

## **Together out of the crisis: G7 climate leadership for industry transformation, energy security and social cohesion.**

### **Event Summary**

At COP27 in Sharm El-Sheikh, transatlantic business leaders and policymakers discussed the way forward for G7 climate leadership in 2023. This invite-only business roundtable under the Chatham House Rule— held both virtually and in-person in Sharm El-Sheikh – was organized as part of the Transatlantic Climate Bridge initiative by adelphi, Stiftung KlimaWirtschaft, and We Mean Business Coalition.

The Russian war against Ukraine has led to a severe geopolitical and energy crisis threatening climate objectives, the speed of industry transformation and social cohesion in the G7, the EU and across the globe. Despite and in part because of these challenges, the European Union has responded with REPowerEU, the United States with the IRA, the German G7 Presidency has nonetheless shown G7 leadership with work towards a Climate Club, a Green Hydrogen Action Plan, an Industrial Decarbonization Agenda, and key impulses for the development of green lead markets.

#### **Industrial Decarbonization and Standard Setting**

One of the defining characteristics of Germany's G7 presidency has been the push towards setting standards for heavy emitting and hard to abate industries through avenues like the Climate Club. However, as many participants noted, a main still existing challenge has been the harmonization of production standards across the G7 members states and the clear communication of the work being done on standards to businesses and manufacturers. Business leaders and government representatives agree that the G7 states must stand together in creating common standards, a common understanding on what green products are, including sector-specific agreements, outlining decarbonization roadmaps for specific sectors, and agreeing on a common way to measure carbon impacts. Perhaps even more essential, are calls for agreement on terminology, making sure that the concepts discussed are clearly defined and mean the same thing from country to country. Governments and businesses must have avenues by which to exchange conditions and best practices to ensure that decarbonization does occur and occurs effectively. Calls were also made for data sharing in order to facilitate agreements on thresholds. Industrial decarbonization coordination (e.g., on standards) can allow for the smoother facilitation and creation of markets that can help accelerate the decarbonization process.

#### **Building Markets**

Participants agreed that there must be a push from the Government side in building markets for industrial decarbonization. This means finding buyers that will create demand for near-zero products and creating incentives to drive down premium rates, so that goods made with near-zero emissions are less expensive or rather more competitive to produce. These buyers can also be the G7 governments themselves, who as large purchasers can set the right frameworks under coordinated green procurement guidelines. Domestic legislation should also reflect the agenda of industrial decarbonization. For example, the newly established Inflation Reduction Act in the United States focuses on accelerating sustainable energy and providing incentives for near-zero products, with businesses keen to take advantage.

#### **Foreign Investment**

Investing in emerging economies like India, South Africa, and Brazil to facilitate industrial decarbonization will be critical in the push for global decarbonization. The Japanese G7 presidency will likely focus on extending decarbonization standards to the G20 and beyond. It will become more important for states to invest in clean technology abroad as emerging economies will need to keep up with changing global standards. While investment is prioritized, multilateral and bilateral free trade agreements will also be critical in achieving the clean agenda.

#### **Energy, Climate, and Security**



The Russian war against Ukraine has made energy security a key priority and participants agreed that the inseparability of energy, climate, and security should be continually recognized by the G7. European transition from gas has become more crucial and the solution to the current energy crisis should focus on climate action and a transition to renewable, carbon efficient forms of energy. This means a joint effort to develop green technologies like hydrogen and carbon capture and storage systems, which have begun development in Canada, the U.S., and Europe.

### **Transatlantic Dialogue**

The roundtable facilitated an open dialogue between businesses and government representatives on the future of the G7 climate leadership heading into 2023 and the focus of the Japanese presidency. Further discussion on these topics will be critical to establishing strong climate standards for the G7 and beyond, working towards decarbonization globally. Emphasis was put by many that a Climate Club and general coordination of climate policy in the G7 should be viewed as an alliance and should be open and inclusive to willing members beyond these leading industrialized nations.

The Transatlantic Climate Bridge, adelphi, Stiftung KlimaWirtschaft and the We Mean Business Coalition will continue to engage in dialogue between progressive companies and governments to identify solutions that work for the economy and protect the environment.