

Trump's move to exit Paris accord to hit harder than last time



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A second US withdrawal from the world's primary climate pact will have a bigger impact – in the US and globally – than the country's first retreat in 2017, according to analysts and diplomats. One of President Donald Trump's first acts on returning to office on Monday was to quit the Paris Agreement as part of his plans to halt US climate action.

The impact will be to increase the chance of global warming escalating, to slow US climate funding internationally, and leave investors struggling to navigate the divergence between European and US green rules.

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Since then, climate change has become more extreme. Last year

was the planet's hottest on record, and the first in which the average global temperature exceeded 1.5C (2.7F) of warming – the limit the Paris Agreement commits countries to trying to stay below.

"We are looking at overshooting 1.5C – that is becoming very, very likely," said law professor Christina Voigt at the University of Oslo.

"Which, of course, brings to the forefront that much more ambitious global action on climate change is needed," she said.

Today's climate, measured over decades, is 1.3C warmer than in pre-industrial times, and on track for at least 2.7C of warming this century. While perilous, that is less severe than the 4C projected before countries negotiated the 2015 Paris Agreement. Each country's pledge toward the Paris goal is voluntary. Nevertheless, Trump is expected to scrap the US national emissions-cutting plan and potentially also Biden-era tax credits for CO2-cutting projects.

All of this will "further jeopardise the achievement of the Paris Agreement's temperature goals," Michael Gerrard, a legal professor at Columbia Law School, said.

"That has obviously an impact on others. I mean, why should others continue to pick up the pieces if one of the key players once again leaves the room?" said Paul Watkinson, a former French climate negotiator who worked on the 2015 Paris Agreement.

Some US states have said they will continue climate action.

Regardless of politics, favourable economics drove a clean energy boom during Trump's first term – with Republican stronghold Texas leading record-high US solar and wind energy expansion in 2020, US government data show. But Trump has already taken steps to try to prevent a repeat of that, on Monday suspending offshore wind leases and revoking Biden's electric vehicle targets.

The US produces around 13% of global CO2 emissions today but is responsible for most of the CO2 released into the atmosphere since the Industrial Revolution.

As part of the Paris Agreement exit, Trump on Monday ordered an immediate cessation of all US funding pledged under UN climate talks.

That will cost poorer nations at least \$11bn – the US government's record-high financial contribution delivered in 2024 to help them cope with climate change.

Together, all rich countries' governments combined contributed \$116bn in climate funding for developing nations in 2022, the latest available OECD data show.

That does not include the huge climate-friendly government funding Biden rolled out domestically, whose future under Trump is uncertain.

Total US climate spending – counting domestic and international, from private and public sources – jumped to \$175bn annually over 2021-2022, boosted massively by the 2022 Biden-era Inflation Reduction Act, according to non-profit research group the Climate Policy Initiative. The US is also responsible for funding around 21% of the core budget for the UN climate secretariat – the body that runs the world's climate change negotiations, which faces a funding shortfall.

The We Mean Business Coalition, which is backed by Amazon and Meta, said Trump's disruption of the US business environment could drive green investment elsewhere.

It could "open the door for other major economies to attract greater investment and talent," the non-profit group said.

Three investors told Reuters the transition to green energy, including in the US, will move forward regardless.

One impact of the Paris exit will be to prevent US businesses from selling carbon credits into a UN-backed carbon market that could be valued at more than \$10bn by 2030, according to financial information provider MSCI.

While no longer able to make money from selling any surplus credits, US companies would be able to buy them on a voluntary basis. – Reuters