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ENVIRONMENTAL | STRATEGY

Climate Inaction Could Cost U.S. Economy \$14 Trillion By 2070

The economic price of insufficient action on climate change could weigh heavily on the United States, says a report. It also details how rapid decarbonization over the next 50 years can create prosperity and growth for the U.S. at a relatively modest economic cost.



The United States economy could gain \$3 trillion if it rapidly decarbonizes over the next 50 years, but failing to take sufficient action to prevent global average warming from reaching about 3°C by century's end could result in economic losses to the U.S. economy of \$14.5 trillion over the next 50 years, according to a report

by the Deloitte Economics Institute. The report, "The Turning Point: A New Economic Climate in the United States," uses an economic modeling framework that accounts for the economic impacts of climate change to quantify the impact unchecked climate change could have on the U.S. economy, as well as the economic impact of rapid decarbonization.

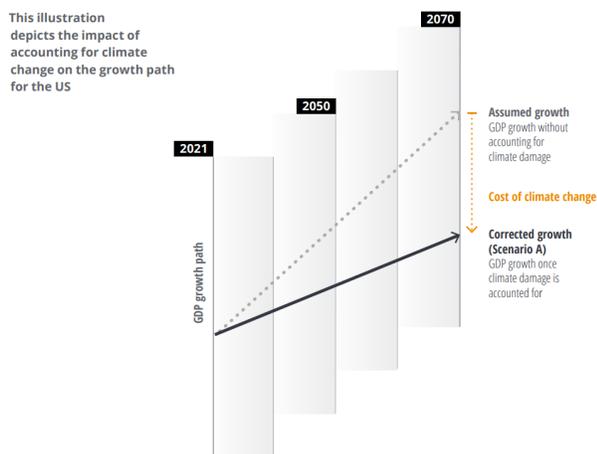
"The report makes the case for another industrial revolution in the U.S.—one built on low-emissions growth—to avoid significant losses from the climate crisis and to create a more dynamic, prosperous economy for the U.S.," says Alicia Rose, Deputy CEO for Deloitte U.S. "The analysis shows that the battle to slow climate change is not only an aspirational goal, but an economic imperative for the U.S."

An Economic Perspective on Climate Change Impacts

The climate and economic modeling that underlies the U.S. Turning Point study, the third in a series of reports that examine the economic impact of climate change in regions including Europe and

Asia Pacific, found that the net cost of the transition to net zero could be just 0.1% of GDP per year on average to 2050—or an average economic cost of around \$35 billion annually, as new investments are made and value created while some assets and areas of production phase down. “The topic of climate change has been overwhelmingly focused on its environmental repercussions, with an implication that taking action to forestall global warming inevitably carries high economic costs and hurts growth,” observes Dr. Pradeep Philip, a partner at the Deloitte Economics Institute and co-author of the study. “This new analysis approaches global warming from an economic point of view, specifically that if an economy impacted by climate change is the reality, then these costs should be reflected in how decision-makers evaluate their choices,” he says.

Yet most economic projections today still reflect an assumption that the economy can continue to grow the way it traditionally has, generating GDP growth through emission-intensive means of production, adds Claire Ibrahim, a partner at the Deloitte Economics Institute and report co-author. “It’s time to consider the full costs of the emissions-intensive system of production on the economy,” she says.



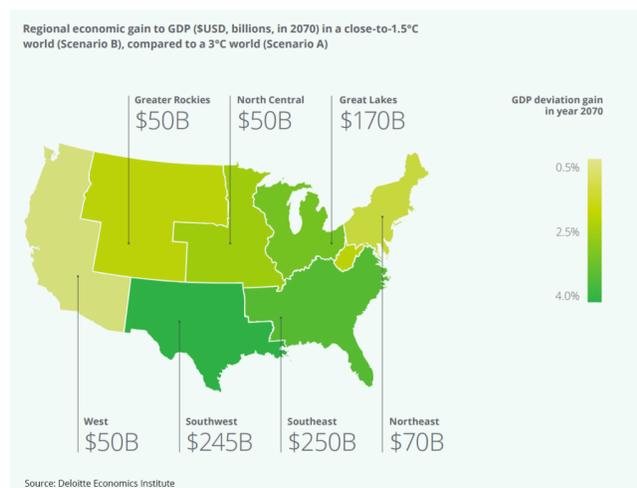
Note: Illustrative depiction of alternative levels of trend economic growth.
Source: Deloitte Economics Institute

The analysis indicates that left unchecked (Scenario A: “Around 3°C world”), economic damages from climate change would grow and compound, affecting every industry and region in the country. This would make it harder for people to live and work due to heat stress, rising sea levels, damaged infrastructure, and reduced agricultural productivity. Deloitte’s analysis shows that insufficient action on

climate change could cost the U.S. economy \$14.5 trillion in the next 50 years. A loss of this scale is equivalent to nearly 4% of GDP or \$1.5 trillion in 2070 alone. And over the next 50 years, nearly 900,000 jobs could disappear each year on average due to climate damage.

“If the U.S. chooses to adopt an ambitious, holistic path towards decarbonization it could see net economic gains by 2048,” says Scott Corwin, Managing Director in Deloitte US’s ESG Strategic Growth Offering. “Every region of the country would benefit economically.”

Transitioning to a low-emissions economy (Scenario B: “Close-to-1.5° World”) would require the U.S. to accelerate investments in clean energy systems and a new mix of technologies that span industries. New jobs would be created by the rapid expansion of manufacturing and private sector services. Other jobs—and entirely new kinds of work—would be created by expansion in clean energy sectors such as renewable energy and green hydrogen. And, according to Deloitte’s research, the regions hardest hit by unchecked climate change would have the most to gain.



4 Economic Phases of Decarbonization to Reach Net Zero

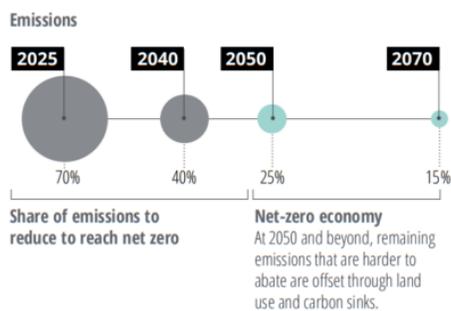
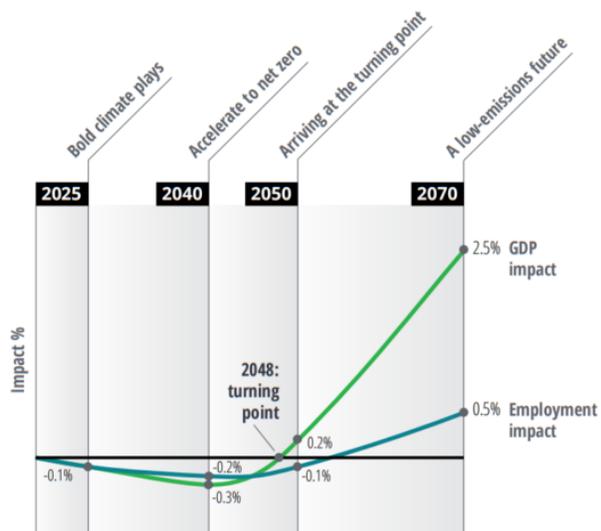
The report sets out a scenario of how the U.S. economy could evolve through four phases of decarbonization:

1. Between now and 2025, the public and private sectors make bold decisions to rapidly transition to renewable energy. This involves transforming the electricity value chain, such as storage and transmission, that enables parallel and synchronized advances in the mobility, industrial and food systems.
2. From 2026 to 2040, the acceleration to net-zero creates major economic shifts in policy, energy systems, investment priorities and consumer behavior.
3. The phase from 2041 to 2050 marks the turning point, where the benefits of transition outweigh the costs and decarbonization of high-emission industries is almost complete. The costs of sustainable technologies decrease, and wider net economic gains are realized.

4. In 2050 and beyond, the U.S. economy is radically transformed and is more globally competitive in core industries. The economy achieves net-zero emissions, operating in a world that keeps global warming to below 2°C.

Greenlight for industrial transformation and growth

Economic impacts on the path to a net-zero economy



Note: GDP and employment impact measures reflect a deviation as a result of the close-to-1.5°C world scenario (Scenario B).
Source: Deloitte Economics Institute

“The U.S. has the technology, capital, infrastructure, and skilled labor needed to make this transition possible and at the least cost compared to other major economies,” observes Ibrahim. “Our economic modeling shows that as governments and industries invest in low-emissions growth, the U.S. economy could experience extraordinary gains in a single generation.”

That point resonates powerfully with C-suite executives when they dig into the analysis, she says. “Whether it’s a CEO, COO or CFO, this economic framework shows that addressing climate change is not just about environmental sustainability, but is also a priority to think

about strategically from a growth and a risk management perspective. Making sustainability core to the business is about being profitable in the near-term and the long-term,” Ibrahim says.

To Dr. Philip, “the research’s most important takeaways for business leaders, starts with how it demonstrates both that investing in an accelerated decarbonization timeline now will cost far less in terms of economic impact than if the investments are made later, and also that the main business and economic opportunity lies in early, rapid and scaled-up decarbonization action,” he says. Indeed, the study found that by accelerating decarbonization, the U.S. could complete a total industrial revolution in just 30 years, a transformation that could deliver net economic gains by the late 2040s.

“The analysis demonstrates that we have a narrow window of time—the next decade—to make the bold decisions needed to change our climate trajectory and reach a turning point,” says Rose. “The decisions made by governments, businesses and communities would reinforce our early progress and could unlock extraordinary economic possibilities for the U.S.”

For full details, read the Deloitte Economics Institute’s **report**

—by *Andy Marks, Deloitte Services LP, editor, Deloitte Insights for sustainability leaders*

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