

The India-United States Partnership for the Global Fight Against Climate Change

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Abstract: As large greenhouse gas emitters, the United States and India are well-positioned to leverage their resources and robust bilateral partnership to accelerate low-carbon solutions demand, lead on Paris Agreement alignment, encourage Multinational Development Banks reform to enable climate finance for adaptation and mitigation mechanisms, and more. The climate agenda priorities of both nations were highlighted at the 2023 G20 Summit where the Delhi Declaration acknowledged that the only feasible global growth trajectory is green. This article highlights key areas of bilateral and multilateral climate discussions during 2023, both in the run up and during the G20 Summit, the BRICS Summit and the COP28.

Keywords: India - United States Cooperation, Climate Finance, Green Hydrogen, Global Biofuels Alliance, Critical Minerals, Mineral Security Partnership, India - Middle East - Europe Economic Corridor (IMEC), Multilateral Development Bank Reform, Cooling Collaborative, Global Stocktake, Net Zero Economies, Decarbonization Goals, BRICS, G20, COP28

Introductions

The United States and India have set ambitious 2030 targets for climate action and clean energy development. Prime Minister Modi and President Biden's administrations have invested significant political capital and resources into realising them.

In the U.S., the past two years have seen the historic passage of the Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022, representing the largest climate investments in the country's history.

The Biden administration continues to develop its whole-of-government approach to tackle the climate crisis, while bolstering its domestic economy, with significant efforts made in transportation, the energy, agricultural and building sectors.

The Indian climate strategy was re-articulated at COP27 in November 2022, with the submission of the Long-Term Low Emissions Development Strategy (LT-LEDS), which provides a breakdown of initiatives by sector. The salient features of this strategy include the

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rational utilization of national resources with due regard to energy security, increased use of biofuels and of green hydrogen fuel to drive the low carbon development of the transport sector, sustainable and climate resilient urban development, and the improvement of energy efficiency, among others.

Together in 2021, the two countries launched the “U.S.-India Climate and Clean Energy Agenda 2030 Partnership” to drive urgent progress while signalling a firm commitment to working together in achieving their national climate and clean energy targets and strengthening bilateral collaboration across these issues. This mark of collaboration builds on many years of committed official and unofficial dialogue between both nations.

As much as we find ourselves at a historic moment for climate action, climate change being an electoral priority across the world, it is important, however, to look at current geopolitics, as they certainly have repercussions on both this bilateral and other multilateral fronts.

The India-U.S. bilateral climate cooperation in an evolving geopolitical order

India, U.S. and the critical minerals rush

After decades of globalization, pandemic-caused supply chain disruptions and commodity market fluctuations related to Russia’s invasion of Ukraine have caused countries to look inward to boost domestic innovation and diversify supply chains to trusted allies. In fact, countries are “rethinking almost every aspect of their foreign policies, from trade to

military alliances and energy security has joined climate change as a top concern for policymakers; together, these dual concerns are poised to reshape national energy planning, energy trade flows, and the broader global economy.”

In this evolving global order, as countries transition to clean sources of energy, the demand for low-carbon technologies is poised to multiply. The production of these technologies requires components and critical minerals that are geographically concentrated. The demand for critical minerals, based on their use in batteries (for electric vehicles and grid storage), solar photovoltaics, wind turbines, and transmission wires, will rise significantly in the future.

Both India and the U.S. are wary of China’s dominance in processing and mining within and beyond their borders, especially as this dominance has also been associated with poor labour practices. Both India and the U.S. seek to avoid any legacy of extractionism and are considering different models. Indeed, both countries can benefit from knowledge-sharing and collaborating on investment in third countries by leveraging the combined benefits of the Quad Partnership³ and other minilaterals to diversify supply chains and help developing countries to process and manufacture the components they need while developing norms for responsible mining.

India and other emerging economies

Emerging economies, India included, are exploring ways to achieve their development needs while meeting their

climate targets in an environmentally and geopolitically overheated world. In August 2023, the leaders of BRICS (Brazil, Russia, India, China, and South Africa) gathered in Johannesburg and invited six more nations to join their ranks - Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates. The 11 members of BRICS will represent a higher share of global GDP based on purchasing power parity than the G-7 industrialized countries.

The expanded group represents 46 per cent of the world's population and 43 per cent of the world's oil production. This bloc, which now includes oil and gas exporters as well as two of the largest oil importers, could become another platform to facilitate bilateral deals for member countries looking to secure their energy supply. An expanded BRICS will have 72 per cent of rare earth reserves, 75 per cent of the world's manganese, 50 per cent of graphite, 28 per cent of nickel, and 10 per cent of copper (excluding Iran's reserves). The addition of Argentina would position BRICS with three of the five largest lithium producers in the world, alongside China and Brazil. This expanded group also portends an increased potential for new critical mineral supply partnerships, outside the scope of the Mineral Security Partnership (MSP).⁴

Resource pooling, however, does not equate to geopolitical cohesion. Added membership might mean added resources, but it also equates to additional bilaterals to simultaneously manage. On the one hand, a growing political confrontation between China and India

already casts a shadow over BRICS and any attempt at creating a cohesive agenda. Some of the new members are regional neighbours embroiled in local resource disputes, which are unlikely to be swept aside before coming to the BRICS table annually. On the other hand, three of the six new members (Egypt, Saudi Arabia and the UAE) are security partners of the U.S. Their existing partnerships are critical to their national security matrices. This pursuit of enhanced South-South collaboration will not come at the cost of said trusted partnerships.

It is imperative to take a guarded approach while analysing the implications of an expanded BRICS. From a climate-energy perspective, there is an opportunity to build diverse critical mineral supply chains that would aid the existing just transition and development goals of member countries. At the same time, member countries could potentially secure new oil and gas trade pacts setting back their current emissions predictions. This will not be the last permutation of geo-economic multilaterals to prop up.

Increasingly climate-centric partnerships

The India - U.S. 2023 diplomatic calendar has churned out a number of promising updates on the climate front. The 58-paragraph joint statement of the Washington D.C. Modi - Biden Summit in June 2023, moved the needle ahead on the three primary elements:

- Finance: The two countries committed to create innovative investment platforms that will effectively lower the cost of capital and attract international

private finance at scale to accelerate the deployment of greenfield renewable energy, battery storage, and emerging green technology projects in India, including a multibillion-dollar investment platform aimed at providing catalytic capital and de-risking support for such projects.

- **Hydrogen:** The two countries will collaborate to achieve their respective national goals to reduce the cost of green/clean hydrogen under India's National Green Hydrogen Mission and the U.S. Hydrogen Energy Earthshot. The U.S. welcomed India's decision to co-lead the multilateral Hydrogen Breakthrough Agenda.
- **Critical Minerals:** The two governments affirmed their intention to work together to ensure that their respective markets are well-supplied with the essential critical minerals necessary to achieve their climate, economic and strategic technology cooperation goals. The U.S. enthusiastically welcomed India as the newest partner in the MSP.

Three months later, in the lead-up to the September G20 Summit in New Delhi,⁵ President Biden and Prime Minister Modi met again. Their joint statement highlighted progress in a number of areas:

- **Finance:** India's National Investment and Infrastructure Fund and the U.S. Development Finance Corporation exchanged letters of interest to each provide up to USD \$500 million to anchor a renewable infrastructure investment fund.

- **Co-innovation:** The inaugural meeting of the India - U.S. Renewable Energy Technologies Action Platform [RE-TAP] took place in August 2023, under which the two countries will engage in lab-to-lab collaboration, piloting, and testing innovative technologies; advance collaboration on policy and planning to advance renewable energy and enabling technologies; support investment, incubation and outreach programmes; and implement training and skill development programmes to accelerate the uptake and adoption of new and emerging renewable technologies and energy systems.
- **Decarbonizing the transportation sector:** Electric mobility has expanded in India, in part because of India-U.S. joint support for a payment security mechanism financed through both public and private funds. This will accelerate the procurement of 10,000 made-in- India electric buses, including those for the Indian Prime Minister's e-Bus Sewa program, which will include the associated charging infrastructure.

These official announcements were certainly received as an auspicious beginning to the Summit and as positive signals towards a supportive policy ecosystem for investment and reliable platforms for collaboration.⁶

The launch of two landmark initiatives, which have far-reaching implications for the global energy transition, marked the beginning of G20 Summit weekend in New Delhi:

the Global Biofuels Alliance and the India - Middle East - Europe Economic Corridor (IMEC). India and the U.S. play a driving role in both. IMEC is an ambitious project aiming to connect India, Saudi Arabia, UAE, France, Germany, Italy, the EU, and the U.S. As disruptions in supply chains and energy security frameworks reset national and global decarbonization efforts, setting back emissions reduction targets globally, IMEC could provide a connectivity alternative to China's Belt and Road Initiative, for increased stability of Net Zero Emissions pathways.

As the 2023 G20 Summit concluded, three of the ten key outcome categories in the New Delhi Leaders' Declaration, adopted with consensus, were geared towards achieving emissions reduction and energy transition goals:

- The green development pact: These policy directives focus on resource efficiency and the importance of sustainable consumption; a clean, sustainable, just, affordable, and inclusive energy transition; on sustainable finance; the principles of an ocean-based Blue Economy; and building disaster resilient infrastructure.
- An action plan for accelerating progress on Sustainable Development Goals (SDGs) that reaffirmed and updated High-Level Principles based on new needs, such as harnessing data for development, financing for accelerating progress on the SDGs, targeted actions on transformative transition areas like digital transformation and a sustainable,

inclusive and just transition, gender equality and accountability.

Reforms for international financial institutions: the Delhi Declaration asks G20 members to pursue reforms of Multilateral Development Banks (MDBs)⁷ to address global challenges to maximize developmental impact, building on the recommendations of the Independent Expert Group on the MDBs' operation models, the scale of financing and system-wide strengthening, and the need to fit into changes to the global finance architecture at large.⁸

The outcomes of the 2023 G20 Summit are comparable in their economic impact, perhaps only to the outcomes of the 2009 G20 Summit in Pittsburgh, which had put together a coordinated set of policy actions to pull back the global economy from the brink of depression. The 2009 Summit's outcome was a reaction to a global recession and the 2023 Summit's outcome was in reaction to the current and projected impact of the climate crisis on the global economy. Through the Delhi Declaration, the G20 has acknowledged that the only feasible global growth trajectory is green: an update in focus which has proved to be a catalyst in the shift from a GDP-centric view of the world to a resilience-centric one.

Continuing the India - U.S. climate dialogue and cooperation

To further advance their national and bilateral climate agendas, India and the U.S. can continue building on their

established partnership. Indeed, for over a decade, the “India - U.S. Track II Dialogue on Climate Change and Energy” has taken place as a nonpartisan gathering of high-level stakeholders from industry, civil society, academia, former cabinet and sub-cabinet government officials and thought leaders from the U.S. and India for this very purpose. The Dialogue aims to enhance bilateral momentum towards climate action and produce actionable policy recommendations for Track I or official diplomatic channels.⁹ Through the years, the Track II Dialogue has persisted in its efforts, cultivating a trust-based bilateral platform, and building relationships between institutions that have begun paying dividends. These were most clear in Washington D.C. Modi - Biden Summit in June 2023, but also during the G20 meeting.

Climate finance remains the key to unlock climate action

Reforming MDBs to support low-income nations facing a disproportionate climate burden is increasingly urgent.

The U.S. and India can leverage their strong bilateral relationship to jointly encourage MDB wide-ranging reforms to support low-income nations, from the creation of de-risking facilities to reduce the cost of capital, mobilize finance, build resilient supply chains for clean energy technology development, and scale up transition bonds; to the increased deployment of extreme weather, disaster and pandemic clauses to enable more flexibility for recovery when countries are in crisis; consensus building around responsibly stretching resources available

to MDBs and boldly implementing the Capital Adequacy Framework recommendations to expand lending; and the promotion of harmonizing visions for how MDBs define, prioritize and invest in global public goods.

There are also several steps the U.S. and India can jointly consider to de-risk the climate finance necessary for an accelerated clean energy transition, including jointly establishing a Global Clean Investment Risk Mitigation Mechanism to ease the flow of capital and access to non-project risk management tools in emerging markets, leveraging the Quad Partnership to push for a pooled technology de-risking fund for technologies at early stages of development, thus mitigating the risk of underperformance and boosting investor confidence to deploy these technologies more rapidly and collaborating with the private sector, including manufacturers, to achieve a comprehensive electric vehicle transition in India.

Promoting urgent adaptation measures to face extreme weather

The U.S. faced eighteen separate billion-dollar weather and climate disaster events in 2022, while India experienced extreme weather events in 314 out of the 365 days. It is, therefore, pertinent to prioritize resilience and adaptation measures in the short term.

Hence, the U.S. and India can turn this key focus on adaptation and increasing resilience by developing creative ways to mobilize finance, with a special focus on heat stress alleviation and partnerships on cooling solutions.

A “Cooling Collaborative” can ensure cooling progress is moving in both the U.S. and India, while encouraging cooling action plans worldwide, effectively building political momentum and potentially supporting efforts during succeeding COP meetings. Furthermore, the world’s cooling demand is predicted to triple by 2050, contributing to 7 per cent of global greenhouse gas emissions (more than the entire Indian nation). Hypothetical cooling action plans will detail ways to make adaptation financeable and mobilize said finance, as well as outline innovative methods of combining adaptation and mitigation.

Seizing the opportunity of the fuels of the future

In the long term, the decarbonization agendas of both India and the U.S. will be served well by turning their mutual focus towards the development and deployment of hydrogen to meet emissions reduction goals. The two countries can work together to develop uniform regulations for a hydrogen marketplace and bolster domestic innovation for green hydrogen production to make it cost-competitive. U.S. legislation, including the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, along with the Department of Energy’s Hydrogen Shot initiative, use tax credits and direct funding to reduce the cost of hydrogen and create regional hubs to advance the development and deployment of clean hydrogen. India launched the National Hydrogen Energy Roadmap in 2006 to develop a research and development ecosystem and launched

the National Green Hydrogen Mission (NGHM) in 2021. The NGHM seeks to scale up green hydrogen production and utilization across multiple sectors, ultimately making India a global green hydrogen hub.

Conclusion

The collaboration between the U.S. and India to advance climate-centric policies and their decarbonization goals through bilateral cooperation is a reminder that countries can neither ensure their transition to net zero economies alone nor can they afford to be isolated in the current geopolitical context. Strategic alliances remain essential to tackle the enormity of the climate challenge and to navigate the complexities of energy transition and energy security. Multilateral and bilateral action to address climate change - at COP and beyond - remains an opportunity to continue finding fertile ground for collaboration and to reimagine alliances that may seem improbable now but might very well prove necessary in the future.

Endnotes

- ¹ The authors extend their thanks to Richa Kumaria from the Aspen Ananta Centre and Shivali Shankar from the Energy and Environment Program at the Aspen Institute for their reviews and comments and Anne Christianson from the Center for American Progress for her contributions on climate finance de-risking solutions.
- ² The Quad, composed of the United States, Australia, India, and Japan, is not a formal alliance, but a group that has intensified its security and economic ties as tensions with China rise.
- ³ The MSP is a collaboration to catalyze public and private investment in responsible

critical minerals supply chains globally that includes Australia, Canada, Finland, France, Germany, India, Italy, Japan, Norway, the Republic of Korea, Sweden, the United Kingdom, the United States, and the European Union (represented by the European Commission).

- 4 India took over the G20 Presidency on 1 December 2022 with climate action as the primary focus in both the Sherpa and Finance Tracks
- 5 Co-innovation, platforms for technology collaboration, cooperation in decarbonizing transportation and deployment of special task forces to oversee these separate functions have been prior recommendations of the Track II Dialogue in 2020 and 2021.
- 6 While all nine MDBs pledged in 2018 to become aligned with the Paris Agreement, as of 2023 they have neither made significant structural changes, nor allocated sufficient finance towards climate-related goals, and continue to fund fossil fuel projects
- 7 The adoption of MDB reform recommendations was on the table in October 2023, at the annual meetings of the World Bank Group and the International Monetary Fund in Morocco.
- 8 Co-hosted by the Aspen Institute Energy & Environment Program and the Ananta Aspen Centre, New Delhi, the Track II began in 2010, predating the Paris Climate Agreement.

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