**Paris Agreement (again) without the U.S. - what it means for climate action & ESG**

The Paris Agreement, signed in 2015 at the 21st UN Climate Change Conference in Paris, is one of the most important global agreements that commits signatories to combat climate change, with the goal of limiting global warming to well below 2°C, compared to pre-industrial levels, with the ambition of not exceeding 1.5°C. All parties to the Agreement had to submit or confirm national contributions, i.e., nationally determined contributions (NDCs) that each country determines individually.

The United States ratified the Paris Agreement in September 2016, while in 2017, Donald Trump, in his first term in office, began the official process of withdrawing from the Agreement, which ended in November 2020. Donald Trump's decision caused an international stir, and its consequences were also felt in Europe. The withdrawal of the U.S. - one of the largest emitters of $CO_2$ - has undoubtedly weakened the just-accepted consensus in the fight against the climate crisis. At the same time, the European Union, aiming to take over the role of global leader in this area, has significantly strengthened its climate action, adopting a series of restrictive (also assessed as controversial) regulations on $CO_2$ reduction, including ESG reporting standards.

In January 2021, U.S. President Joe Biden decided to rejoin the U.S. to the Paris Agreement. By 2025, all 197 United Nations countries have joined the Paris Agreement. Of these, only Iran, Libya and Yemen have not ratified the Agreement. Historically, the U.S. has been the world's largest emitter of greenhouse gases and currently ranks second, behind China. During Joe Biden's term in office, the U.S. has shown a proactive stance in the fight against global warming, including signaling its goal of reducing emissions by 61-66% by 2035, or announcing cooperation with China in taking more vigorous action to combat climate change.

Already during the presidential campaign, Donald Trump announced that he would repeat his step from his first term. After taking office, on January 20, 2025, he decided to withdraw the U.S. again from the Paris Agreement. Indeed, one of the new president's priorities is expected to be lifting of regulations that limit oil extraction and increasing domestic production of fossil fuels.

Without judging the direction taken, suffice it to say that the impact of these actions began to be felt instantly around the world - in response to the announcement of the U.S. president's new policy, six major banks withdrew their membership from the Net-Zero Banking Alliance, a platform for global financial institutions committed to achieving net-zero greenhouse gas emissions by 2050.

It is indisputable that the withdrawal of the U.S. from the Paris Agreement is a challenge both globally and for Europe. The question remains, however, how this decision will affect regulations currently adopted and already in place, including ESG reporting standards. This is because until now there has been a certain international trend toward the involvement of countries in taking action to stop climate change.

For example, it can be pointed out that during the 29th UN Climate Change Conference, held in November 2024 in Baku (COP29), the forum highlighted the vital importance of international standards, such as the European CSRD, which is becoming a global standard for ESG reporting, finalized guidelines for operationalizing market mechanisms under Article 6 of the Paris Agreement, and, most importantly, set a new global climate finance target, committing developed countries to mobilize at least $300 billion annually by 2035 to support climate action in developing countries.

At the end of 2024, the content of a free trade agreement between the European Union and Mercosur countries was also agreed. While the agreement does not impose a direct obligation on Mercosur countries to apply European ESG standards, it does include commitments to sustainable development, including environmental protection and labor rights, by committing the parties to effectively implement international environmental agreements, including the Paris Agreement. The document also provides for certain monitoring mechanisms and potential sanctions, in the form of partial or full suspension of the agreement, should the parties fail to comply with their commitments to climate protection and implementation of the Paris Agreement.

For the moment, President Donald Trump's decision has been met with criticism from European leaders who have so far sought to intensify climate commitments. However, one should not lose sight of the fact that the previous U.S. decision has already shown that the actions of a single superpower state can have complex international effects, and the European Union must not only acknowledge such a state of affairs, but also devote realistic, in-depth, forward-looking thought to it, including in the context of balancing climate goals and maintaining the competitiveness of the European economy in global markets.

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