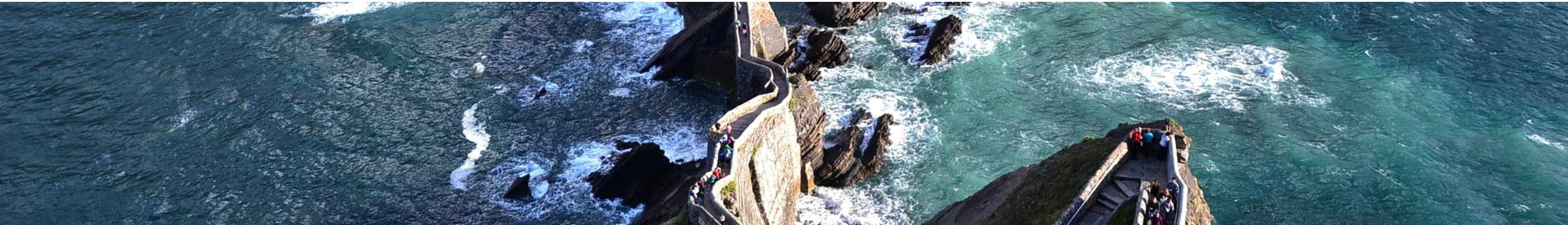
ESG Digest #22

April 2024

Contents:

- USA made a series of investments in clean energy projects
- Japan releases proposed IFRS-based Sustainability Reporting Standards
- SBTi to allow increased role for carbon credits in net-zero targets
- EU adopts Law to establish Carbon Removal Certification System
- EU adopts Law mandating zero-emissions standards for new buildings by 2030
- Green bonds reached new heights in 2023 at KASE
- Scotland abandons 2030 interim climate goal
- Kazakhstan government plans to gradually phase out single-use plastics
- ISSB to developing new disclosure standards for Biodiversity, Human Capital
- Hong Kong Exchange to require IFRS-based Climate Disclosure beginning 2025
- UK to require 10% sustainable aviation fuel in jet fuel mix by 2030
- EU approves 2 year delay to Sustainability Reporting obligations for specific sectors and non-EU companies



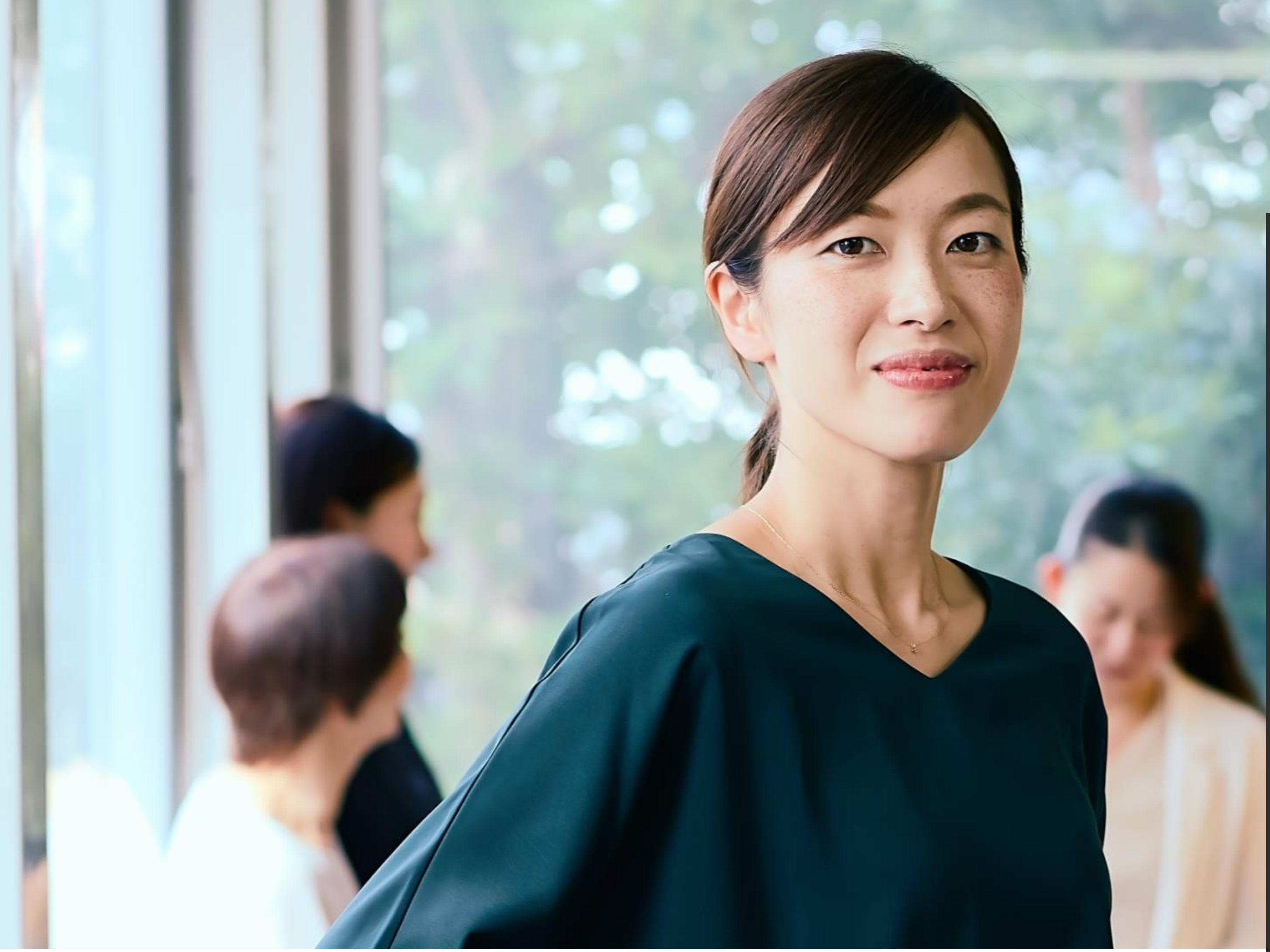
USA made a series of investments in clean energy projects

The Biden administration announced the selection of $20 billion of awards to fund thousands of climate projects across the U.S., with a particular focus on low-income communities. $14 billion of funding was awarded to three non-profit organizations, namely Climate United Fund, Coalition for Green Capital, and Power Forward Communities which partner with private sector and community organizations to invest in green banks and housing decarbonization projects. Other $6 billion was allocated to five non-profits under the Clean Communities Investment Accelerator, aimed at financing clean energy projects in low-income and disadvantaged communities.

Read more

The Biden administration selected over 100 projects for $4 billion tax credits to bolster clean energy manufacturing and reduce industrial GHG emissions. Selected projects will create jobs, reduce energy costs, support clean energy supply chains and climate objectives. $1.5 billion of total tax credits would support projects in historic energy communities. Notably, allocations provide 30% investment tax credits for projects that meet prevailing wage and apprenticeship requirements.

Read more

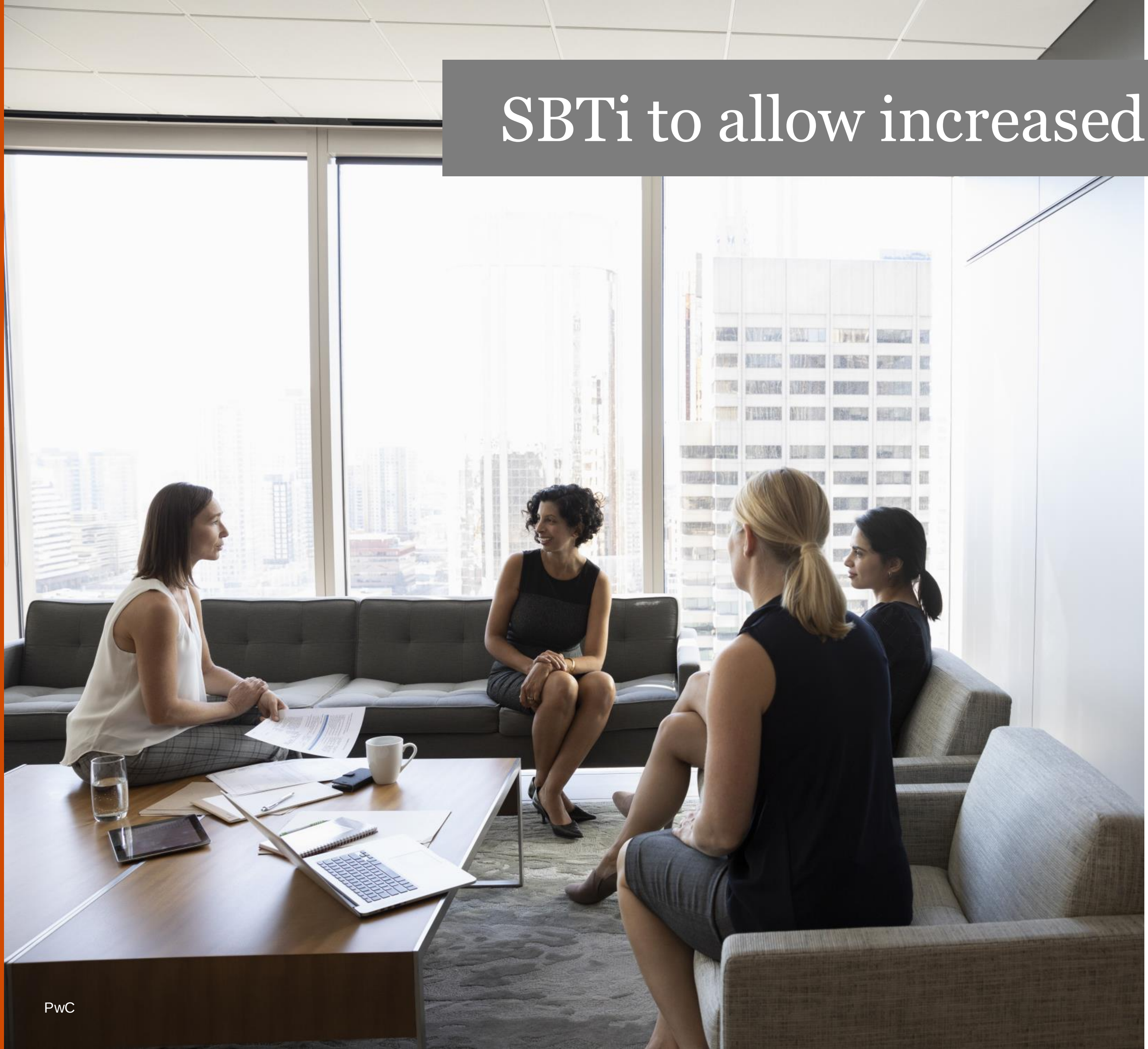


The Sustainability Standards Board of Japan (SSBJ) released new exposure drafts for proposed standards for companies to report sustainability and climate-related information, based on the recently released sustainability disclosure standards by the IFRS Foundation's International Sustainability Standards Board (ISSB).

According to SSBJ, standards have been developed on the assumption that they will eventually be mandatory for prime market-listed companies of the Tokyo Stock Exchange, under the Japanese securities laws and regulations. SSBJ released the standards as three exposure drafts, as opposed to the ISSB's two standards, by dividing IFRS 1 (general sustainability) into two standards. The disclosure standards are expected to be finalized by the end of March 2025.

Read more

Japan releases proposed IFRS-based Sustainability Reporting Standards



SBTi to allow increased role for carbon credits in net-zero targets

The Science Based Targets initiative (SBTi), a corporate climate action organization established in a collaboration between the CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature, announced that it plans to revise its Corporate Net-Zero Standard to extend the use of environmental attribute certificates, such as emissions reduction credits, to tackle Scope 3 value chain emissions.

SBTi's decision potentially will extend the use of carbon certificates by companies globally. The use of energy attribute certificates under the revised standard would be limited to abatement of Scope 3 emission which are supply chain related.

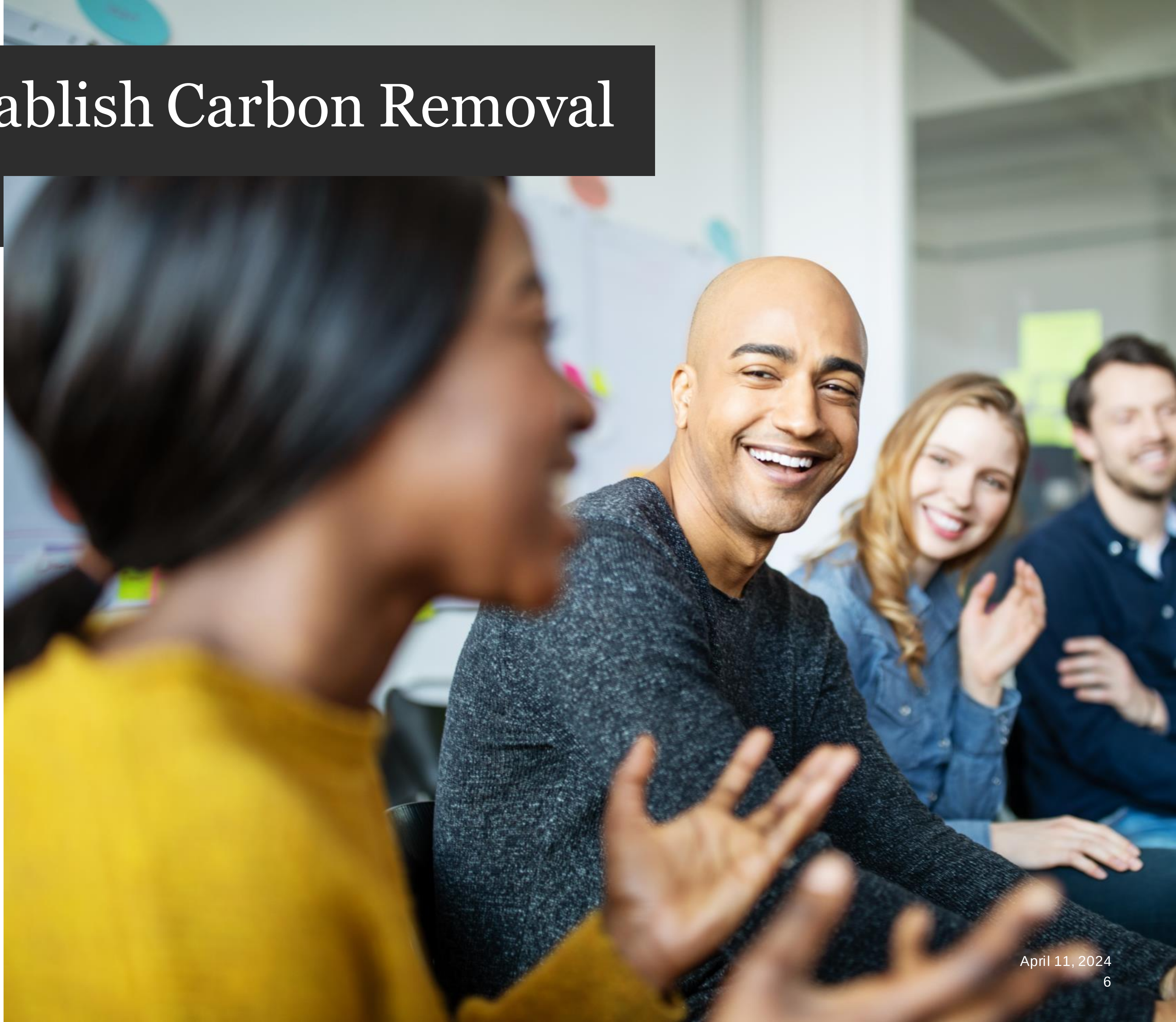
Read more

EU adopts Law to establish Carbon Removal Certification System

European Parliament voted 441-139 to adopt a law aimed at establishing a certification system to quantify, monitor and verify carbon removals, and to counter greenwashing.

The new law details a series of criteria to ensure the quality and comparability of carbon removals, including the need to accurately measure the climate benefits, a requirement for certificates to be linked to the duration of carbon storage, and for the carbon removal activity to preserve or contribute to sustainability objectives such as climate change adaptation, circular economy, water and marine resources, and biodiversity. Notably, certification system will differentiate between carbon removal categories, like permanent or temporary carbon storage.

Read more



EU adopts Law mandating zero-emissions standards for new buildings by 2030

The European Council adopted the Energy Performance of Buildings Directive (EPBD), with new rules aimed at reducing energy use and emissions from buildings across the EU. The member states will be given two years to incorporate the new rules into national legislation.

Key provisions in the updated directive include a requirement for all new buildings to have zero on-site emissions from fossil fuels by 2030. The rules also require member states to set out measures for the phase out of fossil fuels in heating and cooling of buildings, with a view to transform the EU buildings to zero emissions ones by 2050.

The new law also aims to reduce the average energy use of residential buildings by 22% by 2035 and renovate the 26% worst-performing non-residential buildings by 2033. Additionally, it encourages the utilization of renewable energy source.

According to European Commission, buildings are responsible for about 40% of energy consumption, and 35% of the energy related greenhouse gas (GHG) emissions in the EU.

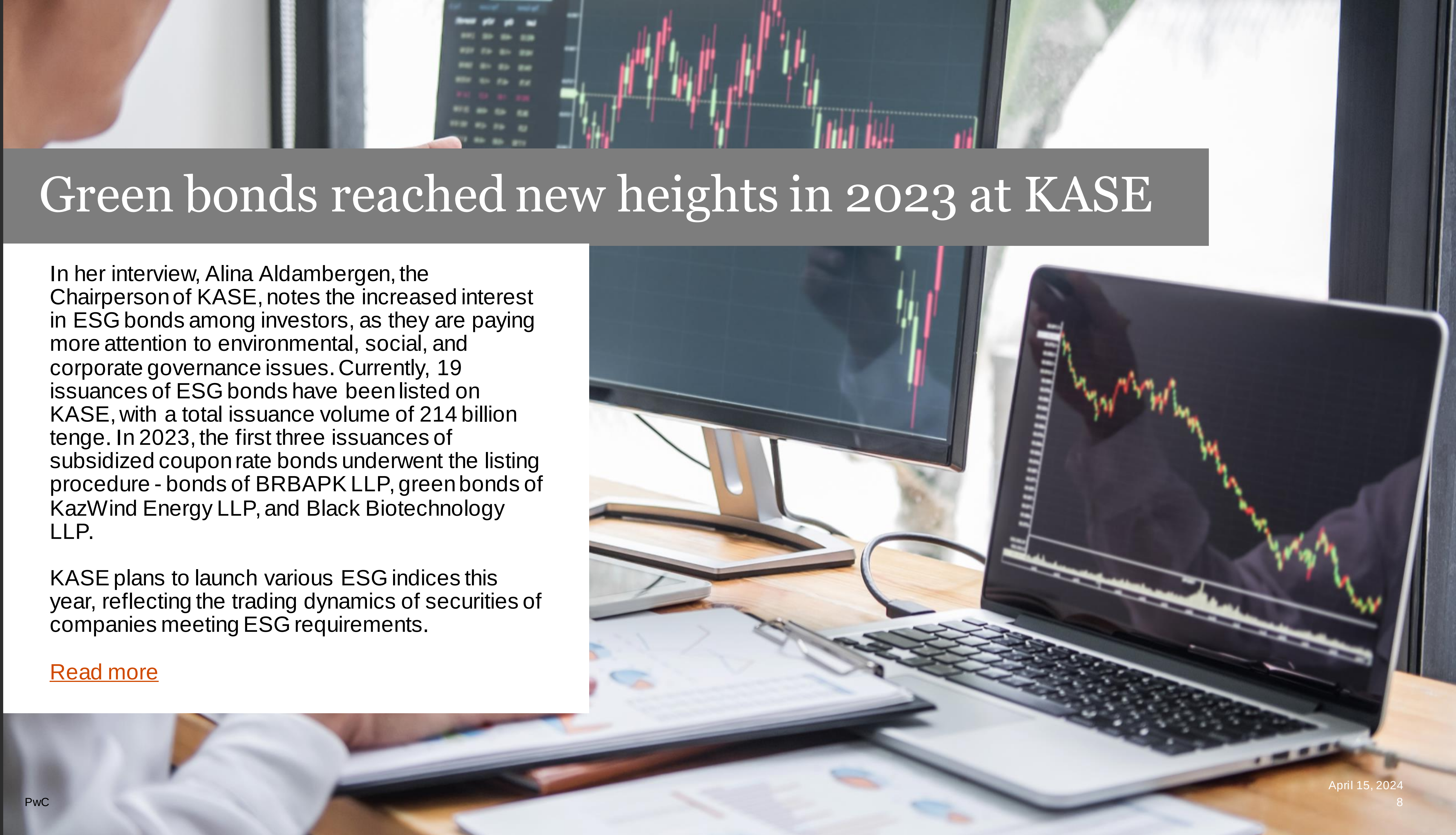
Read more

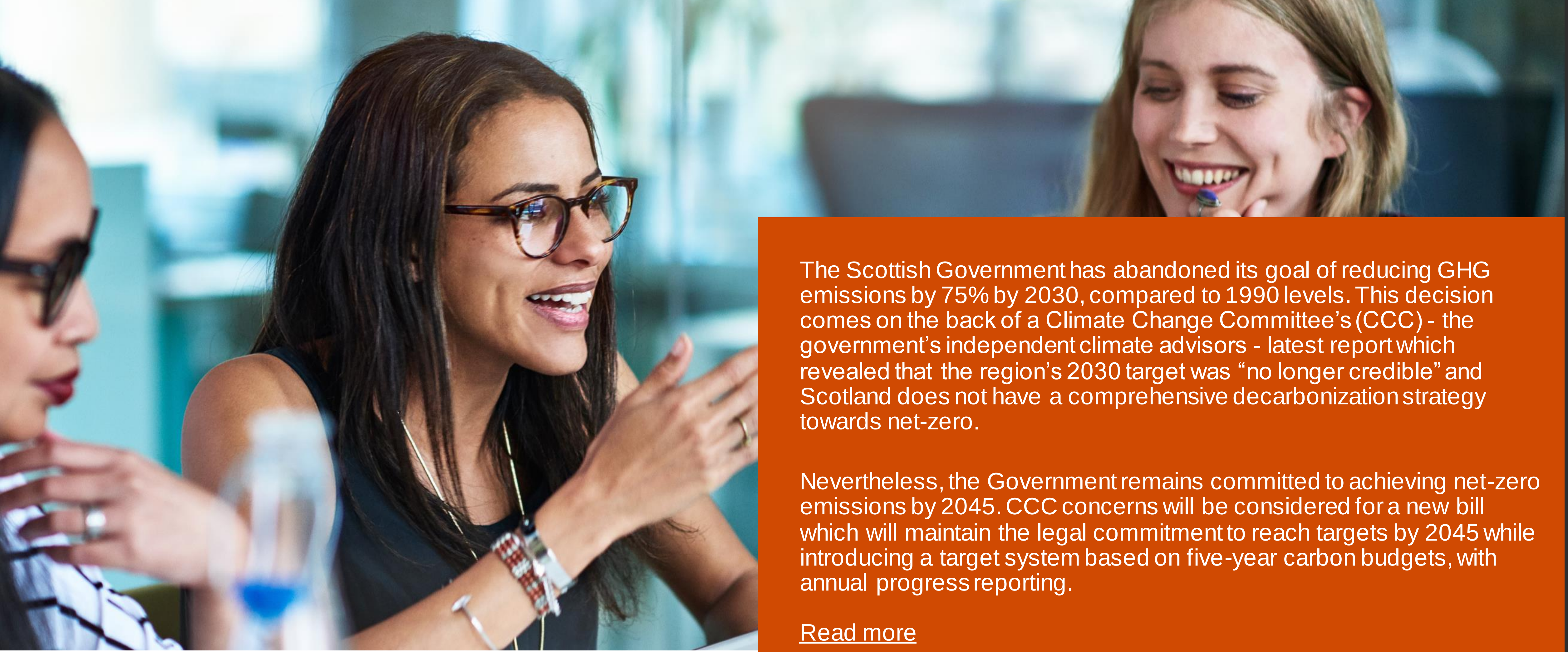
Green bonds reached new heights in 2023 at KASE

In her interview, Alina Aldambergen, the Chairperson of KASE, notes the increased interest in ESG bonds among investors, as they are paying more attention to environmental, social, and corporate governance issues. Currently, 19 issuances of ESG bonds have been listed on KASE, with a total issuance volume of 214 billion tenge. In 2023, the first three issuances of subsidized coupon rate bonds underwent the listing procedure - bonds of BRBAPK LLP, green bonds of KazWind Energy LLP, and Black Biotechnology LLP.

KASE plans to launch various ESG indices this year, reflecting the trading dynamics of securities of companies meeting ESG requirements.

Read more





The Scottish Government has abandoned its goal of reducing GHG emissions by 75% by 2030, compared to 1990 levels. This decision comes on the back of a Climate Change Committee's (CCC) - the government's independent climate advisors - latest report which revealed that the region's 2030 target was "no longer credible" and Scotland does not have a comprehensive decarbonization strategy towards net-zero.

Nevertheless, the Government remains committed to achieving net-zero emissions by 2045. CCC concerns will be considered for a new bill which will maintain the legal commitment to reach targets by 2045 while introducing a target system based on five-year carbon budgets, with annual progress reporting.

Read more

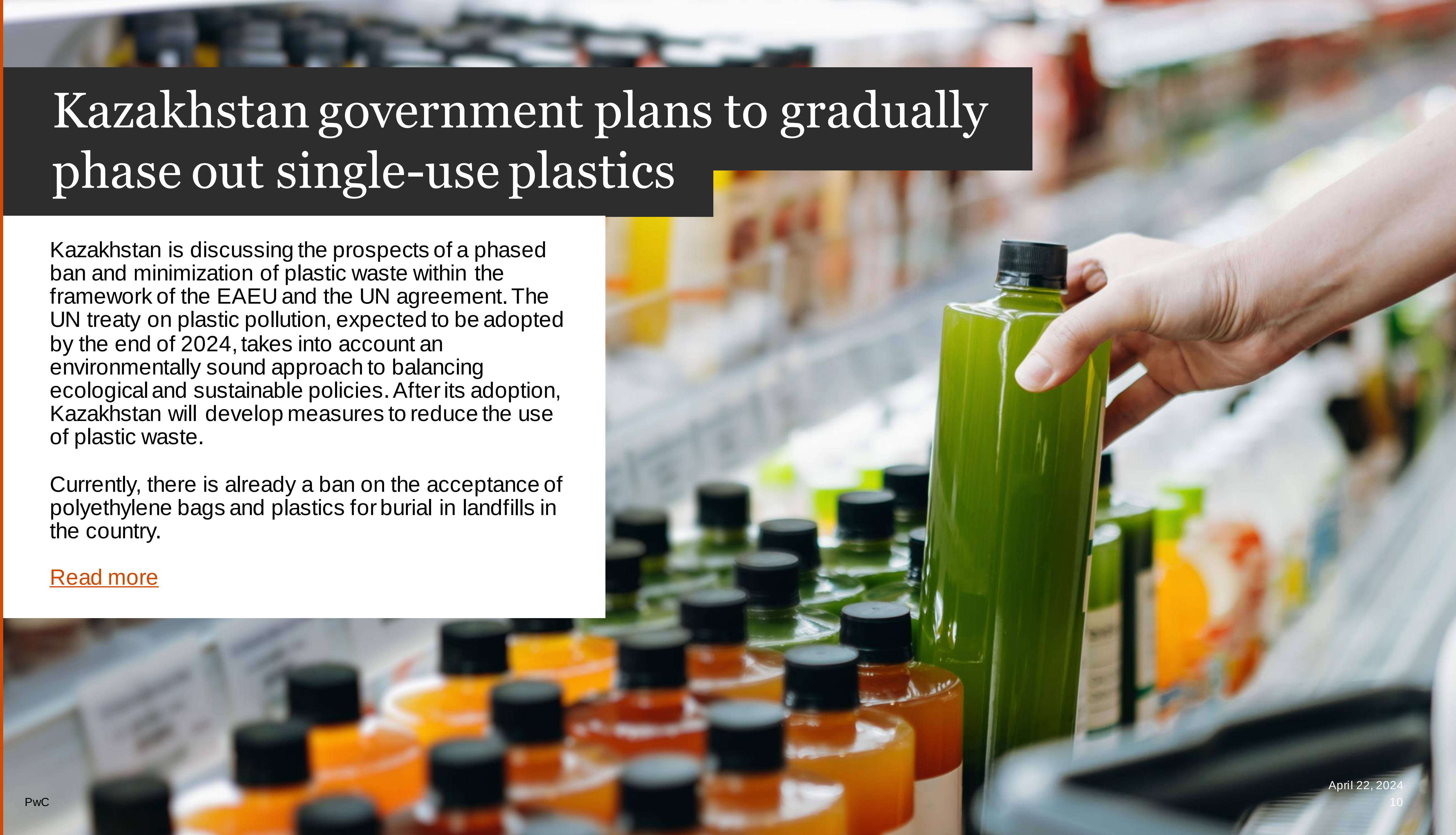
Scotland abandons 2030 interim climate goal

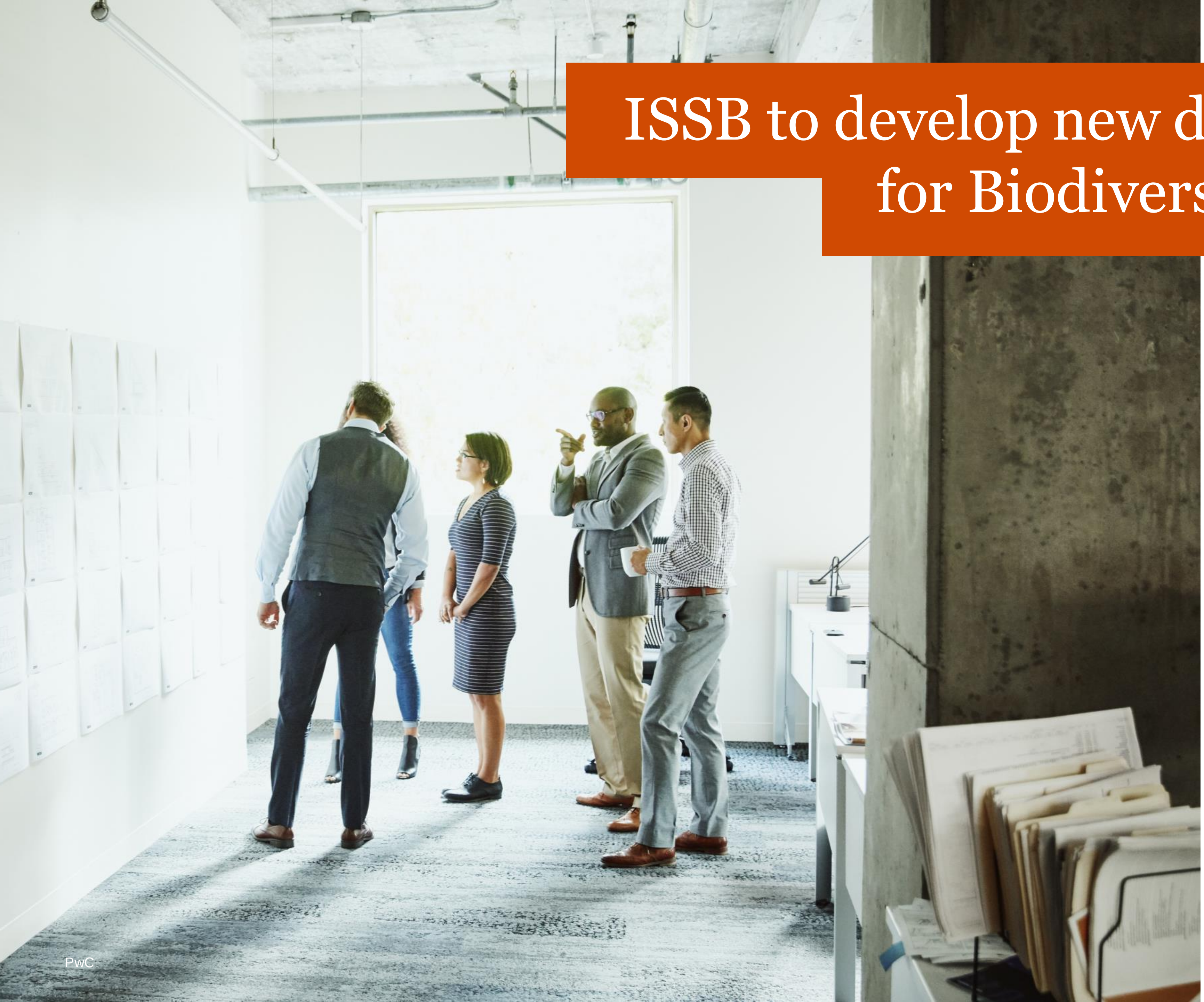
Kazakhstan government plans to gradually phase out single-use plastics

Kazakhstan is discussing the prospects of a phased ban and minimization of plastic waste within the framework of the EAEU and the UN agreement. The UN treaty on plastic pollution, expected to be adopted by the end of 2024, takes into account an environmentally sound approach to balancing ecological and sustainable policies. After its adoption, Kazakhstan will develop measures to reduce the use of plastic waste.

Currently, there is already a ban on the acceptance of polyethylene bags and plastics for burial in landfills in the country.

Read more





ISSB to develop new disclosure standards for Biodiversity, Human Capital

The IFRS Foundation's International Sustainability Standards Board (ISSB) announced plans to launch new projects researching corporate disclosure on risks and opportunities in key sustainability-related areas including biodiversity, ecosystems and ecosystem services, and human capital, with the initiative aimed at informing its work on future sustainability reporting standard setting.

The new project follows market feedback which "indicated a significant and growing need among investors for improved disclosures" regarding nature and human capital "as a key source of value for companies."

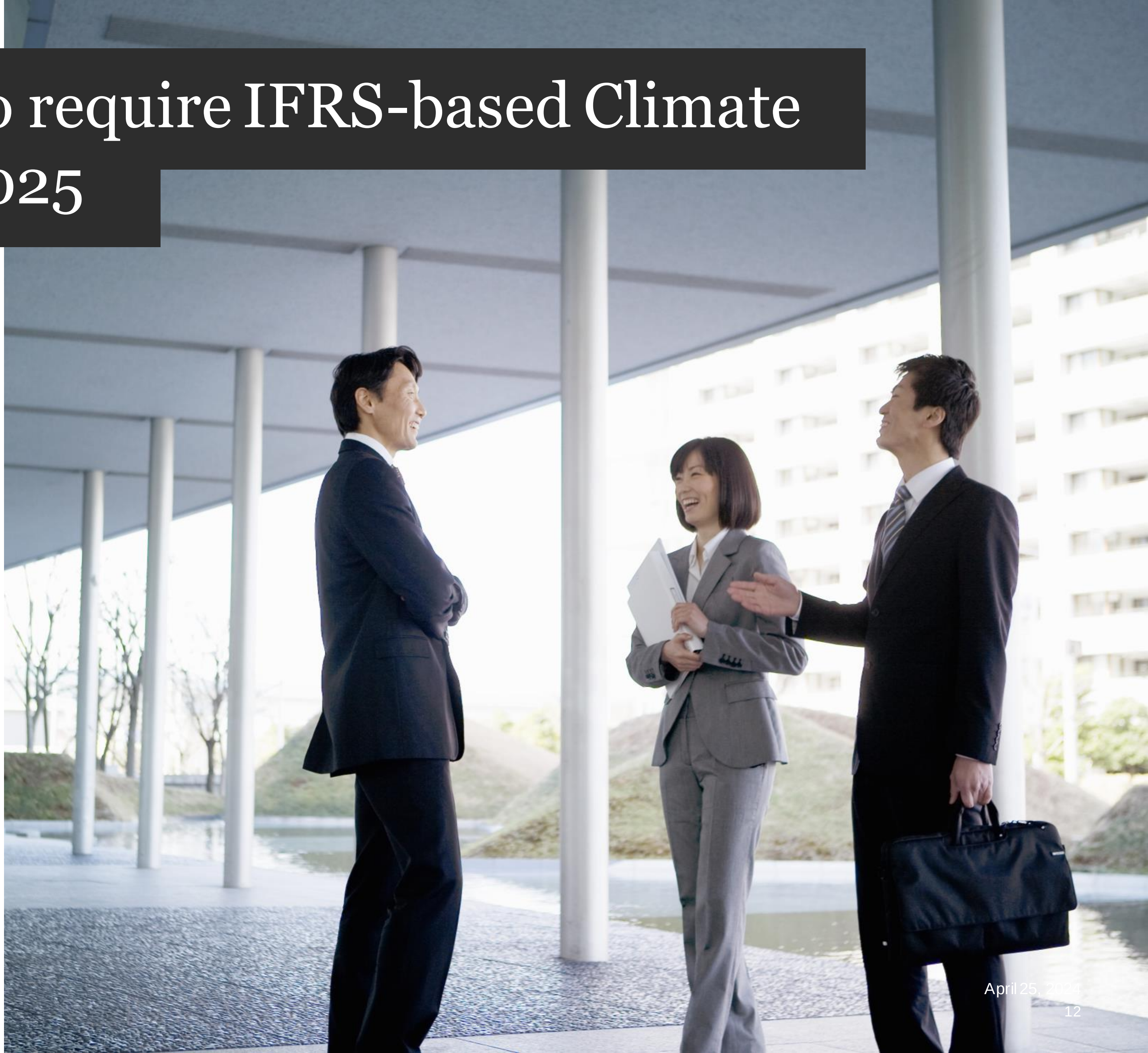
Read more

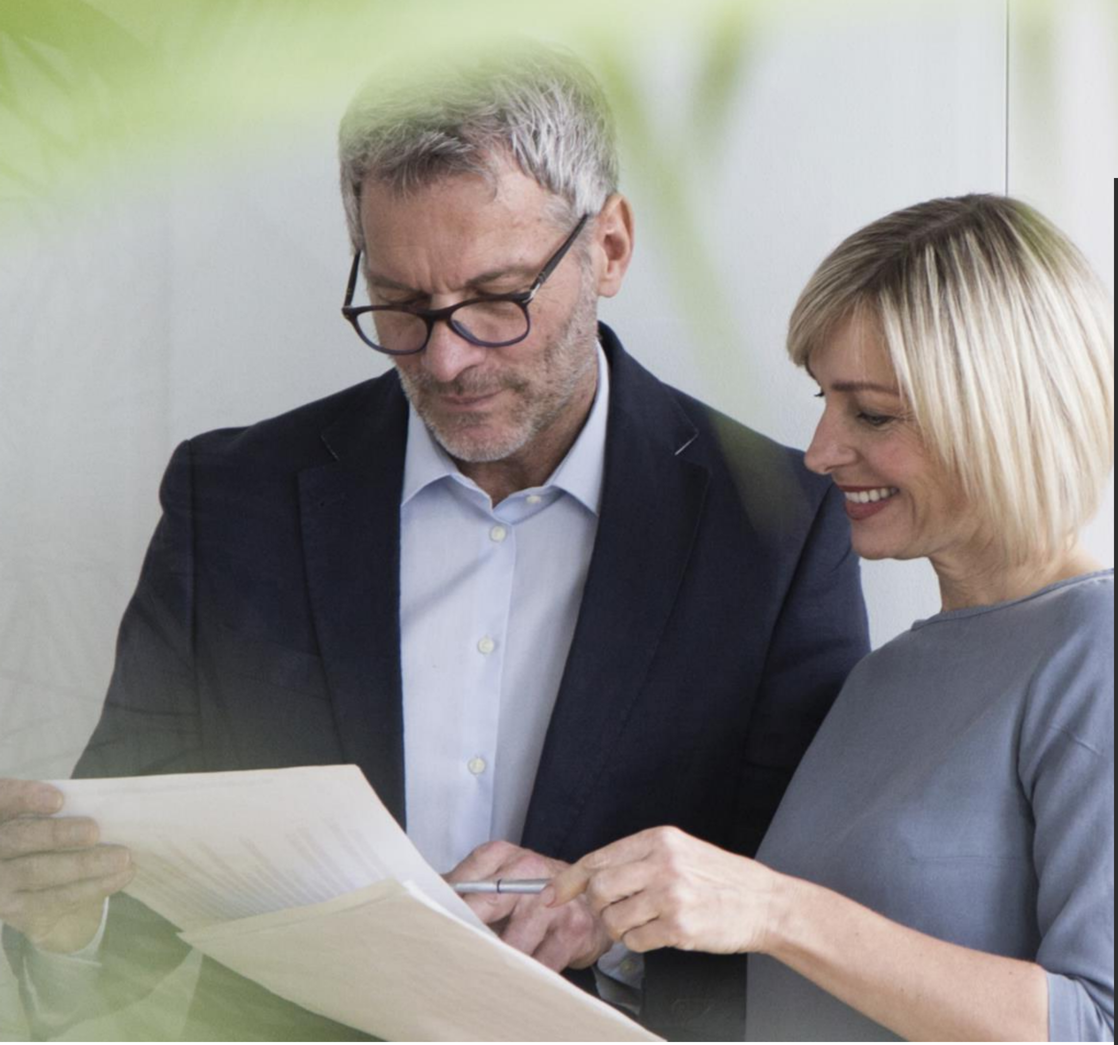
Hong Kong Exchange to require IFRS-based Climate Disclosure beginning 2025

The Stock Exchange of Hong Kong announced that all listed companies will be required to begin providing mandatory climate-related disclosures based on the IFRS Foundation's International Sustainability Standards Board (ISSB) new reporting standards, with Scope 1 and 2 emissions disclosure beginning as of the 2025 reporting year.

LargeCap issuers – those included in the Hang Seng Composite LargeCap Index, which account for 80% of the HSCI composite's market capitalization – and other Main Board issuers will also be required to provide other disclosures, including reporting on Scope 3 value chain emissions on a comply-or explain basis starting in 2025, with LargeCap issuers to be required to provide these disclosures on a mandatory basis the following year. Small and mid-size "GEM" issuers will be able to provide disclosure other than Scope 1 and 2 emissions on a voluntary basis.

Read more





The UK government announced that it has confirmed its target mandating at least 10% sustainable aviation fuel (SAF) in the UK jet fuel mix by 2030. Interim and long-term SAF targets under the plan include 2% SAF in the fuel mix in 2025, and 22% in 2040.

The new UK announcement forms part of the government's sustainable aviation fuel mandate, which will come into force in January 2025, subject to parliamentary approval.

According to the UK Department for Transport, the government's targets will see around 1.2 million tonnes of SAF supplied to the UK airline industry each year, with the SAF industry estimated to add over £1.8 billion to the economy and create over 10,000 jobs.

The government added that its plan aims to ensure that its plan doesn't come at the expense of consumers, with the plan including a review mechanism to help manage prices and minimize the impact on ticket fares for passengers.

Read more

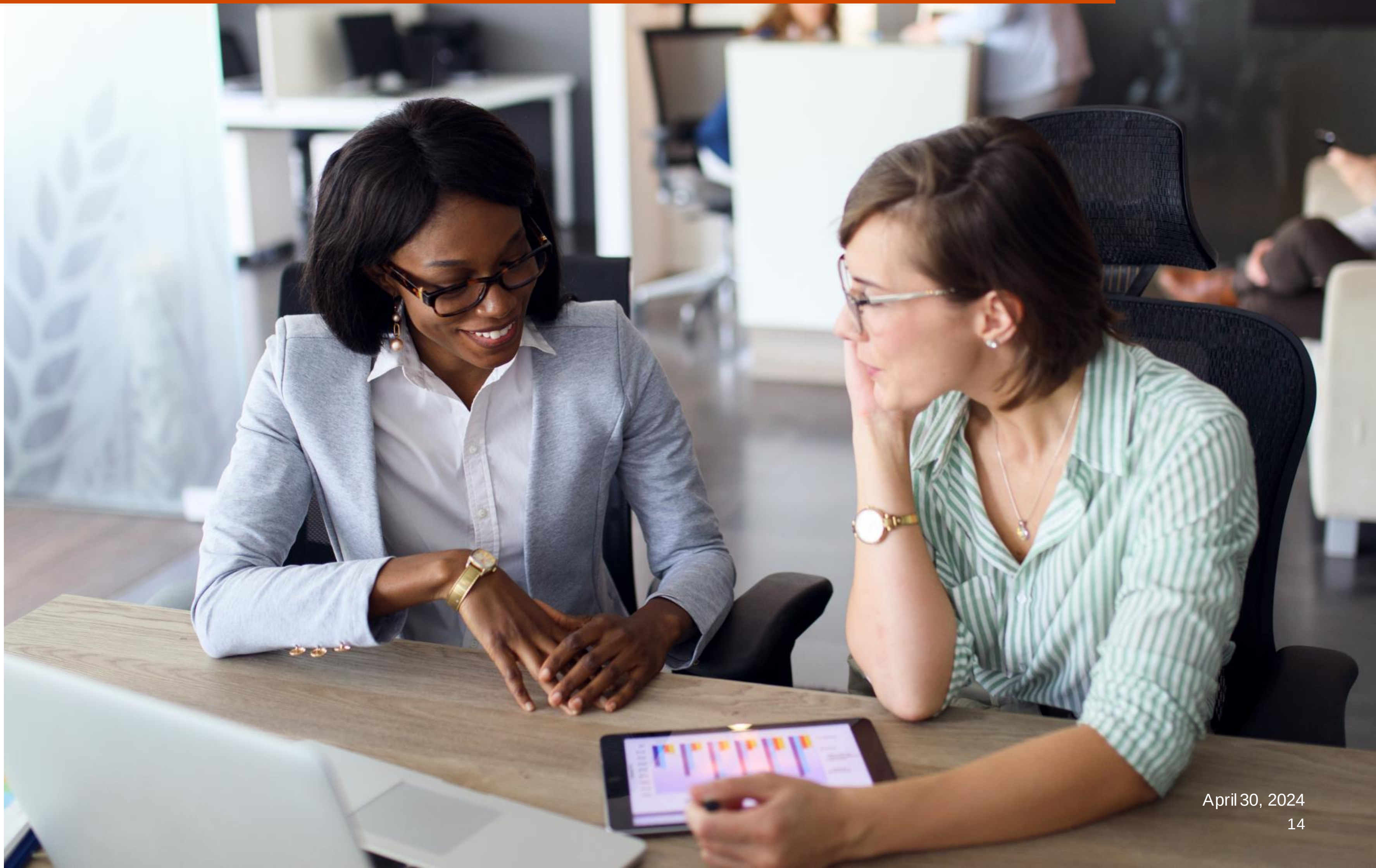
UK to require 10% sustainable aviation fuel in jet fuel mix by 2030

EU approves 2 year delay to Sustainability Reporting obligations for specific sectors and non-EU companies

The European Council approved a directive delaying the adoption of sector-specific sustainability reporting standards for EU companies and general sustainability reporting standards for non-EU companies to 30 June 2026.

This would allow companies to focus on the implementation of the first set of European Sustainability Reporting Standards (ESRS) and limit the reporting requirements to a necessary minimum. It will also allow more time to develop sector specific sustainability standards and standards for non-EU companies.

Read more



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