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ESG NEWS YOU CAN USE

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Happy New Year's From Finpublica
Wishing You a Sustainable 2024!



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Wishing you a happy, healthy, meaningful, and sustainable 2024! It's been a pleasure being part of your focus on sustainable finance this past year. [If you would like to include Finpublica as part of your year-end giving \(there's still time\), you can contribute here.](#)

Environmental

According to the International Energy Agency, 2023 saw the rapid deployment of renewable energy – led by new solar power with China, Europe, and the U.S. setting single year solar installation records. For most countries, solar is the least expensive form of energy – with panel prices falling as much as 53%. In the U.S., California utilizes the most solar energy, followed by Texas, Florida, North Carolina, and Arizona. Globally, the wind industry saw less growth than solar, though it still was a record year largely due to China. Europe and the United States saw their wind installations lag due to economic headwinds – though analysts are predicting that the industry will rebound in 2024. 2023 was also a banner year for batteries -- with 20% of cars sold expected to be electric; more than 300 new gigafactories in the works (led by China with 295); and a significant reduction in cost for raw materials.

The largest U.S. clean energy project in U.S. history has raised \$11 billion and commenced construction. The project will include a 3.5-gigawatt wind farm in New Mexico and 550-mile transmission line carrying electricity to Arizona. Financing includes \$2.25 billion in tax equity, along with nearly \$9 billion in construction and term facilities. It took over 17 years for the project to obtain approvals and begin building, demonstrating the challenges of building transmission lines in the U, where regulators, landowners, and conservationists can slow or halt development.

China has set a goal to produce over half of the world's cleaner energy ships by 2025. Although the industry ministry guidelines did not provide details on specific numbers, they said that China would build more vessels that used lower-carbon fuels (like liquified natural gas and methanol), as part of China's push to carbon neutrality by 2060.

Regulation and Reporting

Following a ruling by the French government, European ESG funds may need to sell their fossil fuel holdings. France ruled that its socially responsible ISR-labeled funds, beginning in 2025, will be prohibited from investing in companies launching new hydrocarbon exploration, exploitation, or refining projects. According to Morningstar Direct, the 1,200 ISR-labeled funds hold €7bn of traditional energy company stock, with 45% of those funds invested in oil and gas companies. With the possibility of 15 national and European labels by 2025, fund managers will have to make a choice of which country's labels to align with.

Canada published a new standard that mandates annual increases in the proportion of new zero emissions light duty vehicles to meet a 100% zero-emission vehicle sales target by 2035. The new standard's targets begin in 2026, when at least 20% of new vehicle sales by auto manufacturers and importers must be zero-emissions vehicles. The transportation sector accounts for about 25% of Canada's GHG footprint with light-duty vehicles representing about half of the sector's emissions.

The EU and the UK government have agreed to delay tariffs on electric vehicles until the end of 2026. Under a 2020 EU-UK Trade and Cooperation Agreement tariffs on EV batteries were set to be implemented in two stages in 2024 and 2027, but supply chain disruptions from COVID-19 and the Russia-Ukraine war inhibited European battery capacity prompting the delay.

New York State's Department of Financial Services issued the Guidance for Regulated Banking and Mortgage Organizations Related to the Management of Material Financial and Operational Risks from Climate Change. The Guidance applies to New York State-regulated banking organizations, New York State-licensed branches and agencies of foreign banking organizations, and New York State-regulated mortgage bankers and servicers. The guidance focuses on such topics as corporate governance, internal controls, risk management, data aggregation and reporting, and scenario analysis. Read the complete Guidance [here](#).

Investing

Morgan Stanley shared ten tips for retail investors interested in impact investing. These suggestions include identifying asset managers driving authentic impact, measuring how your portfolio aligns with your values, and considering investments that are aligned with issues you care about (such as advancing racial equity, supporting women in the workforce, improving lives through education and healthcare, or encouraging the transition to a low-carbon economy).

2023 saw several positive ESG trends in the ETF industry. Sustainability-focused ETFs saw "stellar" returns; more component companies are making ESG reporting a priority; and according to KPMG nearly 70% of CEOs have integrated ESG into their companies as a means of value creation.

[A recent Harvard Business Review article has proposed a framework for how companies can respond to anti-ESG rhetoric.](#) The article starts from the proposition that ESG is an investor-led movement to assess how environmental and social issues create business risks. It then divides ESG critics into four categories – (1) vested traditionalists (like fossil fuel companies), (2) authentic critics (such as sustainability advocates), (3) political exploiters, and (4) social conservatives – and suggests strategies for addressing each group.

Resources & Membership

[Click here for a video replay of How to Make an Impact in Impact Investing, sponsored by Finpublica, The Impact Capital Forum, and Harvard Alumni in Impact.](#) Learn about the top questions impact investors should ask when assessing investments, impact opportunities in biotech, biodiversity, and underserved urban areas, the importance of blended finance and catalytic capital, and more. Speakers include: (1) [Dr. Caroline Flammer](#), Professor of International and Public Affairs and of Climate at Columbia University; (2) [Karyn Polak](#), Founder of Shift the Prism Advisory and the former General Counsel of Transamerica; and (3) [Tami Kesselman](#), CEO of Next Gen Success LLC and President of Harvard Alumni in IMPACT.

In the most recent [episode of Armchair ESG](#), Finpublica's [Adam Wasserman](#) sat down with [Owl ESG's Rob Yates](#) to discuss current trends in ESG and how Finpublica works to empower leaders to focus on sustainable finance from both a value and values perspective. Listen on either [YouTube](#) or [Spotify](#).

Finpublica's [membership portal](#) is live. If you are interested in joining a community more than 250 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.

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