ESG Digest #19

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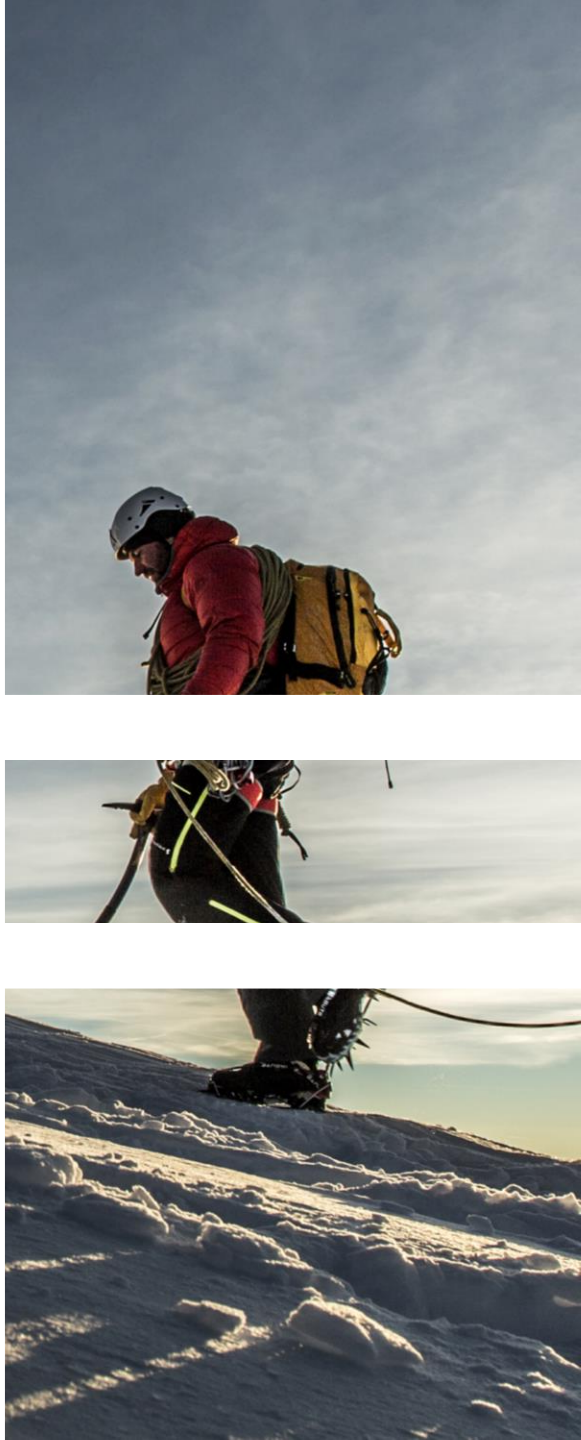

Contents:

PwC Research: Over two-thirds of companies planning to upskill workforce for climate change megatrend

A significant majority of CEOs are planning, currently undertaking, or have already completed a series of actions to prepare their companies to address the risks and opportunities presented by climate change, including 2/3 looking to upskill or reskill their workforce, and more than ¾ innovating new, climate friendly products or services, according to a new global CEO survey released by PwC. They are also innovating climate-friendly products, with an increased emphasis on long-term megatrends over near-term economic concerns.

The survey included over 4,700 CEOs across 105 countries, shows a shift in CEO priorities towards climate change and technological disruption.

One of the key findings from the survey is an apparent increase in acceptance by CEOs of lower rates of return for climate-friendly investments, with over 40% of respondents reporting that their companies have set a lower hurdle rate for these, compared with other investments. Of those accepting a lower rate of return, most reported hurdle rates between one and four percentage points lower.

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IEA Research: Renewable energy growth jumps by 50% in 2023, on track to overtake coal next year

Global renewable energy capacity grew by the fastest pace recorded in the last 20 years in 2023, which could put the world within reach of meeting a key climate target by the end of the decade, according to the International Energy Agency (IEA).

With the dramatic increase seen over the past year, the “Renewables 2023” report found that the world is now on track to grow renewables capacity by 2.5x by 2030, putting the global goal established at the COP28 climate conference to triple renewable energy capacity by the end of the decade within reach, and to overtake coal as the largest source of global electricity generation by early 2025.

China was a key driver of the global renewables growth and accounts for nearly 90% of the IEA’s upward renewables forecast revision, with solar PV capacity representing the bulk of the increase.

The report also highlighted the key challenges required to be addressed in order to reach the COP28 goal of tripling renewables capacity by 2030, including policy uncertainty and delayed policy responses to the new macroeconomic environment, insufficient investment in grid infrastructure which is holding back a faster expansion of renewables, administrative barriers and cumbersome permitting procedures, as well as insufficient financing in emerging and developing economies.

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The Government of Canada has initiated a public consultation for the creation of the Federal Plastics Registry, aimed at reducing plastic pollution in the country.

The proposed Registry would require producers to report annually on the types and quantities of plastic they introduce to the market, its economic journey, and end-of-life management. This data collection is intended to help monitor the presence of plastic in the economy and gauge progress towards eliminating plastic waste via a modern reporting platform.

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Canada launches consultation on Federal Plastics Registry

Statkraft to invest €6bn in Norwegian hydro and wind power

State-owned Norwegian hydropower and renewable energy production company Statkraft announced the launch of a major investment program, with plans to invest up to €6 billion in its hydro and wind facilities, and for the construction of new wind farms.

The plans would double Statkraft's current output from wind farms and boost the effect of the company's hydro power plants, adding some 3 terrawatt hours (TWh) of additional electricity output. Statkraft will spend between 1.8 billion and 3 billion euros on upgrades of hydroelectric plants, between 1.2 billion and 2 billion euros to rehabilitate older dams and plants and some 1 billion euros on renewal and construction of onshore wind farms.

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Australia proposes new law requiring mandatory climate reporting for companies

The Australian government has proposed the new draft legislation to enforce mandatory climate-related reporting obligations on large and medium-sized companies.

The specific content of the new disclosure requirements will be set out in new accounting standards, currently under development by Australian Accounting Standards Board (AASB). The AASB consultation on three initial draft standards, based on the ISSB standards IFRS S1 and IFRS S2, is due to close on 1 March 2024.

The new law would also introduce assurance requirements for climate-related reporting similar to those for financial reports, and require companies to obtain assurance reports from their financial auditor.

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EU Parliament approved new law banning misleading product sustainability claims

EU Parliament has given its final green light to a directive that will improve product labelling and ban the use of misleading environmental claims.

The directive adopted with 593 votes in favour, 21 against and 14 abstentions seeks to protect consumers from misleading marketing practices and help them make better purchasing choices. Key aspects of the new law include rules aimed at making product labels clearer by banning the use of generic environmental claims not backed up with proof, and the regulation of sustainability labels to allow only the use of those based on official certification schemes or established by public authorities. The law will also ban the use of claims based on offsetting schemes that indicate that a product has a neutral, reduced or positive impact on the environment.

The directive now also needs to receive final approval from the Council, after which it will be published in the Official Journal and member states will have 24 months to transpose it into national law.

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Over 320 global organizations commit to TNFD Environmental Framework

The Taskforce on Nature-related Financial Disclosures (TNFD) announced a commitment by 320 companies and financial institutions to start nature-related corporate reporting, based on the recently released TNFD recommendations, with some to begin disclosures with their annual corporate reporting for 2024.

The 320 organizations come from 46 countries and represent $4trn in market capitalization. More than 100 financial institutions have signed on, representing $14trn in Assets under Management as well as banks, insurers and other leading market intermediaries such as stock exchanges and audit and accounting firms. The organizations have pledged to start adopting TNFD recommendations and publishing aligned disclosures in annual corporate reporting for 2024 and 2025 financial years.

The framework also draws on other relevant standards including the International Sustainability Standards Board (ISSB) – which is now overseeing the TCFD – and the Global Reporting Initiative (GRI), both of which were knowledge partners to the TNFD.

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EU releases proposed requirements for banks to manage ESG, climate transition risks

The European Banking Authority (EBA) has launched a consultation in preparation for a set of ESG rules that are focused on growing risks from the environment, as well as transition risks.

The guidelines also note a different approach relative to other sustainability-focused regulations such as the Corporate Sustainability Reporting Directive (CSRD) and the proposed Corporate Sustainability Due Diligence Directive (CSDDD), which focus on the compatibility of business models with the EU's climate and sustainability objectives, while the EBA's proposals focus instead on ensuring ESG risks are assessed and embedded in strategies and policies, rather than requiring banks to align with specific sustainability goals or transition pathways.

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U.S. invests over $100 mln in projects to decarbonize federal buildings

The U.S. Department of Energy announced $104 million of investments in net zero-focused energy conservation and clean energy projects at 31 Federal facilities, including initiatives to boost building electrification, add on-site solar, and install heat pumps.

The new investments form the first of three disbursements from a $250 million funding program launched last year by the Biden administration, aimed at helping federal agencies to implement and advance net zero building projects, through the Assisting Federal Facilities with Energy Conservation Technologies (AFFECT) program.

In the first year of operation, the projects are expected to:

- Save more than $29 million in energy and water costs
- Remove the same amount of greenhouse gas emissions as taking 23,042 gasoline-powered vehicles off the roads

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EU approve 2 year delay of Sustainability Reporting Standards for specific sectors and non-EU companies

European Union lawmakers and member states agreed to delay sustainability reporting requirements for some sectors and companies based outside the bloc by two years.

Under the new proposal, the Commission recommended delaying the adoption of these standards by 2 years, in order to allow companies to focus on implementing the first set of ESRS and to limit reporting requirements, as well as to provide the European Financial Reporting Advisory Group (EFRAG) with more time to develop the new standards.

The provisional agreement still needs to be formally adopted by both the EU Council and Parliament.

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GRI launches new Biodiversity Reporting Standard

In response to the unprecedented challenges facing nature, particularly with human activities driving one million animal and plant species towards extinction, the Global Reporting Initiative (GRI) has released a significant update to its Biodiversity Standard. This updated standard, GRI 101: Biodiversity 2024, establishes a new global benchmark in accountability for biodiversity impacts.

The GRI has worked with such organizations as TNFD, EFRAG, SBTN and WBA Nature Benchmark to support alignment between the reporting standards and systems. The new standard will formally go into effect in January 2026, with the GRI aiming to pilot the standard with early adopters over the next 2 years.

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EFRAG launches consultation on draft sustainability standards for SMEs

The European Financial Reporting Advisory Group (EFRAG) announced the release of new exposure drafts containing proposed sustainability reporting standards for small and medium enterprises, marking the next step in the establishment of a new sustainability reporting system in Europe under the EU’s Corporate Sustainability Reporting Directive (CSRD)

The CSRD took effect from the beginning of 2024 for large public-interest companies with over 500 employees, followed by companies with more than 250 employees or €40 million in revenue in 2025, and listed SMEs in 2026. According to EFRAG, the purposes of the mandated sustainability standards include supporting SMEs in getting better access to financing, in addition to enabling availability of standardized sustainability information.

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US directs $254 million to cut emissions from heavy industry

The Department of Energy is investing $171 million for 49 projects across 21 states targeting greenhouse gas emissions reductions and the acceleration of new decarbonization technologies for industry and manufacturing in the United States.

Another $83 million in funding is up for grabs with applications open to decrease emissions from hard-to-decarbonize industries. Those industries account for roughly 30% of all U.S. carbon emissions.

Academic institutions will lead 22 of the projects, private industry will lead 16, DOE laboratories will lead eight and non-profit groups will lead three, the DOE said. The funding is from annual department appropriations.

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European Commission adopts new regulation eliminating 500 million tonnes of CO2-equivalent emissions

The European Commission has adopted new regulations targeting the elimination of fluorinated gases (F-gases) and ozone-depleting substances (ODS), aiming to cut 500 mln tonnes of CO2-equivalent emissions by 2050.

The new regulations will see consumption hydrofluorocarbons (HFCs), which account for around 90% of F-gas emissions, completely phased out by 2050, and reduced by 95% by 2030, on a 2015 basis, and will restrict the use of all F-gases in equipment where climate-friendly alternatives are available.

The new regulations are expected to stimulate the development and export of climate-friendly equipment, fostering innovation in clean technologies.

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If you have any questions or need assistance, please contact us:

Akbota Askanbay
Director
ESG Assurance Team
akbota.askanbay@pwc.com

Nino Cholokashvili
Senior Manager
ESG Advisory Team
nino.cholokashvili@pwc.com

Saniya Begenova
Manager
ESG Advisory Team
saniya.b.begenova@pwc.com

Yelena Krupina
Senior Associate
ESG Advisory Team
yelena.krupina@pwc.com

PwC Offices in Eurasia

Kazakhstan

Almaty
34, Al-Farabi Avenue

Astana
15/1, Kabanbay Batyr Avenue

Atyrau
55, Aiteke Bi Street
Tel: +7 (727) 330 3200

Azerbaijan

Baku
90A, Nizami Street
Tel: +994 12 497 2515

Uzbekistan

Tashkent
88A, Mustaqillik Avenue
Tel: +998 (71) 1206 101

Mongolia

Ulaanbaatar
Sukhbaatar Square 2, SBD-8
Tel: +976 7000 9089

Georgia

Tbilisi
12, Aleksidze Street
Tel: +995 (32) 25080 50

Armenia

Yerevan
2, Vazgen Sargsyan Str
Tel: +374-10-512151

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