

**HOUSE FOREIGN AFFAIRS COMMITTEE
SUBCOMMITTEE ON EUROPE, EURASIA, ENERGY, AND THE ENVIRONMENT
GREEN RECOVERY PLANS FOR THE COVID-19 CRISIS
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WRITTEN TESTIMONY
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Mr. Chairman, Ranking Member Kinzinger, Members of the Committee.

Thank you for the opportunity to testify today.

My name is John Morton. I am a Partner at Pollination, a global advisory and investment firm, and a senior fellow at the Atlantic Council.

The transition to a global low carbon economy represents the most predictable and consequential economic transformation in human history. Over the coming decades, tens of millions of jobs and trillions of dollars of wealth will be created as we transition to a cleaner, more efficient, and more resilient economy.

The question is not whether this transition will occur, but rather how fast, who will lead, and who will be left behind. These are questions of tremendous economic consequence. For corporations. For industries. And for nations.

The COVID crisis represents a not-to-be-missed opportunity to align significant amounts of public investment with this ongoing global transition, turbo-charging the growth of technologies in the industries of today and tomorrow.

Carbon is a dangerous pollutant, emitted at virtually zero cost, that is quickly warming our planet. In the world of economics, that makes carbon the ultimate unpriced externality.

But that is beginning to change, and fairly rapidly. The World Bank reports that there are now more than 60 carbon pricing initiatives, at the national or sub-national level, in place or under development. Together, jurisdictions covered under these programs account for nearly one quarter of global GHG emissions. In short, carbon is fast becoming a financial liability.

Financial markets know this. In January, BlackRock CEO Larry Fink wrote, “we are on the edge of a fundamental reshaping of finance... investors are... recognizing that climate risk is investment risk.” And “In the near future – and sooner than most anticipate – there will be a significant reallocation of capital.”

The Commodity Futures Trading Commission (CFTC) concurred two weeks ago, stating that: “Climate change poses a major risk to the stability of the U.S. financial system and to its ability to sustain the American economy,” and, financial support will be required “not only to efficiently

manage climate risk but also to facilitate the flow of capital to help accelerate the net-zero transition...”

Investments today in more climate-resilient infrastructure and industries are prudent not only to minimize future costs, but because they will generate outsized returns. Recent analysis from the International Renewable Energy Agency (IRENA) shows that investments that expedite moving to a low-carbon economy would increase global GDP by nearly \$100 trillion by 2050.

Recognizing the risks and opportunities that must be addressed, countries around the world are responding in their recovery plans:

- France has earmarked more than 30% of its most recent recovery package for climate action;
- South Korea has prepared an ambitious “Green New Deal” with a five-year focus on clean energy, electric and hydrogen vehicles, and energy efficiency;
- Canada has required that large businesses applying for Government recovery loans must provide annual public climate disclosure reports.

The best example of leadership can be found in Europe where the European Commission has announced a nearly \$900 billion Next Generation EU program with nearly 40% of these funds to be allocated directly to the objectives of the European Green New Deal. Highlights include:

- Increasing the EU’s 2030 emissions reduction target from 40% to 55% over 1990 levels;
- A goal of becoming the first climate-neutral continent by 2050;
- Prioritizing investment toward sectors including; hydrogen, building renovations and electric charging points for vehicles; and, notably,
- Developing a WTO-compatible Carbon Border Adjustment Mechanism.

Let’s pause on that last point. The moment isn’t too far off where carbon intensive products will be explicitly taxed or tariffed in order to enter the European Union. Just because we may choose to not prioritize carbon reductions does not mean that others won’t – and increasingly in ways that will be painful for our economy.

What should the US do? We must use this moment of crisis to propel the US back into an economic leadership position by supporting the jobs and industries of the future.

When the climate challenge is looked at through the lens of future jobs and growth, the following investment priorities become compelling economic opportunities:

- Continued rapid deployment of clean and renewable energy;
- Electrification of the transportation sector and build-out of a national charging infrastructure;

- Development of next generation energy storage solutions, and a domestic clean hydrogen industry;
- Improvements in building and energy efficiency;
- Innovation to enable dramatic decreases in industrial emissions in key sectors including cement, steel and chemicals; and, importantly,
- Investments in nature and nature-based solutions including landscape restoration, regenerative agriculture, and sustainable forestry.

Wayne Gretzky, the NHL hockey great, once said that you must “skate to where the puck is going to be, not where it has been.” In the case of the transition to a global low carbon economy, the puck's direction of travel could not be clearer. And there are now many countries racing to intercept its trajectory.

The United States should move quickly and deliberately. Just as the US led the global economy in the 20th century, let's use this crisis to ensure that we lead the industries of the 21st century as well.

Thank you and I look forward to any questions you may have.