

the back page

Transatlantic Green Agenda

Samuel Brown

The Biden administration faces many challenges, including the ongoing pandemic, the associated economic fallout, and the deep divisions in the country and ongoing implications from the January 6 insurrection in Washington, D.C. Between the time I write this—my first Back Page—and publication, new priorities may emerge. Two items on the long to-do list include repairing the U.S. relationship with our allies in Europe and tackling climate change. There is a real opportunity to use climate change as an issue to re-cement the U.S.-European Union (EU) relationship and re-establish U.S. leadership in the world.

Europe is all-in on mitigating climate change to limit global warming to 1.5°C compared to preindustrial levels. The EU seeks to transform its economy via its European Green Deal, which contemplates cutting greenhouse gas (GHG) emissions 55% by 2030 (compared to 1990 levels) and achieving net zero by 2050. This goal is shared by many multinational corporations and the Biden administration.

The EU intends to achieve its climate goals through various means, and the reality for U.S. companies is that it will be impossible to ignore these developments. The EU, for example, recently proposed a new sustainability framework for batteries to align with mandates on electric vehicles and the expected increased energy storage associated with renewable energy generation. The proposal—which includes responsible sourcing requirements, material recovery mandates, and maximum CO₂ thresholds for the life cycle of batteries—applies not just to products manufactured in the EU, but any product imported into the EU market. Notably, this summer the EU plans to propose a carbon border adjustment mechanism designed to tax imports entering member states based on their carbon content. The EU also intends to update its Non-Financial Reporting Directive mandating the public disclosure of, for example, a company's climate-related risks to further sustainable investing and capital allocation consistent with international environmental, social, and corporate governance (ESG) trends.

In taking a “whole-of-government” approach to addressing climate change, rejoining the Paris Agreement, and other early actions, the Biden administration has prioritized climate change. By ensuring coordinated action with the EU—in addition to aligning with state and private sector initiatives—the



United States could take meaningful steps to reduce GHG emissions, create transatlantic regulatory certainty for the private sector, and create a platform for addressing U.S.-specific concerns vis-à-vis the European Green Deal. The Biden administration has signaled its openness to, for example, a U.S. carbon border adjustment mechanism and domestic climate-related corporate disclosures. However, aligned U.S.-EU frameworks could create a unified front on climate, establish a de facto trade block, and create incentives for carbon-intensive, exporting-focused sectors in other countries that want access to U.S. and EU markets.

We find ourselves at a multigenerational inflection point on climate change, transitions in energy and transportation, and the status and role of the United States in world affairs, and a mutual focus on decarbonization and sustainability is an ideal vehicle to cement the U.S.-EU relationship. ♡

Mr. Brown is a partner with Hunton Andrews Kurth LLP in San Francisco. He may be reached at slbrown@hunton.com.