FINPUBLICA NEWS YOU CAN USE

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Environmental

[In 2023, the European Union experienced a notable 8% reduction in CO2 emissions from fossil fuels, marking the lowest levels in six decades.] The research, conducted by the Center for Research on Energy and Clean Air (CREA), found that this significant decrease was largely driven by a shift towards a cleaner electricity mix, with over half of the decline attributed to the increased use of renewable energy sources such as wind, solar, hydropower, and nuclear energy. The shift led to a 25% reduction year-over-year in emissions from power generation and a decrease in emissions from coal (25%), gas (11/%), and oil (2%). According to CREA, this progress demonstrates the EU's commitment to reducing its reliance on fossil fuels and shows that economic growth and environmental sustainability can coexist.

According to a global CEO survey by PwC, more than two-thirds of companies are planning to upskill their workforce in response to climate change. And, more than 75% are creating new, climate friendly products/services. The survey of more than 4,700 CEOs from 105 countries found an increasing focus on long-term megatrends like climate change, which had one the greatest increases as being listed among factors that will shift the way companies deliver, create, and capture value.

Regulation and Reporting

The EU Parliament's Legal Affairs Committee has backed a delay until June 2026 for implementing sector-specific rules on ESG disclosures for certain industries, including oil, energy, and mining. This delay to certain provisions of the Corporate Sustainability Reporting Directive (CSRD) would allow these companies more time to focus first on including broader ESG disclosures in their annual reports. The proposal will now need to be approved by EU member states.

The European Financial Reporting Advisory Group (EFRAG) has initiated a consultation on new draft sustainability standards for small- and medium-sized entities (SMEs). These drafts include a European Sustainability Reporting Standard (ESRS) for publicly listed SMEs (LSMEs) required to report under the CSRD, along with a voluntary reporting standard for non-listed SMEs. The proposed listed SME standard includes general sections on requirements, disclosures, and policies/actions/targets (PAT), as well as specific sections addressing metrics for environmental, social, and business conduct. The voluntary standard includes a basic module, plus optional modules on business partners and PAT. The LSME standards are set to become effective starting January 1, 2026, with a two-year opt out. Feedback on these drafts is open until May 21, 2024.

The European Banking Authority (EBA) proposed new guidelines for banks to manage environmental, social, governance, and climate transition risks. The proposed guidelines would require banks to conduct materiality assessments of ESG risks, integrate these risks into their risk management frameworks, and develop transition plans that address climate transition and financial risks from ESG factors. The guidelines focus on assessing risks and embedding them into business strategies and policies, rather than enforcing alignment with specific sustainability goals.

The Global Reporting Initiative (GRI) has updated its biodiversity reporting standards. The new version, GRI 101: Biodiversity 2024, includes guidance for transparency across supply chains, location-specific impact reporting, and disclosures regarding land and sea use and other direct drivers of biodiversity loss. It also addresses reporting of societal impacts on communities and Indigenous populations, and provides guidance on engaging with these groups regarding ecosystem restoration.

Investing

Exxon Mobil has, for the first time, filed a lawsuit to block an investor-led climate proposal from going to vote. The proposal, led by Arjuna Capital and Follow This, would call for Exxon to set Scope 3 emissions targets – as it is the only of the five major Western oil companies not to have such targets. The lawsuit claims that the proposal is unnecessary given that similar votes failed in 2022 and 2023 and challenges the SEC's guidelines on including such proposals in proxy statements. **Critics** argue that Exxon should not be allowed to use litigation to restrict the voting rights of shareholders and silence 27 mainstream investors, including Europe's largest asset manager, who are making this proposal.

A report by S&P Global Commodity Insights highlights significant trends in clean energy investments and technologies. Key trends include a 15% rise in clean energy, anticipated to near $800 billion in 2024, with solar leading the charge. The report also forecasts a decline in the average cost of clean energy technologies by 15%-20% by 2030. Other notable trends involve the clean energy manufacturing sector's focus on decarbonization, a competitive price war in the solar and storage market, record high offshore wind capacity auctions, and increasing global interest in low-carbon hydrogen as a feedstock. The article also underscores the urgent need for more flexible power systems and increased storage due to the growth of wind and solar installations.

A Capgemini survey involving 2,000 leaders from large revenue companies found that more than half of global business leaders plan to increase sustainability investments in 2024. This reflects a significant increase from prior years, when only 1/3 reported such intentions. The rise is driven by growing business optimism, a better understanding of climate-related risks and opportunities, and new government incentives for climate tech investment. The survey also noted that more than half of respondent companies are adjusting their supply chains to respond to stricter ESG regulations.

HSBC released its first Net Zero Transition Plan, which outlines the bank's goal of attaining net zero emissions by 2050. The 100-page report emphasizes the importance of systemic change within the financial sector and details the bank's approach to aligning with its sustainability objectives. HSBC's plan centers on three core pillars: (1) defining a vision and strategic framework to make investment and financing choices that support decarbonization; (2) engaging with clients and industries to address sector-specific transitions; and (3) implementing changes within the bank to better support its clients' efforts to incorporate net zero into their businesses.

Resources & Membership

Finpublica's **membership portal** is live. If you are interested in joining a community of more than 275 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.

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.

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