

US Withdrawal from Paris Agreement: Summary and Implications for Hong Kong Businesses

English version only

What did Trump say?

On 2 June 2017, US President Donald Trump announced that he would pull the US out of the Paris Agreement and his administration would look to begin negotiations to seek a new agreement that offered a better deal for the US. He seemed particularly concerned about China having a longer period of time to peak and then reduce CO2 emissions compared with the US as well as the US's commitment to pay into the Green Climate Fund. But importantly, he did not deny that climate change is happening.

What will happen now?

The US cannot withdraw till 3 years from entry of agreement into force – 2019, and then need to give 1 year notice. So formally it will be bound until 2020.

- The US may not intend to comply with targets on a federal level, but at a state level may still comply.
- The relative costs of gas to coal are likely to mean that the shale gas revolution will continue. Investors may also not be inclined to fund carbon intensive industry and energy.

What does China say?

China has vowed to work with the European Union to uphold the international agreement on climate change. Premier Li Keqiang said China would "steadfastly" implement the Paris climate deal even if the US pulled out.

But it is an open question as to how China will deal with a large economy that does not comply and discussion can be expected on international policy measures such as using carbon prices, and carbon border tariffs.

What is the business view?

Business leaders across the world are continuing to push for action on climate change. A concern of US businesses is that if the US's policy framework does not drive businesses to embrace new technologies and approaches, they will fall behind the rest of the world.

What are the implications for Hong Kong businesses?

There is no reason to expect any weakening of the policy position in China or in Hong Kong. Businesses should have regard to China's Nationally Determined Contributions, Hong Kong's carbon target, and the long-term overall objective of the Paris Agreement to keep the temperature rise within 2C. However, as the chances of keeping to 2C may be slightly weaker than before, Hong Kong's businesses whether operating here or elsewhere should also perhaps more than before take into account the need to adapt and ensure resilience to climate change impacts, such as sea level rise and extreme weather events.

About Business Environment Council Limited 商界環保協會有限公司

Business Environment Council Limited (“BEC”) is an independent, charitable membership organisation, established by the business sector in Hong Kong. Since its establishment in 1992, BEC has been at the forefront of promoting environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources, prevent pollution and improve corporate environmental and social responsibility. BEC offers sustainable solutions and professional services covering advisory, research, assessment, training and award programs for government, business and the community, thus enabling environmental protection and contributing to the transition to a low carbon economy.

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