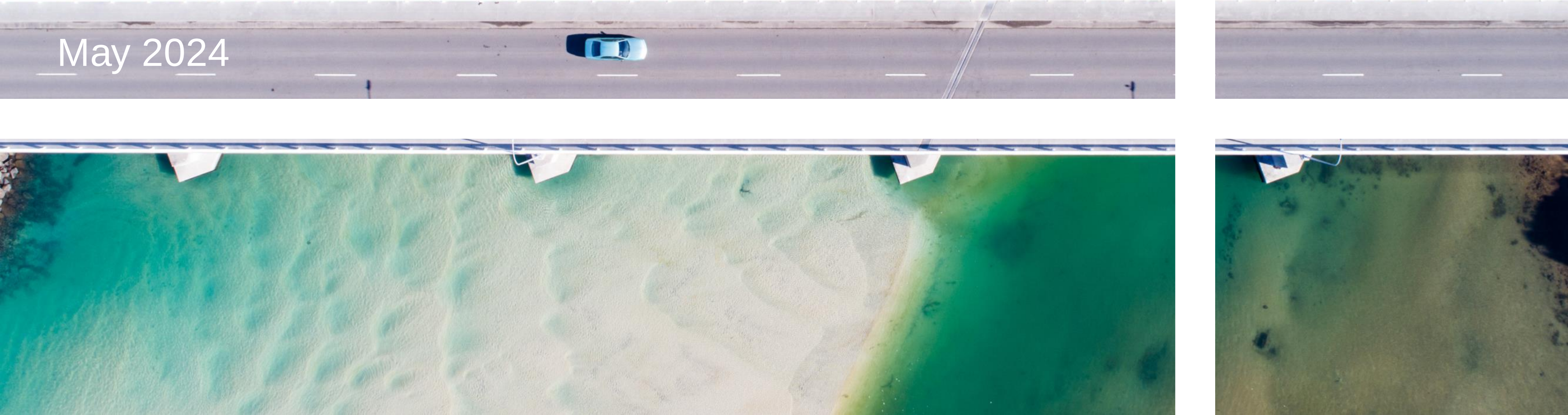
ESG Digest #23

May 2024



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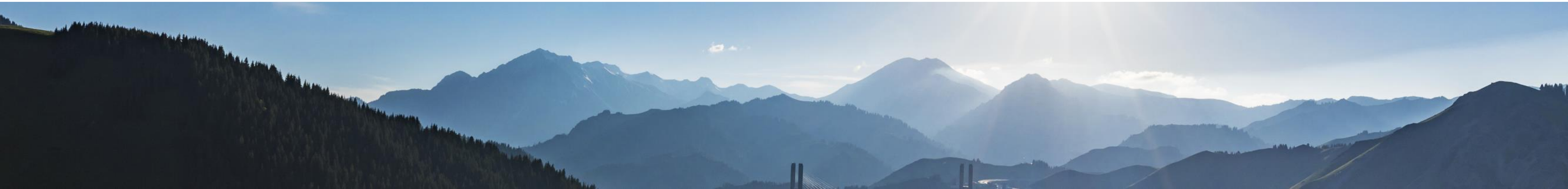

IFRS, EFRAG publish Guide for companies complying with both ISSB and CSRD Sustainability Reporting Standards

The IFRS Foundation and EFRAG have published guidance material to illustrate the high level of alignment achieved between the International Sustainability Standards Board's IFRS Sustainability Disclosure Standards and the European Sustainability Reporting Standards (ESRS) and how a company can apply both sets of standards, including detailed analysis of the alignment in climate-related disclosures.

The guidance:

- describes the alignment of general requirements including on key concepts such as materiality, presentation and disclosures for sustainability topics other than climate; and
- provides information about the alignment of climate disclosures and what a company starting with either set of standards needs to know to enable compliance with both sets of standards.

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Kazakhstan is the latest country to join as a Partner to the Global Carbon Pricing Challenge (GCPC), a global initiative aiming to cover 60% of the world's emissions with carbon pricing by 2030. Kazakhstan joins existing Partners Canada, Chile, Denmark, the EU, France, Germany, New Zealand, Norway, Republic of Korea, Sweden and the UK, and Friend Cote d'Ivoire.

The GCPC is a leader-level initiative, announced by Canada during COP26, that aligns economic objectives with low-carbon objectives, and drives clean investment in clean innovation and technology. Through the GCPC, Partner and Friend jurisdictions are provided a platform for global collaboration and sharing of lessons learned from implementing carbon pricing.

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Kazakhstan joins the Global Carbon Pricing Initiative

Hong Kong launches Taxonomy for sustainable finance

The Hong Kong Monetary Authority (HKMA), Hong Kong's central banking institution, announced the publication of the Hong Kong Taxonomy for Sustainable Finance, aimed at defining and classifying environmentally sustainable economic activities, to help inform decision making and facilitate green finance flows.

For the next step, the HKMA will seek to expand the coverage of the taxonomy to include more sectors and activities, including transition activities.

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Uzbekistan introduces climate classification of State Budget expenditures

In Uzbekistan, the Concept for Aligning State Budget Expenditures with the National Sustainable Development Goals and assessing their impact on climate change has been approved.

The main objectives of the Concept are:

- Definition of the area, objects and level of classification;
- Conducting a comprehensive analysis of expenditures;
- Ensuring alignment of measures with budgetary data;
- Implementing short-term and long-term actions to integrate climate expenditure classification;
- Classifying expenditures based on the National Sustainable Development Goals.

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The EPA boosts Emissions Reporting Requirements for Oil & Gas companies

The U.S. Environmental Protection Agency (EPA) announced that it has issued a finalized rule aimed at strengthening and expanding methane emissions reporting requirements for oil and natural gas facility owners and operators, and improving the quality of emissions data reported through the use of advanced technologies.

The new final rule updates the Greenhouse Gas Reporting Program (GHGRP) requirements for the petroleum and natural gas sector, which mandates reporting of GHG data and other relevant information from large GHG emission sources, fuel and industrial gas suppliers, and CO_2 injection sites in the U.S.

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EU adopts new rules requiring 90% emissions reductions from trucks and buses by 2040

EU member states in the European Council announced the adoption of new legislation, strengthening emissions standards for heavy-duty vehicles in the EU. In line with the EU's climate objectives for 2030 and beyond, the regulation further establishes the following new targets:

- **a 45% emissions reduction from 2030**
- **a 65% emissions reduction from 2035**
- **a 90% emissions reduction from 2040**

The effectiveness and impact of the amended regulation will be reviewed by the Commission in 2027.

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The European Union (EU) has approved final guidelines outlining the criteria investment funds must meet to label themselves as sustainable, ensuring they avoid accusations of greenwashing.

In the finalized guidelines, ESMA removed the 50% sustainability-related threshold, while retaining a requirement for an 80% threshold for investments used to meet the sustainability characteristics of funds using the term “sustainable,” and introducing a commitment to meaningfully invest in sustainable investments.

Fund managers now have approximately nine months to comply with these new guidelines.

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EU issues new rules for funds using “ESG” or “Sustainability” names to address greenwashing risk

Australia invests over $15 bln to develop clean energy sector

The Australian government announced a significant $15.0 billion investment package to bolster domestic manufacturing and renewable energy sectors.

- $3.2 billion through the Australian Renewable Energy Agency to support the commercialization of critical net-zero technologies, including a $1.7 billion Future Made in Australia Innovation Fund.
- Hydrogen Production Tax Incentive offering $2 per kilogram of renewable hydrogen produced, costing the Budget an estimated $6.7 billion over the medium term.
- $1.3 billion in the Hydrogen Headstart program to boost early investments in the industry.

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UK commits £557 million for public buildings decarbonization

UK Government is providing £557 million funding for public buildings to switch to cleaner heating and save on energy bills.

Schools, pools, and hospitals will be supported to make energy efficient upgrades, including heat pumps, solar panels, insulation and low-energy lighting. The new projects will help reduce emissions and cut bills, as part of the government's plan to reach its world-leading net zero targets in a sustainable, pragmatic way.

[Read more]

EU adopts new rules to establish hydrogen and decarbonized gas market

The European Council announced today the adoption of a new regulatory package establishing common market rules for renewable gas, natural gas and hydrogen aimed at supporting the EU's decarbonization goals.

The new regulation supports the establishment of common internal market rules for renewable and natural gases and hydrogen, and mandates national network development plans based on joint scenarios for electricity, gas and hydrogen.
The new regulation also include provisions aimed at phasing out fossil fuels, with long-term contracts for unabated fossil gas directed to not last beyond 2049, and rules supporting the promotion of the penetration of renewable and low carbon gases – particularly hydrogen – in coal and carbon-intensive regions, including tariff discounts for renewable and low carbon gas, and the establishment of a voluntary mechanism to support the hydrogen market.

The regulation will become applicable six months after its publication in the Official Journal of the European Union, with member states given two years to adapt national legislation to the new provisions.

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The European Council announced today the approval by member states of the Corporate Sustainability Due Diligence Directive (CSDDD), marking the final step in the adoption of legislation setting mandatory obligations for large companies to address their negative impacts on human rights and the environment across their value chains.

The final version of the Directive scales back the number of companies covered by the legislation, raising the thresholds to companies with at least 1,000 employees, up from 500, and to those with revenue greater than €450 million, up from €150 million. Additional changes included phasing in the legislation, beginning with companies with over 5,000 employees and revenue greater than €1.5 billion in 2027, followed by companies with more than 3,000 employees and €900 million revenues in 2028, and for all other companies in the scope of the law in 2029. The revised CSDDD also removed the requirement for companies to promote the implementation of climate transition plans through financial incentives.

Read more

EU formally adopts the Corporate Sustainability Due Diligence Directive

IFRS, GRI collaborate on interoperability for Sustainability Disclosure Standards

The IFRS Foundation and the Global Reporting Initiative (GRI) announced an expanded collaboration aimed at optimizing how their respective sustainability reporting standards can be used together.

According to the IFRS Foundation and the GRI, the expanded collaboration looks to “provide a seamless, global and comprehensive sustainability reporting system for companies looking to meet the information needs of both investors and a broader range of stakeholders.”

Under the new agreement, the organizations said that the ISSB and GSSB will work together to identify and align common disclosures, with an initial methodology pilot building on the GRI’s new biodiversity standard, and the ISSB’s recently announced project on Biodiversity, Ecosystems and Ecosystem Services.

Read more

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

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