

Remarks by Secretary of the Treasury Janet L. Yellen at the Climate Transition: Federal Policy and State and Local Government Best Practices Roundtable

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As prepared for delivery

Good morning everyone, and welcome to our climate transition roundtable. We're very glad you've joined us today. Our entire Department – and our entire Administration – know how vital your partnership is in the fight against climate change, and we're looking forward to the conversation.

Last fall I had the chance to travel to COP26 in Glasgow, where I saw firsthand the global community's resolve to tackle climate change; and, of course, climate change is a big, global problem that requires big, global solutions. We need multilateral agreements like the Paris Agreement. We need international fora like COP. We need meaningful federal investment to green our economy. But while the effects of climate change are ultimately global, they are local first.

This group knows that better than most. Last year, 20 weather disasters causing more than \$1 billion each in damage struck the United States. That's a fourfold increase from just two decades ago. And it was state and local officials—the mayors, city planners, county commissioners, and governors—who were on the front lines of the response. While the federal government should always be at your side—especially in times of need—you're often the people who are planning for the floods and the hurricanes. You're the ones putting out the forest fires.

And I know your role isn't limited to responding to the impacts of extreme weather brought on by climate change. More and more, local officials are the ones who are mitigating them. You're making communities more resilient through innovative policy solutions and raising capital for ambitious projects to reduce carbon emissions.

I'm thinking about Orlando's Green Works Initiative, for example, which aims to make the city a model for sustainable practices that can be implemented across the country. It requires large

buildings to track energy use, mandates that building owners provide recycling, and creates tax rebates for developers constructing climate-friendly projects.

Or there's New Orleans. One of the people you'll hear from today is Mitch Landrieu, who is coordinating the implementation of the bipartisan infrastructure law. When he was mayor, he started the Resilient New Orleans initiative – where the city set the goal of reducing annual emissions by 50% by 2030. The city reformed how it operated to meet this goal, changing everything from contracting and procurement to wastewater management. And when creating new programs – like bicycle and car share services – they joined forces with the private sector to raise capital.

In the 1932 Supreme Court case *New State Ice Company versus Liebmann*, Justice Louis Brandeis wrote a famous dissent in which he introduced the concept of “laboratories” of democracy. “A single courageous State,” he wrote, “may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments.” The idea was that one of those experiments might prove so successful it could be scaled across the country and benefit every American.

Well, 90 years later, I think we are witnessing a spinoff of his idea: An explosion of “laboratories of climate action” – innovative states and communities like Orlando and New Orleans that are developing new policies and approaches to design, finance, and implement green projects.

Already, we are beginning to see particularly effective programs spread and scale. That's why a key task of federal policymakers now must be to nurture and support these laboratories – and help ensure that they are able to produce new solutions at a feverish pace.

In a moment, you're going to hear from colleagues across the Administration about ways we're trying to do this. At Treasury, we're focused on three in particular:

First is making sure there's enough federal funding. We know that federal dollars play a critical role in catalyzing state and local action, especially in an economic recovery. That's why Treasury's rule for the American Rescue Plan's State and Local Fiscal Recovery Funds makes clear that funds can be put to certain uses that help advance the transition to a net-zero economy and support infrastructure resilience. Using these funds, localities have been able to improve water and sewer infrastructure, create green jobs training programs, and expand energy-efficient home weatherization.

In addition, Treasury grants under the RESTORE Act are supporting the ability of Gulf Coast communities to become more resilient in the face of a changing climate. Many eligible Gulf Coast entities are using some of their RESTORE funds for coastal flood protection and related infrastructure. Others are using RESTORE funds for critical research into the health of ecosystems and the role of environmental stressors like climate change.

And the Biden Administration is continuing to support states, localities, and communities with the bipartisan infrastructure law. This landmark law invests in electric grid buildout, electrification of our transportation infrastructure, and further investments in resilient infrastructure.

Second, we're developing and disseminating critical research that your states and localities can use to address shared priorities.

Treasury's Federal Insurance Office is looking at climate-related risk in the insurance sector, trying to answer questions like whether climate-related weather events have impacted the availability of insurance coverage, especially in high-risk areas and for traditionally underserved communities. The Office also plans to issue a report by the end of this year on climate-related insurance supervision, identifying potential gaps in regulatory practices.

The Financial Literacy and Education Commission, an interagency group led by Treasury, is also looking at household financial vulnerabilities to climate change and transition – tackling questions like how families manage both their day-to-day budgets and their planning for the future given the potential for increased disasters and local economic changes. This work will serve as a resource for state and local officials considering how the climate transition may impact the financial lives of the people in their communities.

Finally, we're focused on promoting the resilience of financial markets – including municipal markets – to climate-related financial risks. A key challenge here is imperfect information—understanding the risks and opportunities climate change presents. Enhanced climate disclosures can help to address that information deficit, enabling borrowers and lenders to make decisions with more complete data.

At today's roundtable, one area of focus is emerging best practices in climate risk identification and disclosure strategies for municipal issuers. We're encouraged by the increasing interest in this topic. Treasury plans to collect and disseminate lessons learned and best practices among its state and local partners who are investing in climate transition, and

we'll convene municipal market participants to support the advancement of innovative policy at the state and local levels.

We'll also discuss the steps issuers are taking to design and structure instruments that can tap into growing pools of private capital seeking sustainable investments.

As more private capital seeks to invest in the climate transition, how can we help that investment flow to your communities? And flow as quickly as possible?

Increasingly, private investors recognize the enormous opportunities embedded in the transition to a net-zero economy. Firms responsible for approximately \$130 trillion in global financial assets have committed to net zero by midcentury. Helping connect this capital to green projects in communities like yours – leveraging and complementing public investment dollars – will be vital to ensuring we can meet the climate challenge.

In this effort, the Treasury Department will lead, but we will also learn, and that's what we are here to do today. We also know that Treasury is just one part of the whole-of-government effort.

Central to that effort is the implementation of the bipartisan infrastructure law, and so it gives me great pleasure to pass it over to former Mayor Mitch Landrieu, the Senior Advisor to the President for Infrastructure Coordination.

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