FINPUBLICA NEWS YOU CAN USE

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Environmental

[A new study predicts that, by 2049, climate change will reduce global income by approximately 19% -- costing around $38 trillion annually.] The impact will be felt most severely in poorer regions and those least responsible for climate change. Even developed countries, like the U.S. and Germany, are expected to be hit hard – with median income reductions of 11% (when compared to a baseline of no climate change). Despite efforts to reduce emissions, the study (published in Nature) suggests that significant economic losses are inevitable and largely driven by overall temperature increases that harm crops and labor production.

Social

Forbes has published its America’s Best Employers For Diversity 2024 list, showing that many companies remain steadfast in their commitment to diversity, equity, and inclusion – despite recent legal and other attacks in the wake of the Supreme Court’s Students for Fair Admissions decision. The Forbes list highlights exemplary firms and practices -- such as robust employee resource groups, transparent reporting of employee demographics, and commitments to supplier diversity. These initiatives demonstrate a continued dedication to leveling the playing field for historically marginalized groups despite recent obstacles. View the full list here.

Regulation and Reporting

Britain's financial regulator will, starting May 31, enforce a new rule to combat greenwashing, requiring investment firms to accurately describe the sustainability of their products. Under the Financial Conduct Authority (FCA) rule, claims about ESG topics must be fair, clear, and substantiated. The FCA is also considering phasing in the Sustainability Disclosure Requirement (SDR) labeling regime (which has been applicable to asset managers since November 2023) to portfolio management firms, including private equity, starting in December.

The European Parliament has approved new the Corporate Sustainability Due Diligence Directive (CSDDD), which would require large companies to address their adverse impact on human rights and the environment. Under the rule, covered companies must identify, assess, and address a wide range of impacts on planet and people – including pollution, deforestation, child labor, and human trafficking – both in their supply chain and certain downstream activities. The CSDDD also requires covered companies to adopt transition plans aligned with the Paris Agreement goal of limiting global warming to 1.5 degrees. The approved rule scales back the number of companies covered (generally applying to companies with more than 1000 employees and revenues of € 450 million) and extends the timeline for implementation. The law will now go to the European Council for final approval by the member states.

Investing

BlackRock forecasts that the global energy transition will require $4 trillion annually by the mid-2030s, double previous expectations. Despite last year's $1.8 trillion investment in energy transition projects, there remains an $18 trillion gap to reach the 2030 target. To bridge this gap, BlackRock emphasizes the need for increased public-private partnerships, especially in Asia-Pacific, the use of blended finance, and policy support such as energy pricing reforms and deregulation. According to Blackrock, the funds to meet this need exists – with nearly 50% of 200 institutional investors surveyed saying that navigating the energy transition is their most important investment priority over the next one to three years.

The World Bank Group and African Development Bank Group are partnering to provide electricity access to 300 million people in Africa by 2030. The World Bank Group plans to connect 250 million people through distributed renewable energy systems or the distribution grid, while the African Development Bank Group will support an additional 50 million people. The World Bank's efforts will require $30 billion of public sector investment, which will be supported by the IDA (its concessional arm for low-income countries). The initiative is seen as essential for economic growth, job creation, and overall development in Africa and can open up $9 billion in private sector renewable energy investment opportunities.

The Biden-Harris Administration is providing $7 billion in grants to deliver residential solar projects to over 900,000 households nationwide, aiming to save low-income Americans $350 million annually. This initiative, funded by President Biden's Investing in America agenda, aims to advance environmental justice, create jobs, and tackle climate change. The program will focus on providing solar energy to low-income and disadvantaged communities, reducing energy costs, creating jobs, and combating climate change.

In the first quarter of 2024, flows into European ESG exchange-traded funds (ETFs) dropped significantly, with net flows totaling €7.1 billion, down from €13.8 billion in the previous quarter. ESG ETFs represented only 16% of total ETF inflows compared to 29% in the previous period, and a sharp decline from the highs of 2022 when ESG strategies attracted nearly 65% of all flows into the European ETF market. While ESG European ETF assets and flows remained positive in absolute terms, concerns exist regarding the underperformance of such investments over the last two years. Overall sales of European ETFs remained steady, with €44.5 billion of net new money gathered in the first quarter of the year.

JPMorgan Chase announced its aim to finance and facilitate more than $2.5 trillion over ten years to advance climate action and sustainable development, with $1 trillion dedicated to green initiatives. This initiative includes financing for clean energy, development finance, and community development. JPMorgan Chase stated that it exceeded its 2020 sustainable development target by facilitating over $220 billion in transactions, including more than $55 billion supporting green initiatives. Such projects included financing the development of efficient energy generators, wind farms, schools and hospitals in Uzbekistan, and public housing in Boston.

Events & Membership

Join Finpublica on May 9th (12pm ET) for a webinar on Planning for Multiple Futures – Sustainable Investing for Retirement. Our experts will discuss how retail investors, retirement plan sponsors, pension funds, and other key players are (and are not) working to incorporate sustainable investing into the trillion-dollar retirement industry. Topics will include the federal and state regulatory framework, different approaches to incorporating sustainability into retirement investments, ways to educate plan sponsors and participants on the benefits of sustainable retirement options, and more. We look forward to hosting Marina Severinovsky (Head of Sustainability – Americas at Schroders); Brian Mizoguchi (Senior Financial Advisor & Portfolio Manager at Merrill Lynch); Mary Cerulli (Executive Director of Climate Finance Action); and Chris Walker (Senior Advisor – Retirements & Manager of the Sustainable Retirements Initiative at the Intentional Endowments Network).

Finpublica has been invited to host a panel discussion at GreenFin 24 on How to Maintain Momentum on Diversity, Equity, and Inclusion. We hope you can join us in NYC (June 17-19) at this premier event that convenes more than 1,000 professionals across institutional investors, corporate finance and sustainability executives, financial institutions, and sustainable finance and investing policymakers.

Finpublica's **membership portal** is live. If you are interested in joining a community more than 350 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.