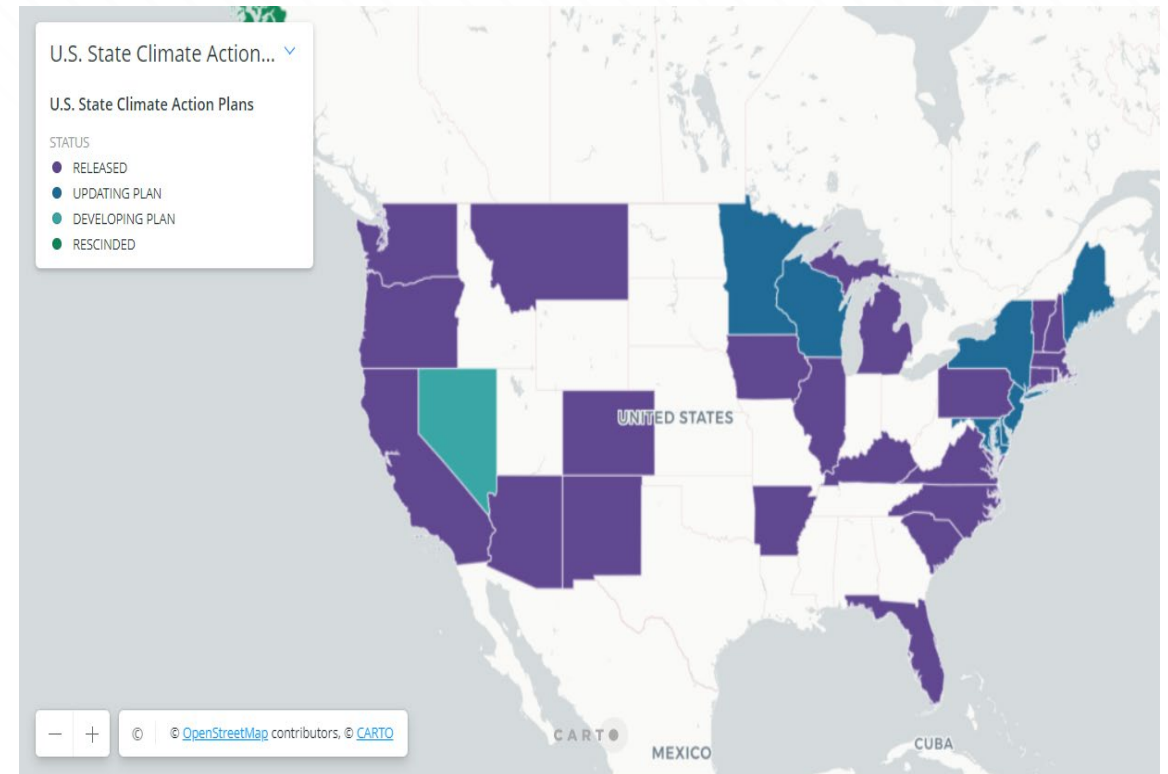
- ▶ 100% carbon free electricity by 2023
  - Renewable energy
  - Energy storage
  - Carbon capture
- ▶ Efficiency upgrades and electrification in buildings
- ▶ Reduce from transportation sector
- ▶ Reduce emissions from forests and agriculture (nature-based solutions)
- ▶ Carbon reduction from industrial sources
  - Hydrogen
  - Carbon capture
  - Renewable energy
- ▶ Reduce methane, HFC, and other non-CO<sub>2</sub> GHG
- ▶ Invest in innovation

# Biden's Climate Agenda

- ▶ Federal Action: On May 20, 2021, US President Joe Biden issued his Executive Order on Climate-Related Financial Risk (EO)
- ▶ State Climate Plans:
  - 22 states have plans in place
  - 8 states are updating their plans
  - 1 state is developing a plan

## Climate Action Plans

Generally, include greenhouse gas emissions reduction targets and detailed actions the state can take to help meet these goals. May also include clean energy, economic, and social goals.



# Social Cost of Carbon

- ▶ The social cost of carbon is used to help policy makers determine whether the costs and benefits of a proposed policy to curb climate change are justified.
  - Low cost means SCC make the policy cost more than the benefits
  - High cost means that the benefits of policy to cut CO<sub>2</sub> justify its cost
- ▶ \$51 per ton CO<sub>2</sub> (Current interim rate)
- ▶ \$1 per ton under Trump
- ▶ Discount rate: 3%
- ▶ Reassessed in January 2022

<https://news.climate.columbia.edu/2021/04/01/social-cost-of-carbon/>



# Thank You

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