

# A Climate Club to drive climate-friendly industrial growth

Germany and Chile share the chairmanship of the Climate Club. For better climate policy, it is more important than ever to act courageously and pragmatically. This article, translated from German, is authored by Federal Chancellor Scholz and Chilean President Boric.

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Climate change is the greatest challenge of this century, and it cannot be fought without multilateral cooperation and patterns for coordination. The good news is: the Paris Agreement, a landmark agreement of multilateral cooperation, works. COP 28 has shown that, despite its many problems and different starting points, the international community agreed through the Dubai Consensus to triple renewable energy, double energy efficiency and to transition away from fossil fuels. However, we cannot solely rely on climate conferences to deliver solutions for complex questions, and countries will most likely only agree to more ambition if they can trust in the ambition of others.

In this critical phase of international climate policy, our countries have joined forces in a new forum for multilateral cooperation and improved coordination: the Climate Club, which Chile and Germany are co-chairing. The goal is improved coordination. Our idea is to act boldly, but also pragmatically. Climate policy will only be successful if it combines people's desire for a good life, inclusive better future for generations to come and limits to global warming, including solutions to halt pollution and biodiversity loss. The world needs not less growth, but sustainable development. This requires determined political leadership, but also tireless work on many technical issues.

The Climate Club tackles one of these unsolved challenges: to cut the international industrial sector's emissions without putting economic development in jeopardy. Achieving our climate goals is not possible without drastically cutting emissions in the industrial sector. Energy-intensive sectors like steel, cement, and chemicals are responsible for about 70% of industrial emissions.

There is huge economic potential in industrial decarbonisation.

Industrial decarbonisation will secure good industrial jobs for countries across the globe. Governments now need to find the best strategies and regulatory environments to make decarbonised industrial production the default business case.

As the speed of the transformation differs between countries, and industrial production operates in highly integrated global supply chains, and with risks such as trade distortions, decarbonisation can be challenging. To this end, in emerging countries such as Chile, we need to transform the existing industry and leap-frog directly into green industries for new developments. In industrialised countries like Germany, we need to renew parts of the industrial base.

We are convinced that the Climate Club can deliver on this goal as it sits at the strategic interface of climate, trade, and industrial policy as the first intergovernmental forum of this kind. The Club offers a unique platform to provide common solutions to promote the production and trade of climate-friendly products. Moreover, we tackle the question how to build lead markets for nearly emission-free materials. For this purpose, starting with steel and cement, we will have to identify verifiable, comparable and interoperable standards for emission intensities and CO2 footprints. This is the necessary groundwork for building green lead markets.

As the Climate Club is inclusive by its design, we intend to advance jointly towards these interoperable standards. And for those members who do not yet have the capacities to implement the agreed standards, technical or financial assistance can be provided through the Club's Global Matchmaking Platform.



One major concern in this context are spillover effects, such as carbon leakage. We will discuss root causes and relevance of carbon leakage and work on concrete results up to COP 29.

Through the joint chairmanship of Germany and Chile, the Climate Club stands on broad shoulders. We are 38 members from all regions of the world and we represent approximately 60 per cent of the global economy.

We witness the triple-crisis of climate change, loss of biodiversity and pollution crisis. That is why we need a just transition to global net zero and a sustainable future. We will only be successful if we act jointly– at home and worldwide. Domestically, we have to include workers and affected regions and communities. On the global level, we have to work on concrete and fair deliverables, and stimulate cooperation. Chile and Germany will continue showing joint leadership in this effort.