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ESG NEWS YOU CAN USE
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Environment

According to a recent study, as a result of the Inflation Reduction Act it is now **less expensive** to **build a new solar or wind energy operation** than to continue running 99% of America's coal-fired power plans. The marginal cost for coal plants is $36 per megawatt hour, compared to $24 for new solar.

https://www.theguardian.com/us-news/2023/jan/30/us-coal-more-expensive-than-renewable-energy-study?

Pursuant to recent reports, companies have announced more than **100,000 clean energy jobs** since the adoption of the **Inflation Reduction Act**. As of the end of January, there has been nearly $90 billion in investments in 90 new clean energy projects. Most of the new jobs will be located in Arizona, Georgia, Michigan, Ohio, South Carolina, Tennessee and Texas.

https://www.cnbc.com/2023/02/07/inflation-reduction-act-which-states-have-most-new-green-jobs-so-far.html

Environmental law firm ClientEarth has **filed a shareholder lawsuit** in the United Kingdom against **Shell's board of directors for allegedly mismanaging climate risk**. The case, brought under the UK Companies Act (which requires directors to act with reasonable care, skill, and diligence), asks the court to order the board to strengthen Shell's climate plans. Investors supporting the claim include UK and Swedish pension funds, among other asset managers with more than $500 billion in assets under management.

https://www.cnbc.com/2023/02/09/oil-shell-board-of-directors-sued-by-investors-over-climate-strategy.html#:~:text=It%20alleges%2011%20members%20of,%2C%E2%80%9D%20a%20Shell%20spokesperson%20said

https://www.clientearth.org/latest/latest-updates/news/we-re-taking-legal-action-against-shell-s-board-for-mismanaging-climate-risk/

Regulation/Reporting

The UK's **Financial Conduct Authority** (FCA) will be **testing asset management firms' ESG claims**, given the risk "that some claims about ESG and sustainable investing are misleading or inaccurate," which can "harm consumers' confidence to invest" and undermine the "efficient allocation of capital intended for delivery to environmental and social outcomes." The FCA previewed that it will be publishing the results of its review into ESG oversight practices and directed asset managers to consider these findings when setting their own benchmarks. The agency stated that it will focus "on the governance structures that oversee ESG and stewardship considerations" and "test whether firms deliver on the claims made in their communications with investors" – paying particular attention to outlier firms that have been previously identified.

https://www.fca.org.uk/publication/correspondence/portfolio-letter-asset-management-2023.pdf

Investing

The **European Central Bank** (ECB) will focus a greater proportion of its **corporate bond purchases** towards issuers with stronger climate performance in a **green "tilt."** While the ECB will "phase out primary market purchases of securities, it will continue to purchase corporate issuers with a better climate performance and green corporate bonds in the primary market." According to the ECB, this strategy reduces "climate-related risks and create[s] incentives for companies to become more transparent about their climate risks and carbon footprint" and "to reduce their greenhouse gas emissions."

https://www.esgtoday.com/ecb-boosts-tilt-of-corporate-bond-portfolio-to-better-climate-performers/?utm_source=rss&utm_medium=rss&utm_campaign=ecb-boosts-tilt-of-corporate-bond-portfolio-to-better-climate-performers

Plan Administrators Inc. (PAi) and Morningstar Inc. launched a **Pooled Employer Plan** (PEP) composed of funds that **limit exposure to ESG risks**. This comes as the Department of Labor finalized a rule in October 2022 that retirement plan fiduciaries can consider ESG factors when selecting investment for defined contribution retirement plans.

https://www.planadviser.com/morningstar-pai-follow-dol-rule-esg-driven-pooled-employer-plan/

Some Good News

According to Columbia University Professor Shiva Rajgopal, recent **political pushback is unlikely to derail the ESG movement**. Reasons for this include: (1) public opinion on climate change; (2) intergenerational wealth transfers; (3) climate related investments; (4) government capital; (5) new sustainable investment frameworks; and (6) employee interest.

https://www.forbes.com/sites/shivaramrajgopal/2023/02/08/has-the-esg-train-left-the-station/?sh=e7a9c8f2be57

Finpublica Resources

Finpublica's summary of **ESG regulation** in the **European Union** is now live. It includes summaries of the original Non-Financial Reporting Directive ("NFRD"), the European Taxonomy, the Sustainable Finance Disclosure Regulation ("SFDR"), and the new Corporate Sustainability Reporting Directive ("CSRD").

https://www.finpublica.org/eu-esg-regulations

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