ESG NEWS YOU CAN USE
November 6, 2022

Regulation & Reporting

The European Central Bank (ECB) warned banks this past week that failing to address financial risks from climate change will result in higher capital requirements and/or fines – sending large eurozone banks letters identifying on average 25 areas where they need to better address climate risk. The ECB said that it has already raised capital requirements for a "small number" of EU banks due to weaknesses in their climate & environmental (C&E) risk management processes.

https://www.ft.com/content/7a1543c1-57f0-492f-b0e7-fae81f8e57ea

Earlier this week, the IFRS Foundation announced that the International Sustainability Standards Board (ISSB) will require companies to utilize climate-related scenario analysis as part of its new standards. Scenario analysis is a method for developing strategic plans that are more flexible to addressing a robust range of future possibilities. (A detailed discussion of scenario analysis by the TCFD can be found at https://www.tcfdhub.org/scenario-analysis/). This announcement supplements last month's statement that the new ISSB standards will require Scope 3 emissions reporting.

https://www.esgtoday.com/eu-commits-e3-billion-to-invest-in-energy-industrial-decarbonization-projects/

Environment

Developed countries are a little more than 80% of the way towards the goal of providing $100 billion in annual climate financing for developing countries by 2020. In order to meet this goal, according to a progress report release this week, countries should focus on: (1) increasing finance for adaptation (*i.e.,* assisting communities in reducing risks/harms cause by climate hazards such as storms or droughts), (2) reducing barriers (such as bureaucracy and application timelines) to accessing climate finance, (3) focusing on additional financing by multilateral development banks (MDBs), and (4) mobilizing private finance.

https://www.esgtoday.com/global-100-billion-climate-finance-goal-expected-to-be-met-in-2023-report/

https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance/delivery-plan/progress-report-2022.html#toc1

Investing

A Stanford University study revealed trends in investors' support for ESG measures and their willingness to potentially lose money to achieve ESG goals. Support varied by investors' age and wealth, as well as the particular ESG issue. In general, Millennials and Gen Z were most willing to risk investment dollars to support ESG issues, followed by Gen X, and lastly Baby Boomers+. For example, among investors with at least $100,000 in retirement savings, 91% of Millennials and Gen Z, 71% of Gen X, and 43% of Baby Boomers+ would be willing to lose money to have companies in which they are invested achieve net zero carbon emissions by 2050.

https://www.wsj.com/articles/esg-initiatives-investors-survey-11666975292

A recent Responsible Investor study of eight green bond managers across the EU and UK found that 21% of green bonds are being rejected by managers due to quality concerns on sustainability grounds. Some bonds did not meet a manager's long-term targets or were screened out in norm based ESG factors. For example, one investor rejected a request to invest in a green bond to finance electrified rail because even though the project was described as zero direct emissions, the cargo to be transported along the rail was heavily fossil fuels related. Still, some observers have noted that the fact "investors are actively scrutinizing" such bonds is an overall positive.

https://www.responsible-investor.com/fund-managers-rejecting-a-fifth-of-green-bonds-as-quality-concerns-continue/?utm_source=newsletter-daily&utm_medium=email&utm_campaign=ri-daily-bronze&utm_content=04-11-2022

Some Good News

The European Commission committed earlier this week to investing €3 billion in cleantech projects, which is the third call for large scale projects under the EU Innovation Fund. Among the areas for investments are "general decarbonization," including projects in renewable energy, energy storage, and carbon-intensive product alternatives; electrification methods; clean tech manufacturing; and highly innovative/breakthrough projects.

https://www.esgtoday.com/eu-commits-e3-billion-to-invest-in-energy-industrial-decarbonization-projects/

Nasdaq's near and long-term emissions targets were approved this week by the Science Based Targets Initiative (SBTi). Specifically, Nasdaq has pledged to reduce its Scope 1 and 2 GHG emissions 100% and its Scope 3 GHG emissions 50% by 2030. It has further pledged to reduce Scope 3 emissions by 95% to reach net-zero by 2050.

https://ir.nasdaq.com/news-releases/news-release-details/nasdaqs-net-zero-target-approved-science-based-targets

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