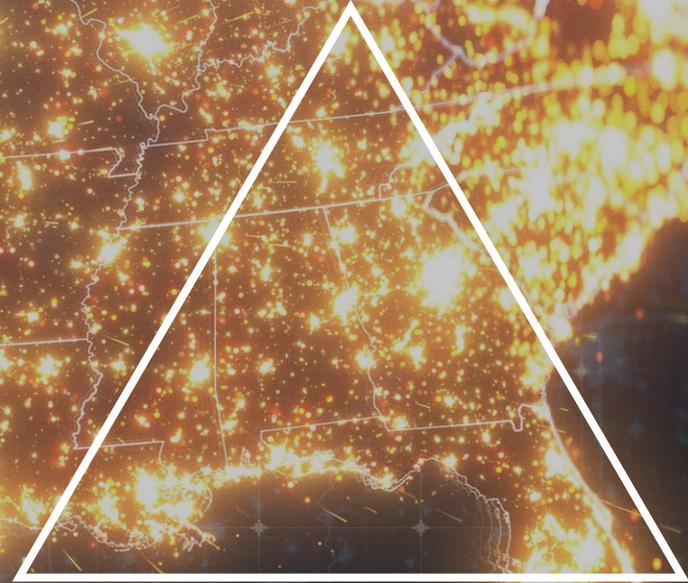


USA

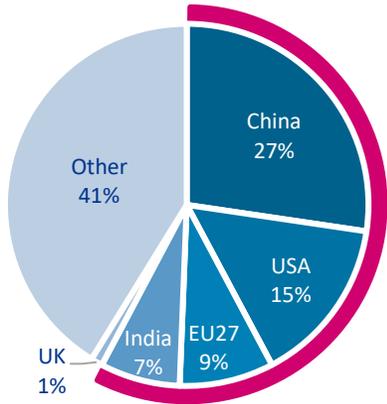
Credibility & Durability Framework



Climate Change & National Commitments

The road to COP 26 – National Commitments suffer from credibility and durability risk

2018 CO2 Emissions, % of Global Total



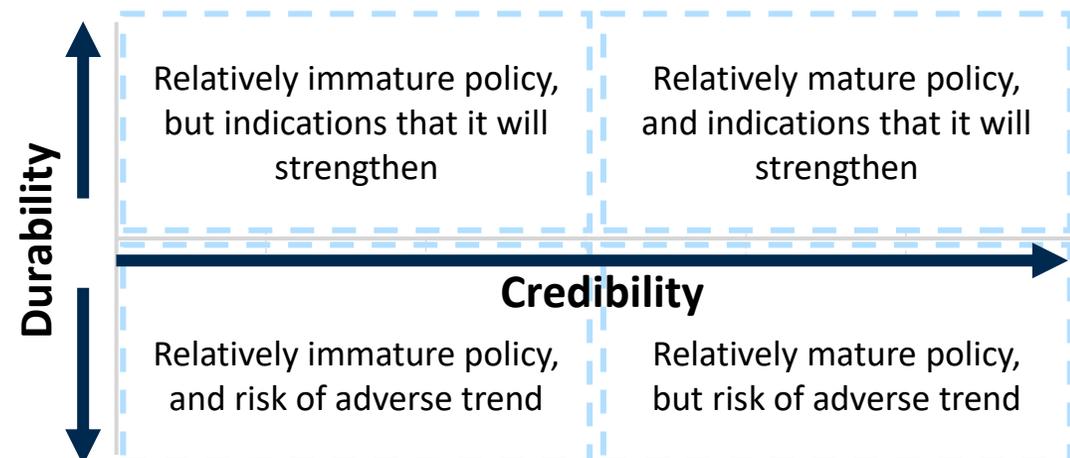
The top 4 global CO2 emitters produce 58% of global CO2 emissions. Their targets are disproportionately important to the global transition. However...

Future action is uncertain due to national commitments suffering from credibility & durability risk

Baringa's Political, Economic & Policy Risk Team have developed a methodology to assess the credibility and durability of nations' commitments:

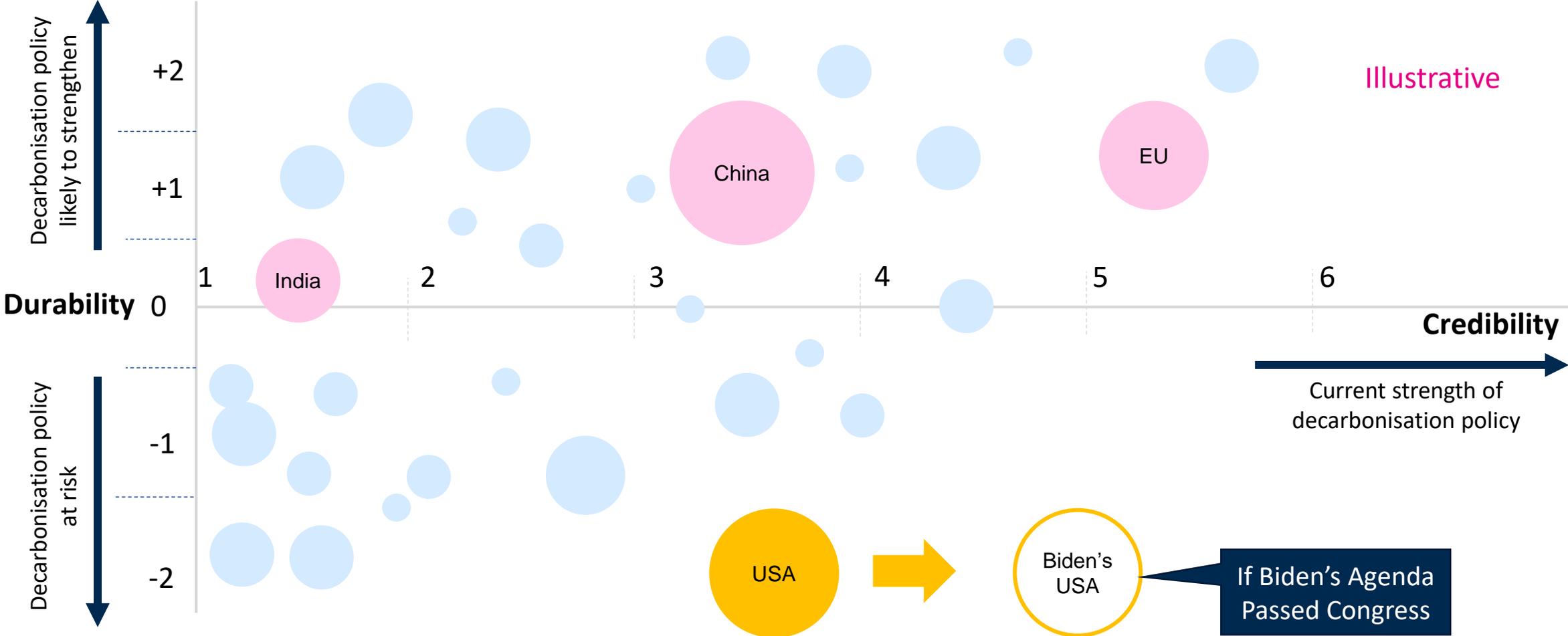
Credibility: A measure of policy maturity. How developed is domestic decarbonisation policy in relation to Net Zero.

Durability: A measure of the depth and breadth of political support. How vulnerable is the energy transition to political and economic shocks?



USA | PEP Credibility & Durability Index

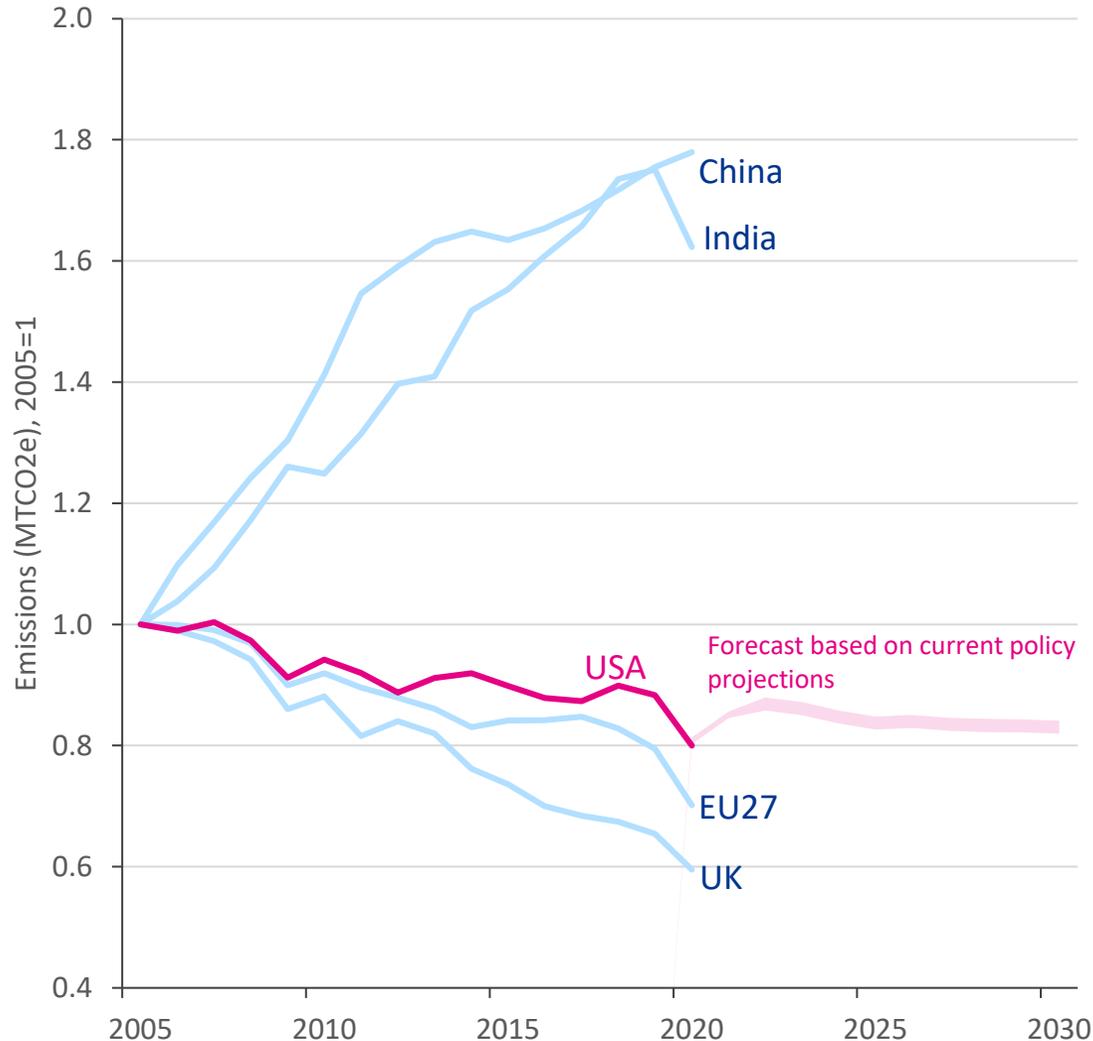
Credibility & Durability is a measure of confidence over whether governments will reach Net Zero



USA | Climate Commitments & Policies

Major progress towards Paris goals still to be made

Total Emissions (excl. LULUCF), Indexed to 2005



Source: Climate Action Tracker Forecasts, Baringa Analysis

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USA Emissions Targets

- Net Zero by 2050 - 50/52% Reduction by 2030
- Zero Carbon Power Generation by 2035

Key Policies

Power Generation

- Target set for a carbon-free electricity system by 2035.
- Keystone XL oil pipeline from Canada cancelled in 2021
- Subsidies on fossil fuels could not be repealed.
- Renewable Energy Subsidies – 10 year extension of existing subsidy

Transport

- Target of 50% of all new vehicles to be ZEV by 2030
- Increase ZEV subsidies - \$7,500 to \$12,500
- Provide \$7.5b for EV Infrastructure
- Tailpipe standards & efficiency – vehicle mileage of 52 miles per gallon by 2026, up from 40 mpg 2021

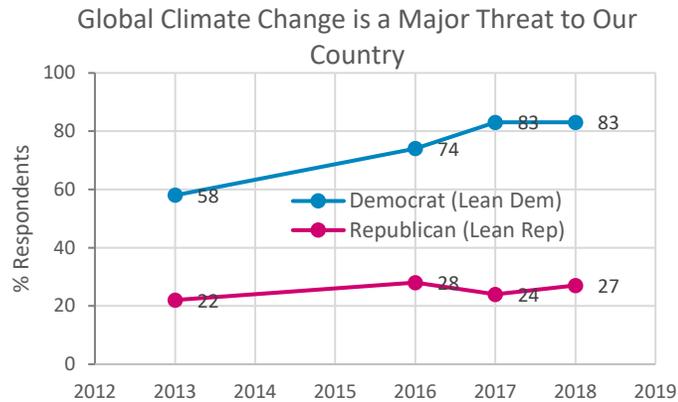
Industry

- Announced \$46bn investment in clean energy manufacturing
- Signed Kigali Amendment – phase out hydrofluorocarbons (HFCs)
- Investment in R&D in climate science, clean technology and innovation was repealed by Senate from Biden's American Jobs Plan
- Shale Methane leakage and flaring's restrictions

USA | Contemporary Issues and Risks

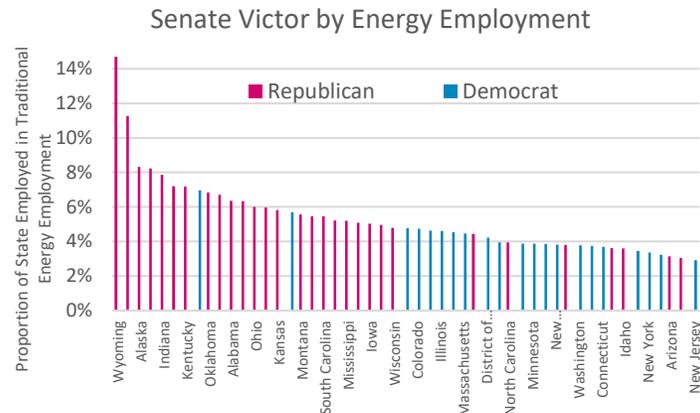
Domestic and International risks threaten climate progress

Election Risk



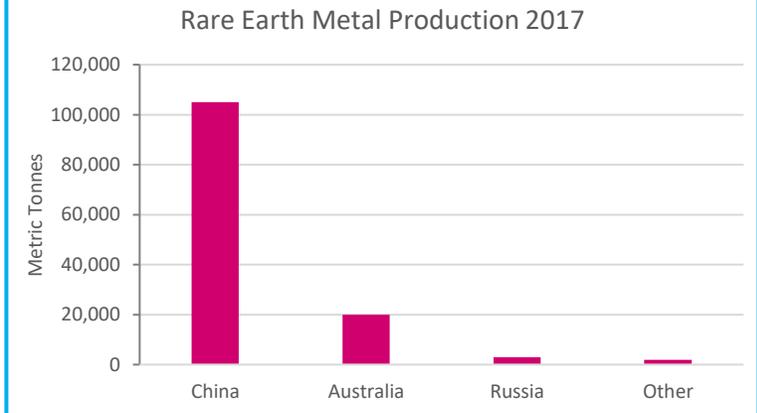
Source: PEW Research Centre

Legislative Risk



Source: USEER State Reports

China – US Cooperation



Source: National Minerals Information Centre

- Climate has become an increasingly divisive partisan issue with a high degree of electoral salience.
- This partisan divide risks the threat of rollback under future administrations.
- Swing states often have higher levels of employment in traditional energy employment and are more dependent on revenue from the carbon industry.
- Trump rollback's of environmental protections and withdrawal from the Paris Climate Accord in 2016 demonstrates the Electoral Risk in the US.

- The rigid separation of powers in the US creates many opportunities for delay and deadlock with Incumbent presidents often unable to legislate through a divided Congress.
- Even with a majority in both houses the Senate filibuster creates legislative risks, further entrenching deadlock. Without a supermajority the filibuster can stall meaningful climate legislation without bipartisan support. Even small Democrat majorities can prove insufficient.
- Republicans tend to do better in the Senate with represents smaller rural states, often with traditional energy employment more favourably.

- Sino-US relations are deteriorating admits the emergence of a multipolar global order. Deteriorating relations has significant implications for decarbonisation:
- Global cooperation between the two powers is key to secure successful multilateral agreement. For example the bilateral deal between Obama & Jinping in 2014 unlocked the Paris Climate Accord 2015 and secured domestic support and legitimacy for US climate goals
- Supply chain - China dominates the production of rare earth metals As a consequence both the US and EU are extremely dependent on the frictionless supply for renewable rollout. This supply could be disrupted in any trade escalation and is considered a point of western vulnerability.

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