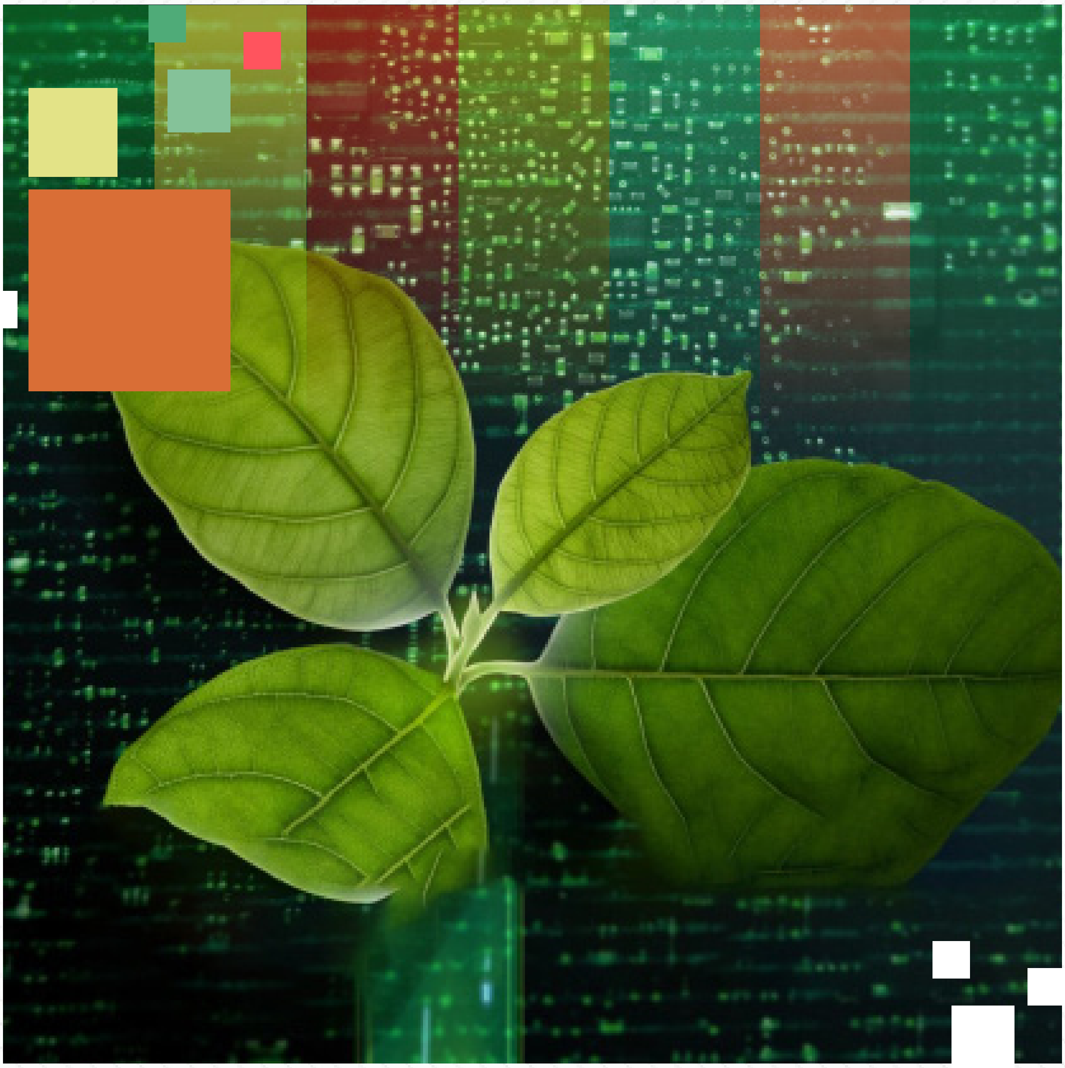

REGULATORY AND POLICY DEVELOPMENTS

ESG 2023

JANUARY, 2023

GLOBAL

1. IFRS GLOBAL SUSTAINABILITY STANDARDS

According to Erkki Liikanen, the Chair of the IFRS, the International Sustainability Standards Board (ISSB) of the IFRS Foundation plans to publish the finalization of the first international standards for reporting on sustainability and climate change in June 2023. Liikanen emphasized that the publication of this standard is merely the initial step towards creating an internationally standardised and transparent reporting system. Regulators must still widely endorse and implement it. According to Liikanen, the IFRS has been in close collaboration with IOSCO, the foremost standards-setter for securities regulators, and he anticipates receiving the group's endorsement "very soon".

The new rules aim to establish a comprehensive global baseline for sustainability disclosures, addressing the increasing demand from global capital markets for consistent and detailed sustainability information from corporations. These ideas would compel businesses to disclose how sustainability-related financial information correlates with data in their financial statements. Furthermore, they anticipate that sustainability-related financial information will be disclosed alongside traditional financial statements.

IFRS S1 outlines the specifications for businesses regarding the disclosure of financial data related to sustainability. If relevant to the evaluation of the company's enterprise value, the proposal would mandate that companies disclose material information about their exposure to significant sustainability-related risks and opportunities. This includes information about impacts and dependencies on people, the environment, and the economy. In order for investors to evaluate the impact of substantial climate-related risks and opportunities on business value, IFRS S2 would compel enterprises to publish material information.

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ASIA

1. THE SOUTH KOREAN FINANCIAL SERVICES COMMISSION (FSS) HAS INTRODUCED NEW ESG RATING GUIDELINES TO IMPROVE TRANSPARENCY IN THE MARKET

The new ESG rating guidelines introduced by FFS are part of the South Korean government's effort to promote sustainable finance and encourage companies to adopt more environmentally and socially responsible practices. These guidelines set out specific criteria that ESG rating agencies must follow when assessing companies and formulating their ESG ratings. The criteria include guidelines for data quality and management, as well as criteria for evaluating a company's environmental and social impact. The guidelines mandate that ESG rating agencies disclose their rate methodologies, providing investors with greater transparency about the assessment process. The objective is to ensure that ESG ratings are reliable and accurately reflect a company's ESG performance, thereby enabling investors to make informed decisions about sustainable investments.

The introduction of these new ESG rating guidelines is expected to have a significant impact on the South Korean market. As investors and companies increasingly recognize the importance of ESG considerations, the guidelines are anticipated to boost the popularity of sustainable investments in South Korea, fostering a greener and more socially responsible economy. With these new guidelines in place, the FSS is taking a significant step towards promoting sustainable finance and contributing to the global effort to achieve a greener and more equitable future.

Click here to know more

NORTH AMERICA

1. CLIMATE SCENARIO ANALYSIS LAUNCHED BY THE UNITED STATES FEDERAL RESERVE

On January 17, 2023, the US Federal Reserve announced the launch of its Climate Scenario Analysis (CSA) exercise to assess the potential financial impacts of climate change on the banking industry. The exercise aims to help banks understand the effects of climate risks on their balance sheets, earnings and overall financial stability. The Federal Reserve will work in collaboration with other regulatory agencies, such as the Office of the Comptroller of the Currency, to identify the implications of various climate change scenarios and their impact on the financial sector. The results of this exercise will be used to develop recommendations and guidelines to enhance the resilience of the banking sector against the impacts of climate change.

The CSA exercise represents a significant step toward ensuring that financial institutions are equipped to manage the potential financial impacts of climate change. It will also promote transparency and accountability in the banking industry, fostering the development of more sustainable financial systems. This initiative is expected to provide valuable insights into the effects of climate change on the banking industry and further strengthen the resilience of financial systems against its impacts.

Click here to know more

EUROPE

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD): STRENGTHENING RULES FOR BROADER AND MANDATORY SUSTAINABILITY REPORTING BY EUROPEAN COMPANIES

The Corporate Sustainability Reporting Directive (CSRD) came into effect on January 5, 2023, marking a significant overhaul and reinforcement of regulations regarding the disclosure of social and environmental information by companies. This directive expands the reporting obligations to encompass a broader array of large companies and includes listed SMEs, making sustainability reporting mandatory for a wider corporate spectrum. The primary objective of these new rules is to ensure that investors and stakeholders have comprehensive access to information necessary for assessing the impact of companies on both people and the environment. Moreover, the directive aims to assist investors in evaluating financial risks and opportunities arising from climate change and various sustainability issues. Additionally, by standardizing the information to be provided, the CSRD intends to alleviate reporting costs for companies over the medium to long term.

The implementation of these rules is slated for the 2024 financial year, with the initial reports expected to be published in 2025. Companies falling under the purview of the CSRD will be mandated to adhere to European Sustainability Reporting Standards (ESRS), which were formulated by the EFRAG (European Financial Reporting Advisory Group). This independent body, now known as the EFRAG, comprises diverse stakeholders and has designed the standards to align with EU policies while actively contributing to international standardization initiatives. The CSRD represents a significant step toward fostering transparency, accountability, and harmonization in sustainability reporting practices across European companies.

Click here to know more

FEBRUARY, 2023

ASIA

1. INDIA'S UNION BUDGET 2023-24 – KEY TAKEAWAYS

The budget speech by the finance minister demonstrates the government's alignment with sustainable development objectives. For the first time, the Budget appears to prioritize environmental concerns as a key facilitator and driver of economic growth.

SAPTRISHIS - 7 priorities of the Indian Government

1) Inclusive development

2) Reaching the last mile

3) Infrastructure and investment

4) Unleashing the potential

5) Green growth

6) Youth power

7) Financial sector

Green Growth at a glance

1) PM Programme for "Restoration, Awareness, Nourishment and Amelioration of Mother Earth" will be launched to incentivize States and Union Territories to promote alternative fertilizers and balanced use of chemical fertilizers.

2) 500 Waste to Wealth plants: These plants will be established under the GOBARDHAN scheme promoting a circular economy. They will include 200 compressed biogas (CBG) plants, 75 of which will be in urban areas, and 300 community or cluster-based plants to a total investment of INR 10,000 crore.

3) Green credit programme: A new program will be notified under the Environment Protection Act to incentivize sustainable actions.

4) MISHTI: This initiative focuses on Sustainable eco-development along coastlines for Mangrove plantation.

5) Amrit Dharohar: Another scheme will be implemented to optimize the usage of wetlands and other areas.

6) INR 15,000 crores for Primitive Vulnerable Tribal Groups Development Mission to improve socio-economic conditions of vulnerable tribal groups, including provisions for safe housing, clean drinking water, access to education.

7) Customs Duty on Import of Capital Goods: Changes will be made to promote Li-ion battery manufacturing for greener mobility.

8) INR 35,000 crores for Energy Transition aimed at priority capital investments for energy transition, net zero objectives, and energy security by the Ministry of Petroleum & Natural Gas.

9) Inter-State Transmission System: A proposal has been made for the evacuation and grid integration of 13 GW renewable energy from Ladakh, with an investment of INR 20,700 crore including central support of INR 8,300 crore.

10) 10,000 Bio-Input Resource Centres will be established, creating a national-level distribution network for micro-fertilizer and pesticides

11) Green Growth Objectives: The primary focus is on promoting an environmentally conscious lifestyle with an aim for net zero carbon emissions by 2070

12) Green hydrogen, clean energy storage and transmission are pivotal aspects of the government's "Green Growth" priority sector.

13) Battery energy storage systems with a capacity of 4,000 MWh will receive support through viability gap funding.

2. SEBI PROPOSES STREAMLINING ESG DISCLOSURES AND RATINGS TO ADDRESS GROWING CONCERNS

SEBI has acknowledged the imperative to streamline ESG disclosure, ratings, and investment practices in light of escalating awareness surrounding ESG considerations. In response, SEBI unveiled a "Consultation Paper on Regulatory Framework for ESG Rating Providers (ERPs) in Securities Market" on February 22, 2023. The paper delineates the recommendations and internal discussions of the ESG Advisory Committee (EAC), presided over by Mr. Navneet Munot, MD, and CEO of HDFC AMC.

The EAC delved into several pivotal areas. It deliberated on ESG disclosures, advocating for the establishment of a BRSR Core designed to ensure security and credibility in reporting. This core encompasses streamlined documentation, information authentication, and key performance indicators (KPIs) addressing environmental, social, and governance aspects. The committee envisions a phased integration of these KPIs into the BRSR to instill a sense of reliability.

Furthermore, the EAC formulated a list of 15 ESG criteria calibrated to resonate with the Indian context. This compilation takes into account national standards, societal norms, and India-specific regulatory considerations. Rather than imposing a rigid procedural framework, the intent behind this list is to foster consistency in ratings. Additionally, the committee emphasized the significance of transition scores and composite scores in the rating process, acknowledging the evolving shift towards sustainable practices.

SEBI's initiatives aspire to fortify the credibility of ESG disclosures, mitigate the risks of greenwashing and mis-selling, and elucidate the ESG rating process. The consultation paper solicits public feedback on these prospective measures.

Click here to know more

MARCH, 2023

UAE

1. UNITED ARAB EMIRATES PUBLISHES DRAFT PRINCIPLES FOR CLIMATE RISK MANAGEMENT.

The Abu Dhabi Global Market (ADGM) released a consultation paper on March 28, 2023, presenting its draft principles for public feedback. This paper outlines proposed guidelines and principles designed to strengthen the regulatory framework and enhance investor protection, and uphold market integrity within the ADGM. The consultation paper addresses various aspects of the ADGM's regulatory framework, including licensing and authorization requirements, conduct of business standards, and enforcement powers. The proposed principles emphasize the significance of transparency, fairness, and accountability in the financial services industry.

A primary focus of the draft principles is to promote sustainable finance and responsible investment practices. Recognizing the growing importance of environmental, social, and governance (ESG) factors in investment decisions, the ADGM aims to facilitate the integration of ESG considerations into the financial sector. The draft principles also address the evolving landscape of digital assets and financial technology (FinTech). The ADGM intends to establish a clear regulatory framework for digital asset businesses and implement adequate investor protection measures. The principles highlight the need for robust cybersecurity measures and the importance of combating financial crime in the digital asset space. The consultation paper encourages stakeholders, including financial institutions, industry professionals, and the general public, to provide feedback and input on the proposed principles.

EUROPE

1. EUROPEAN COMMISSION PROPOSES RAW MATERIALS RULES TO PROTECT SUPPLY CHAINS.

The European Commission has unveiled a strategy designed to ensure the secure and sustainable supply of critical raw materials. These materials are essential for producing key technologies such as electric vehicle batteries. This strategy aims to address the EU's dependence on imports of critical raw materials while promoting domestic production, recycling, and responsible sourcing. The strategy identifies a list of 30 critical raw materials, including lithium, cobalt, and rare earth elements, which are crucial for the EU's transition to a green and digital economy. The EU intends to reduce its import dependency by diversifying supply sources and enhancing resilience against potential disruptions in the global supply chain.

The Regulation establishes clear benchmarks for domestic capacities within the strategic raw material supply chain and aims to diversify the EU's supply by 2030:

• At least 10% of the EU's annual consumption for extraction,

• At least 40% of the EU's annual consumption for processing,

• At least 15% of the EU's annual consumption for recycling,

• Not more than 65% of the Union's annual consumption of each strategic raw material at any relevant stage of processing from a single third country.

To achieve these objectives, the strategy proposes various measures. These measures include boosting primary production within the EU through exploration and mining activities, promoting the development of innovative and sustainable extraction technologies, and supporting the recycling and circular economy for critical raw materials. The EU aims to enhance international cooperation and dialogue to ensure fair and responsible sourcing practices.

The strategy underscores the importance of sustainable and ethical sourcing of critical raw materials, taking into account environmental and social aspects. The EU strives to foster transparency and traceability throughout the supply chain, promote responsible mining practices, and ensure respect for human rights and labour standards.

Click here to know more

2. EUROPEAN PARLIAMENT ADOPTS NEW RULES ON GENDER PAY GAP.

The European Parliament adopted new rules on binding pay transparency measures on 30th March, aimed at addressing the gender pay gap. The legislation seeks to promote equal pay for equal work and enhance transparency and accountability regarding salary differences between men and women. Under these rules, companies with at least 250 employees must disclose information on the gender pay gap within their organization. This disclosure encompasses details on the average salaries of male and female employees, along with any disparities in bonuses and other benefits. The objective is to identify and rectify unjustifiable pay discrepancies, ultimately narrowing the gender pay gap.

Beyond pay transparency, the legislation introduces measures to bolster gender equality in the workplace. This encompasses promoting greater representation of women in decision-making roles, including Company boards. The rules mandate companies to establish a system for evaluating job positions and ensuring equal pay for work of equal value. The rules also empower employees by granting them access to information that can help challenge unfair pay practices. Implementing these new rules will necessitate member states to incorporate them into national legislation. This process offers an avenue for additional discussions and engagement with stakeholders to ensure effective implementation and enforcement of the measures.

Click here to know more

3. EU REACHES PROVISIONAL AGREEMENT TO STRENGTHEN ENERGY EFFICIENCY DIRECTIVE

The European Commission has reached a provisional agreement with the European Parliament and the Council to reform and strengthen the EU Energy Efficiency Directive. This agreement is part of the 'Fit for 55' package, which aims to advance the European Green Deal and the REPowerEU Plan, further highlighting the EU's commitment to achieving climate neutrality by 2050. The agreement gives legal weight to the principle of "Energy Efficiency First", mandating EU countries to prioritize energy efficiency in policies, planning, and major investment decisions within the energy sector and beyond. It establishes an EU energy efficiency target of 11.7% for 2030, exceeding the Commission's initial proposal.

Under the agreement, EU countries must achieve new savings annually, targeting an average of 1.49% of final energy consumption from 2024 to 2030, with a gradual increase to 1.9% by the end of 2030. These measures are designed to promote energy savings in sectors such as buildings, industry, and transport. The revised rules also impose greater accountability on the public sector to enhance energy efficiency. The agreement underscores the importance of addressing energy poverty and empowering consumers by defining energy poverty at the EU level. It states that Member States must prioritize energy efficiency enhancements for vulnerable customers, low-income households, and residents of social housing. The act still awaits formal adoption by the European Parliament and the Council before its publication in the Union's Official Journal and subsequent implementation.

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NORTH AMERICA

1. CANADA ISSUES NEW GUIDELINES ON CLIMATE RISK MANAGEMENT FOR FINANCIAL INSTITUTIONS

The Office of the Superintendent of Financial Institutions (OSFI) in Canada has issued a new guideline aimed at promoting resilience and stability within the financial sector. The guideline, known as B-15, focuses on the management of technology and cyber risks in financial institutions. It lays out clear expectations for these financial institutions concerning the managing technology and cyber risks. It emphasizes the need for effective governance and risk management frameworks, and robust incident response and recovery plans. It also highlights the crucial role of integrating technology and cyber risks into an institution's overarching risk management processes.

One of the key elements of the B-15 guideline is the requirement for financial institutions to have a comprehensive and up-to-date cybersecurity program. This includes conducting regular risk assessments, implementing strong controls and safeguards, and ensuring ongoing monitoring and testing of cyber defences. It also emphasizes the importance of having a well-defined incident response plan in place to effectively manage and mitigate cyber threats. The implementation of the B-15 guideline will require financial institutions to assess their current cybersecurity practices and make any necessary enhancements to meet the requirements outlined in the guideline. This may involve investing in new technologies, enhancing training and awareness programs, and strengthening partnerships with cybersecurity experts.

Click here to know more

APRIL, 2023

GLOBAL

1. G7 MINISTERS AGREE TO SPEED UP THE TRANSITION TO CLEAN ENERGY

In a landmark development, ministers from the Group of Seven (G7) nations have agreed to expedite global transition to clean energy. This decision was reached during a pivotal meeting held on April 16, 2023. Recognising the urgent imperative to combat climate change, the G7 ministers emphasized the vital role that clean energy plays in this endeavour. Their commitment to hastening the transition to clean energy holds substantial importance in the worldwide battle against climate change.

According to the communique released after the meeting, the ministers pledged to take tangible actions to expedite the adoption of clean energy sources, including wind, solar, and hydropower. They acknowledged that such a transition necessitates significant investments in research, development, and deployment of clean energy technologies. Furthermore, the G7 ministers recognized the potential of clean energy to spur economic growth, generate employment opportunities, and foster innovation. Emphasizing the importance of collaboration between the public and private sectors, they called for ensuring a fair and inclusive energy transition that leaves no one behind.

Click here to know more

ASIA

1. INDIA EXTENDS WAIVER OF TRANSMISSION FEES FOR GREEN HYDROGEN PLANTS.

India has extended the waiver of transmission fees for renewable power to hydrogen manufacturing plants that come into service before January 2031, as part of its initiative to become the world's most cost-effective hydrogen producer. This adjustment is expected to reduce the cost of green hydrogen, produced by splitting water using power from renewable sources, by one-fifth.

Large-scale hydrogen and ammonia projects take approximately three to four years for completion. This measure aims to increase the number of green hydrogen production plants eligible for the 25-year waiver of transmission fees. The objective is to produce green hydrogen at a cost ranging from US$ 1 to 1.50 per kilogram, significantly undercutting the current global average of US$ 4 to 5 per kilogram. Adani Enterprises and Reliance Industries are targeting production costs of US$ 1 per kilogram by 2030. In addition to Larsen & Toubro, Indian Oil, NTPC, JSW Energy, ReNew Power, and Acme Solar, several prominent Indian companies are actively involved in green hydrogen production. Furthermore, India plans to introduce a $2 billion scheme by the end of June, offering incentives covering at least 10% of the costs for green hydrogen producers.

Click here to know more

2. RESERVE BANK OF INDIA UNVEILS FRAMEWORK FOR GREEN DEPOSITS TO DRIVE SUSTAINABLE FINANCE

To bolster climate-resilient economies, the Reserve Bank of India (RBI) introduced a framework for green deposits on 11th April in order to align with the global surge in green finance. Green deposits, interest-bearing deposits held by regulated entities, will mobilize funds for green financing, supporting projects addressing climate risk mitigation and environmental goals. RBI's initiative targets regulated entities like banks, cooperative banks, non-banking financial companies, and institutions involved in sustainable initiatives. Private Banks such as HDFC, IndusInd Bank, Federal Bank, DBS Bank, and HSBC are already offering green deposits.

The framework, effective from June 1, 2023, allows renewal or withdrawal of green deposits, denominated in Indian rupees. RBI emphasizes comprehensive policies and financing frameworks for effective deposit allocation, with third-party verification and annual impact assessments. Reporting requirements include a review report to the board covering funds raised, allocated projects, and third-party verification results. Green deposits offer investors stable returns and align with sustainability goals. They operate similarly to regular term deposits, facilitating low-cost participation in the Environmental, Social, and Governance (ESG) movement. The allocation of proceeds follows the official Indian green taxonomy, with identified sectors including renewable energy, energy efficiency, clean transportation, climate change adaptation, and sustainable water management, among others. The RBI excludes certain sectors such as nuclear power generation, weapons, tobacco, and others, emphasizing the commitment to environmentally responsible and sustainable investments. This framework positions India to further develop a robust green finance system, aligning with global efforts toward sustainable and responsible banking practices.

Click here to know more

3. HONG KONG STOCK EXCHANGE PROPOSES MANDATORY DISCLOSURE OF CLIMATE-RELATED RISKS IN LISTED COMPANIES' ESG REPORTS

The Hong Kong Stock Exchange (HKEX) has proposed making the disclosure of climate-related risks mandatory in the ESG reports of listed companies. If approved, this initiative will compel companies listed on the HKEX to include comprehensive information about their climate-related risks and strategies, starting from January 1, 2024. The proposal aligns with global endeavours to combat climate change and aims to enhance transparency and accountability within the financial sector concerning climate-related risks. It acknowledges that such risks can significantly impact the long-term financial performance and sustainability of businesses.

By mandating disclosure, the HKEX aims to equip investors and stakeholders with the necessary information to make informed decisions and more effectively evaluate the climate-related risks associated with listed companies. Under the proposed framework, listed companies will be required to disclose information related to their governance, strategy, risk management, and metrics related to climate change. This includes providing details about the company's board oversight, climate-related risks and opportunities, and the integration of climate considerations into their business strategies. Companies are required to delineate their risk management processes and divulge key performance indicators and targets associated with climate-related objectives.

Click here to know more

EUROPE

1. NEW EU LAW MANDATES COMPANIES TO COMBAT DEFORESTATION AND FOREST DEGRADATION

To confront the urgent challenges of climate change and biodiversity loss, the European Union (EU) has enacted a new law that imposes obligations on companies to ensure that the products they introduce to the EU market are not associated with deforestation or forest degradation. Under the law, no specific country or commodity is banned but companies can only market their products in the EU if they obtain a "due diligence" statement from their suppliers confirming that their products have not contributed to forest degradation/deforestation, including primary forests, after December 31, 2020. Companies must ensure that their products comply with the relevant legislation of the producing country, including human rights standards, and respect the rights of indigenous communities. The law encompasses various key products such as cattle, cocoa, coffee, palm oil, soya, wood, and a few other derivative products.

Moreover, the legislation adopts a comprehensive definition of forest degradation, which includes the conversion of primary forests or naturally regenerating forests into plantation forests or other wooded areas. Within 18 months of the law's enactment, the European Commission will categorize countries or specific regions within countries as low-, standard-, or high-risk based on an objective and transparent assessment. Non-compliance with this law will incur proportionate and dissuasive penalties, with the maximum fine amounting to at least 4% of the non-compliant operator or trader's total annual turnover in the EU. The law garnered overwhelming support, receiving 552 votes in favour, 44 votes against, and 43 abstentions, underscoring the EU's dedication to combating deforestation and fostering responsible sourcing practices in the global supply chain.

Click here to know more

2. EBA CONSULTS ON GUIDELINES FOR BENCHMARKING DIVERSITY PRACTICES AND GENDER PAY GAPS IN FINANCIAL SECTOR

The European Banking Authority (EBA) has released a consultation paper that outlines draft guidelines for benchmarking diversity practices and gender pay gaps, aligning with the Capital Requirements Directive IV (CRD IV) and the Investment Firms Directive (IFD). The guidelines target Member State National Competent Authorities (NCAs). The draft guidelines specify the information that institutions and investment firms must furnish to NCAs and subsequently to the EBA for benchmarking diversity practices and assessing gender pay gaps within management bodies. The guidelines focus on factors such as gender, age, education, professional background, and geographic origin of management body members. The guidelines include data collection templates, with data being gathered through the EBA's data collection platform, known as EUCLID.

NCAs will provide technical guidance to participants regarding data submission. The EBA will analyse diversity practices and publish a benchmarking report every three years at the EU level, offering a country-by-country breakdown. As management body compositions are not anticipated to undergo significant changes in the short term, data collection is viewed not as an annual requirement but as a long-term strategy designed to foster appropriate actions within institutions and investment firms. The consultation period for providing feedback on the guidelines concludes on July 24, 2023. The EBA expects that initial data on diversity practices, in accordance with these guidelines, will be reported in 2025, using December 31, 2024, as the reference date, even accounting for situations where the financial year deviates from the calendar year.

MAY, 2023

UNITED KINGDOM

1. BIBA RELEASES COMPREHENSIVE GUIDE TO ESG FOR INSURANCE BROKERS

The British Insurance Brokers' Association (BIBA) has published the "Broker's Guide to ESG" on May 7, 2023, with the aim of assisting its members in comprehending and incorporating ESG considerations into their businesses. BIBA acknowledges the escalating market pressure on businesses to exhibit their commitment to ESG issues as the primary catalyst for launching this guide. Additionally, BIBA has included an abridged eight-page "Mini Guide to ESG" for easy reference alongside the main guide. The Broker's Guide to ESG covers a broad spectrum of topics, encompassing an ESG glossary, practical tips for effective communication, and guidance on identifying and implementing ESG strategies at the organizational level. It emphasizes 11 core ESG areas known as "ESG Stepping Stones" to guide BIBA members in prioritizing their ESG endeavours.

These ESG Stepping Stones encompass various aspects such as promoting environmentally friendly offices, managing carbon emissions, fostering diversity, equity, and inclusion, addressing mental health and wellbeing, engaging with local communities, combating modern slavery, and safeguarding human rights, etc. BIBA recognizes that the guide is a dynamic resource slated for regular updates to align with shifting ESG priorities. As comprehension and expectations related to ESG continue to advance, BIBA endeavours to assist its members by offering continual guidance and resources.

Click here to know more

EUROPE

1. EUROPEAN COMMISSION UNVEILS COMPREHENSIVE RETAIL INVESTMENT PACKAGE TO EMPOWER AND PROTECT CONSUMERS IN CAPITAL MARKETS

On May 24, 2023, the European Commission introduced a comprehensive Retail Investment Package, prioritizing the interests of consumers in the realm of retail investing. The overarching objective is to empower retail investors, ensuring that their investment decisions align with individual needs and preferences while emphasizing fairness and protection. This initiative aims to bolster trust and confidence among retail investors, enabling them to securely invest in their future and actively participate in the European Union's Capital Markets Union. Derived from one of the three key objectives of the 2020 Capital Markets Union Action Plan, the package seeks to make the EU a safer long-term investment destination for citizens.

The initiative seeks to encourage greater engagement in EU capital markets, addressing historically lower participation rates compared to other jurisdictions, such as the United States, despite Europeans maintaining elevated savings rates. Strengthening the Capital Markets Union is crucial for channelling private funding into the economy and facilitating green and digital transitions. The Retail Investment Package incorporates several ambitious measures, including enhancing information provision for retail investors, standardizing cost presentation for transparency, offering clear insights into investment performance, addressing conflicts of interest in product distribution, and many more. This comprehensive approach entails amendments to directives like MiFID II, IDD, UCITS, AIFMD, and Solvency II, coupled with revisions to the PRIIPs Regulation. Overall, the package aims to cultivate an environment conducive to responsible and informed retail investing.

Click here to know more

2. EUROPEAN UNION ADOPTS AND IMPLEMENTS CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

On May 10, 2023, the European Union officially adopted the Carbon Border Adjustment Mechanism (CBAM) through the CBAM Regulation, effective from May 17, 2023, with application beginning on October 1, 2023. This pioneering mechanism is designed to address CO2 emissions at borders, ensuring that the cost of these emissions is accurately incorporated into the prices of products imported into the EU. The fundamental aspects of CBAM, established in the December 2022 Political Agreement, remain intact. The transitional period, lasting until December 31, 2025, entails reporting obligations without the necessity to surrender CBAM certificates. CBAM operates by requiring importers to surrender "CBAM certificates," reflecting the carbon price associated with embedded emissions in covered products entering the EU. This aligns with the EU Emissions Trading Scheme (EU ETS), applying a carbon price to imports equivalent to that for EU-manufactured goods.

Initially proposed to cover cement, electricity, specific fertilizers, and certain iron, steel, and aluminium products, the scope was expanded by the Council and the EP to include hydrogen, precursors, and limited downstream products like screws and bolts. Authorized declarants, responsible for importing covered products, must annually report on direct and indirect embedded emissions, surrendering corresponding CBAM certificates. Penalties for non-compliance will be enforced after the transitional period, covering failures in surrendering CBAM certificates and other obligations. The CBAM Regulation also addresses circumvention practices, targeting changes in trade patterns without due cause or economic justification, including modifications to goods to alter customs classification codes or artificially splitting shipments to avoid CBAM obligations

Click here to know more

ASIA-PACIFIC

1. ASIC REPORT REVEALS INTERVENTIONS AGAINST GREENWASHING ACTIVITIES AND INCREASING ESG REPRESENTATIONS

ASIC (Australian Securities and Investments Commission) has released a short report outlining the 35 interventions it conducted in response to greenwashing activities between July 2022 and March 2023. The report underscores the rising number of environmental, social, and governance (ESG) representations by listed companies, managed funds, and superannuation funds.

The interventions aimed to address potentially misleading disclosures, fostering fair and transparent markets. Actions ranged from securing timely corrections to issuing public infringement notices and initiating civil penalty proceedings. The report provides insights into the nature of the interventions, covering areas such as net zero statements, terms like 'carbon neutral' or 'green,' fund labels, and investment exclusions.

ASIC's efforts focus on ensuring that retail investors and financial consumers receive accurate information, preventing them from being misled by false claims about the environmental credentials of investments and listed companies. With a commitment to ongoing surveillance and investigations in this domain, ASIC anticipates further regulatory action. By disclosing the details and outcomes of these interventions, ASIC aims to enhance transparency and combat greenwashing practices effectively.

Click here to know more

2. HONG KONG MONETARY AUTHORITY PROPOSES GREEN TAXONOMY TO ADVANCE SUSTAINABLE FINANCE GOALS

The Hong Kong Monetary Authority (HKMA) launched a consultation on May 30, to establish its green taxonomy, further solidifying its role as a hub for green finance. This initiative aims to provide a standardized system for categorizing sustainable investments, with a primary focus on climate change mitigation. This encompasses measures aimed at reducing emissions and combating global warming.

The proposed framework is anchored by five core principles. These principles include aligning economic activities with the objectives set out in the Paris Agreement on Climate Change, preventing greenwashing, ensuring compatibility with other taxonomies, adhering to science-based criteria and thresholds, and ensuring that activities do not harm the environment.

Globally, taxonomies are emerging as effective tools to steer investments toward sustainable endeavours. The HKMA's initiative aims to contribute to this global movement by establishing a robust and transparent taxonomy. This will not only promote environmentally friendly economic activities but also safeguards against deceptive greenwashing practices.

This strategic move positions Hong Kong as a proactive participant in the green finance landscape, fostering a climate-resilient and sustainable financial ecosystem.

Click here to know more

JUNE, 2023

EUROPE

1. THE ANNOUNCEMENT OF THE EUROPEAN COMMISSION ABOUT THE CRITERIA FOR NON-CLIMATE OBJECTIVES OF THE EU'S TAXONOMY

The European Commission recently unveiled a proposal aimed at bolstering the foundational elements of the EU sustainable finance framework. This proposal aligns with the EU's transition plans to achieve a climate-neutral and sustainable economy by 2050, presenting new opportunities and incentives for companies and investors to embrace sustainability.

The proposal outlines specific criteria for addressing four non-climate environmental objectives: water and marine protection, circular economy, pollution prevention and biodiversity. In a bid to intensify efforts against climate change and reinforce the taxonomy's core objectives, the Commission has expanded the scope of activities aligned with a climate-neutral environment through various amendments.

The Commission has provided further clarity on these amendments, emphasizing mandatory disclosure requirements for additional activities. Additionally, the Commission has granted financial and non-financial corporations extended timelines to align their operations and activities with the taxonomy's guidelines. These updates and modifications are slated to take effect from January 2024 for the EU Taxonomy.

The proposed sustainable finance package includes a crucial provision for regulating ESG rating providers in Europe. This regulatory oversight is set to be managed by the European Securities and Markets Authority.

Click here to know more

ASIA-PACIFIC

1. PROPOSAL OF THE MONETARY AUTHORITY OF SINGAPORE (MAS) ON AN INDUSTRY CODE OF CONDUCT FOR ESG DATA PRODUCTS AND ESG RATINGS.

On June 28th, the Monetary Authority of Singapore (MAS) introduced a proposal for an industry code of conduct tailored for the ESG rating providers and data providers. This initiative is currently open for public consultation in Singapore till 22nd August. The primary objective of this code of conduct is to maintain minimum standards and enhance transparency in methodologies governance accountability, and conflict of interest management among ESG data and rating providers.

As industries continue to expand rapidly, there is an increasing need for ESG data and rating providers to refine their regulatory approaches. The “Final Report” by the International Organization of Securities Commissions (IOSCO) has highlighted several shortcomings in ESG rating and data products, particularly concerning transparency in data collection methods, governance, and management issues.

The importance of ESG rating and data product providers cannot be overstated for corporations or entities that rely on ESG criteria and compliance information. Aligning with IOSCO’s recommendations for best practices, as outlined in their paper “Call for Action,” this industry code of conduct serves as a pivotal step toward establishing reliable and transparent ESG ratings and data products within Singapore.

Click here to know more

UNITED STATES AND CANADA

1. NATIONAL CLEAN HYDROGEN PLAN AND ROADMAP RELEASES BY THE UNITED STATES.

The United States has released a comprehensive framework for the “National Clean Hydrogen Strategy and Roadmap” aimed at enhancing the storage, delivery, processing and production of clean energy to achieve the net zero emission target. This framework provides a strategy and Roadmap for specifically hydrogen production and transport, with a focus on fulfilling future clean energy demand projections. These forecasts anticipate domestic production of 10 million metric tonnes (MMT) of clean hydrogen by 2030, 20 MMT annually by 2040, and 50 MMT annually by 2050.

The roadmap outlines three primary action plans designed to leverage clean energy like hydrogen as a potent tool for decarbonisation. These actions are categorized into three key aspects:

Promoting High Usage: Strategizing the increased utilization of hydrogen as a clean energy source.

Cost Reduction: Prioritizing affordability through private sector investment, innovation, and ensuring a consistent supply of clean hydrogen.

Regional Connectivity: Emphasizing inclusivity and environmental justice by ensuring equal opportunities across regions.

To enhance the feasibility and effectiveness of this national plan, the U.S. National Clean Hydrogen Strategy and Roadmap welcomes feedback and suggestions from all relevant stakeholders in the hydrogen and clean energy sectors. The draft of this roadmap was released in September 2022.

Click here to know more

2. CANADIAN GOVERNMENT INVESTS AND EXTENDS SUPPORT TO SUSTAINABLE AVIATION TECHNOLOGY

On June 19, the Canadian Government issued a press release outlining its commitment to fostering sustainable and environmentally friendly advancements within the aviation industry. The Ministry of Innovation, Science and Industry has announced an investment of $350 million for leveraging the support of a new initiative for Sustainable Aviation Technology (INSAT). The overarching goal of this initiative is to transition the aviation sector towards a more sustainable and eco-friendly aerospace industry.

Utilizing the Strategic Innovation Fund, the government aims to bolster investment in research and development (R&D) projects and laboratories. These initiatives will foster collaboration with corporations and companies nationwide, thereby strengthening supply chains. Four important aspects have been taken care of in this project which are Hybrid and Alternative propulsion, switching to alternative fuels, system integration and aircraft architecture and support.

Click here to know more

LATIN AMERICA

1. THE CHILEAN GOVERNMENT ISSUED $1 BN FUNDS FOR THE DEVELOPMENT OF GREEN HYDROGEN.

On June 19, 2023, the Chilean government took a decisive step in advancing the green hydrogen sector by earmarking a dedicated fund of USD 1 billion. Named the "Fund for Advancing Green Hydrogen and its By-products in Chile" (hereafter referred the "Fund"), it aims to achieve two primary objectives: Stimulate local demand, thereby fostering a robust domestic consumer market and elevate domestic production capacities to position Chile as a leading exporter of green hydrogen, leveraging its inherent competitive advantages.

The Fund aims to bolster projects linked to green hydrogen (GH2) production and consumption. It will employ strategies to mitigate risks, reduce costs, and facilitate investments in this burgeoning industry. Scheduled to commence operations in the latter half of 2024, the Fund's initial budget of USD 1 billion will be sourced from a blend of loans and contributions from international entities.

Crucially, several international organizations are contributing to this fund, including the Inter-American Development Bank, the World Bank, the German Development Bank, and the European Investment Bank, among others. Their contributions underscore the global acknowledgment of green hydrogen's potential. Overall, the Fund aims to catalyse investments totalling approximately USD 12.5 billion across various sectors associated with the green hydrogen industry, marking a significant stride towards advancing sustainable energy and solidifying Chile's prominence in the green hydrogen market.

Click here to know more

JULY, 2023

EUROPE

1. ADOPTION OF SUSTAINABILITY REPORTING STANDARDS BY THE EUROPEAN COMMISSION

The European Commission has advanced its commitment to fostering a sustainable economy by introducing the “European Sustainability Reporting Standards” (ESRS). These standards are mandated for all companies and corporations aligning with the Corporate Sustainability Reporting Directive (CSRD). The adoption of these standards aligns with the European Union’s overarching goal of promoting sustainable finance.

The ESRS encourages companies and corporations to report their efforts towards a greener environment parallel to narrowing the responsibilities of the companies who are complying with the existing criteria of sustainable operations. These adopted standards include every aspect of environmental, social and governance issues which constitute changing of climate, human rights and biodiversity.

These standards serve to inform investors about a company’s sustainability practices, aiding them in making informed investment decisions. To ensure alignment and avoid duplicative reporting between global standards and EU ESG standards, collaborative discussions are underway with entities like the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI).

The reporting of these standards will commence for a few companies in a phased manner from 2024. The disclosing requirement concerning the standards is made voluntary and provides flexible compliance for information to the company.

Click here to know more

2. EUROPEAN GREEN DEAL: ENHANCED SUSTAINABILITY IN UTILIZING PLANT AND SOIL RESOURCES

The European Commission has introduced a comprehensive package of measures aimed at ensuring sustainable usage of key natural resources while enhancing the resilience of the EU's food systems and farming practices. The initiatives encompass diverse strategies, including a proposed soil monitoring law to promote healthy soils by 2050 and address soil contamination risks. These regulations will consolidate soil data from various sources, empowering farmers with information to improve soil fertility and yields. Innovation and sustainability are at the forefront, with a focus on embracing genomic techniques for climate-resilient crops, reduction of chemical pesticides, and the promotion of sustainable, diverse seeds. The proposal also underscores the necessity to reduce food and textile waste, fostering efficient natural resource utilization and cutting down greenhouse gas emissions from these sectors.

The objective of these measures is to deliver significant and lasting economic, social, health, and environmental benefits. They support individuals whose livelihoods are directly tied to land and nature, contributing to prosperous rural areas, food security, a robust 'bioeconomy', and positioning the EU as a leader in innovation and biodiversity conservation. The proposal includes the first-ever EU legislation on soil health, aiming to achieve healthy EU soils by 2050. The emphasis on new genomic techniques advances sustainable farming and ensures the future of agriculture is adaptive, resilient, and less reliant on harmful chemicals. Overall, these measures are a step towards a more sustainable, environmentally conscious future, promoting judicious use of vital natural resources.

Click here to know more

ASIA

1. SECURITIES MARKET REGULATOR (SEBI) INSINUATES NEW DISCLOSURES RELATED TO ESG FOR MUTUAL FUNDS.

The Securities and Exchange Board of India (SEBI) has introduced new regulations to promote ESG investments within the country. SEBI has established a distinct ESG investment sub-category for mutual funds, enabling them to introduce multiple ESG schemes to investors. These regulations aim to facilitate green financing while minimizing the risk of greenwashing. Asset managers can now introduce various ESG funds that adhere to specific strategies, including Exclusion, Integration, Best-in-class & Positive Screening, Impact investing, Sustainable objectives, and Transition-related investments. These funds are required to allocate at least 80% of their assets under management (AUM) according to the selected ESG strategy, with the remaining assets invested differently. Moreover, a minimum of 65% of AUM must be invested in companies that adhere to comprehensive Business Responsibility and Sustainability Report (BRSR) guidelines introduced in 2021, ensuring accountability in BRSR disclosures.

ESG scheme disclosure mandates encompass clear labelling of the fund's ESG strategy within its name, incorporating BRSR scores into monthly portfolio statements, and indicating the ESG ratings provider. Asset managers for ESG schemes must disclose their voting decisions on resolutions, emphasizing any ESG-influenced rationale behind these choices. Annual reports should elucidate how the ESG strategies were implemented, engagement details with companies, escalation strategy applications, and showcase engagement case studies, including communication modalities and outcomes. Additionally, asset managers must secure independent assurance of ESG scheme alignment with their objectives, with the asset management company's board certifying compliance with regulatory standards. These initiatives are poised to amplify ESG investments in India and elevate transparency within this investment domain.

Click here to know more

2. BRSR CORE: SEBI INTRODUCES COMPREHENSIVE ESG REPORTING FRAMEWORK TO STRENGTHEN CORPORATE SUSTAINABILITY IN INDIA

The Securities and Exchange Board of India (SEBI) has recently introduced the 'Framework for assurance and ESG disclosures for value chain,' marking a significant step towards enhancing the credibility and comprehensiveness of non-financial disclosures. This framework, known as the Business Responsibility and Sustainability Reporting (BRSR) Core, establishes essential requirements for listed companies to disclose assurance and value chain information in phases. This initiative is designed to promote the adoption of sustainability practices across value chains, improve India's reporting landscape, and offer more insightful information on organizations' Environmental, Social, and Governance (ESG) performance. The BRSR Core, a subset of the existing BRSR framework, is a mandatory non-financial reporting requirement for India's top 1000 listed entities by market capitalization. It features quantifiable and outcome-oriented metrics applicable to both service and manufacturing sector companies, ensuring better comparability regardless of size or geographical presence. To maintain global comparability, intensity ratios based on revenue adjusted for purchasing power parity are integrated into the framework.

Within the BRSR Core, Key Performance Indicators (KPIs) are specified under nine ESG attributes, requiring reasonable assurance for the top 150 listed entities in FY 2023-24, extending to the top 1000 entities in FY 2026-27. Additionally, value chain disclosures, covering the top upstream and downstream partners contributing to 75% of a listed entity's purchases/sales, are mandated in the annual report. Value chain disclosures, applicable to the top 250 listed entities from FY 2024-25, aim to offer a holistic view of a company's ESG performance beyond its boundaries. The BRSR framework intends to enhance transparency and combat greenwashing by addressing potential ESG risks in companies' value chains arising from outsourcing activities. Entities subject to these disclosures are required to obtain limited assurance from FY 2025-26 onward, ensuring a comprehensive approach to responsible business practices.

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3. INDIA UNVEILS CARBON CREDIT TRADING SCHEME TO PROPEL NETZERO GOALS AND INSTITUTIONALIZE THE INDIAN CARBON MARKET

India, in pursuit of its NetZero Carbon Remission goal, has collaborated with the Bureau of Energy Efficiency (BEE) to introduce the Carbon Credit Trading Scheme 2023, outlining the operational framework for the Indian Carbon Market. This market-based strategy facilitates pollution control by enabling companies to earn credits through carbon emissions reduction, subsequently tradable on a marketplace. The scheme establishes a National Steering Committee led by the Ministry of Power (MoP) and the Ministry of Environment Forest and Climate Change (MoEFCC), representing other ministries. This committee is tasked with recommending procedures for the

Indian carbon market's institutionalization, establishing greenhouse gas emission targets, and issuing carbon credit certificates. The Bureau, as the administrator, will identify emission reduction potential, set targets for compliant entities, issue carbon credit certificates, and develop market stability mechanisms. It will also formulate accreditation procedures for carbon verification agencies and oversee data submission formats for the Indian carbon market.

The Central Electricity Regulatory Committee, functioning as the regulator, will oversee carbon credit certificate trading, ensuring the interests of both sellers and buyers, regulating trading frequency, and maintaining market oversight. Operating on the 'cap and trade' principle, the scheme imposes a cap on allowable greenhouse gas emissions, reducing it over time. Companies receive emission allowances within this cap, creating a flexible market where allowances can be traded, promoting emission reduction in a cost-effective manner. The compliance mechanism will be determined by the Ministry of Power.

Click here to know more

AUSTRALIA

1. THE COMPETITION REGULATOR OF AUSTRALIA ISSUED DRAFT GUIDANCE FOR ENHANCING THE COMPANIES' ENVIRONMENTAL CLAIMS

The Australian Competition and Consumer Commission (ACCC) has released a draft guidance aimed at enhancing business practices concerning environmental and sustainability claims and it also provides protection cover for consumers from potential greenwashing. This draft addresses consumer concerns, particularly following ACCC's greenwashing internet sweep, where businesses faced allegations of misleading consumers with deceptive environmental assertions. Notably, 57% of advertisements were deemed misleading.

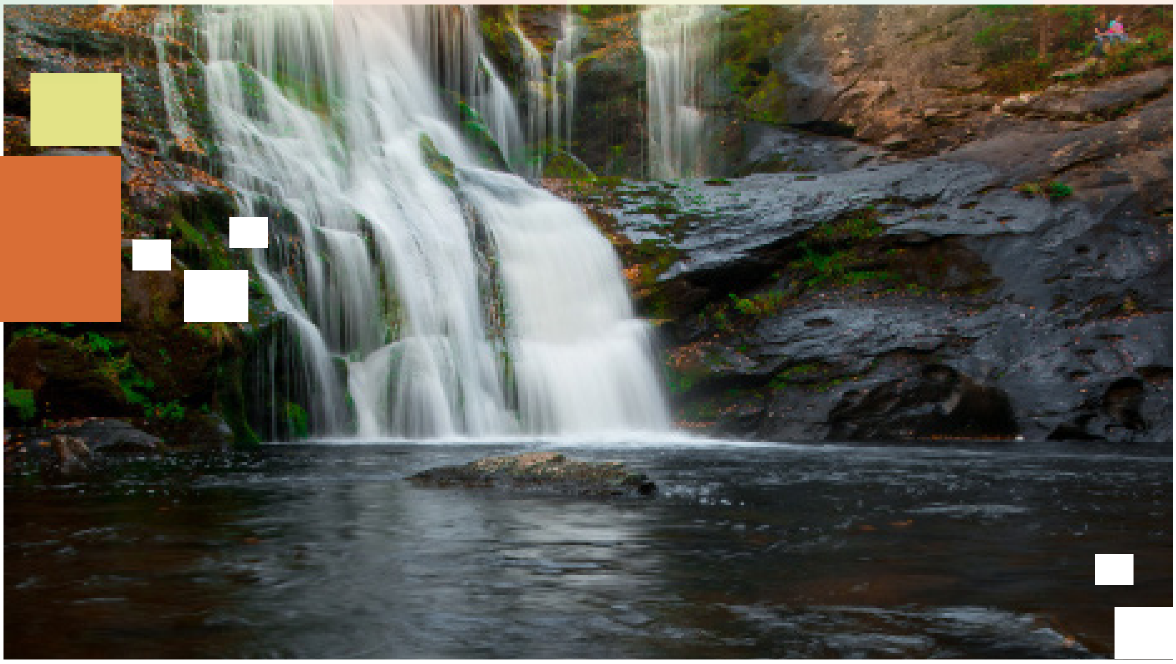
The draft guidance provides foundational principles for businesses, emphasizing truthful environmental claims backed by factual evidence. It discourages misleading visuals and ensures comprehensive information disclosure. A consultation period remains open until September 15, 2023, encouraging feedback from stakeholders, businesses, and consumers. Adherence to these principles ensures compliance with Australian Consumer Law.

Click here to know more

AFRICA

1. THE SOUTH AFRICAN GOVERNMENT INVITES COMMENTS FROM THE STAKEHOLDERS ON RENEWABLE ENERGY PLAN.

From July 17 to July 31, the South African government sought stakeholder feedback on the South African Renewable Energy Masterplan (SAREM). This comprehensive plan charts a strategic course for harnessing South Africa's renewable energy potential, incorporating advancements in battery storage technologies. The SAREM emphasizes six pivotal objectives: stimulating economic growth through renewable energy investment and demand, expanding industrial capacity within the renewable energy value chain, generating employment opportunities across diverse sectors, enhancing workforce skills, fostering technological innovation, promoting inclusivity within the local supplier network, and facilitating a seamless transition from a centralized to a decentralized energy structure, ensuring equitable societal benefits.



AUGUST, 2023

Global

1. IAASB PROPOSES SUSTAINABILITY ASSURANCE STANDARD

The International Auditing and Assurance Standards Board (IAASB) has released a draft of the International Standard on Sustainability Assurance (ISSA) 5000, titled "General Requirements for Sustainability Assurance Engagements." This forthcoming standard places significant emphasis on ensuring the accuracy and reliability of sustainability reporting. Once approved, ISSA 5000 is expected to serve as the most comprehensive sustainability assurance standard accessible to assurance practitioners globally.

The development of ISSA 5000 is a direct response to the recommendations from the International Organization of Securities Commissions and is founded on fundamental principles. It constitutes an inclusive standard applicable to both limited and reasonable assurance engagements concerning sustainability information across a broad range of sustainability areas.

Its design enables alignment with sustainability information prepared using any suitable reporting framework, acknowledging the multitude of existing and emerging international reporting frameworks. To ensure a comprehensive and robust standard, the IAASB has outlined an extensive outreach plan, starting with a series of roundtable discussions set to commence in September, 2023. Furthermore, they intend to actively engage stakeholders through virtual, regional, and national events, often in collaboration with other organizations, throughout the consultation period. The objective is to gather a diverse range of stakeholder perspectives, enhancing the quality of the final standard and instilling trust.

The IAASB is urging all stakeholders to actively participate by providing feedback and comments on the proposed revisions via the IAASB website by December 1, 2023.

Click here to know more

Europe

1. UK HYDROGEN STRATEGY UPDATE: ADVANCEMENTS AND FUTURE PLANS

The UK Hydrogen Strategy has undergone a substantial update, delineating significant progress and future plans for advancing hydrogen production, transportation, and storage. A key highlight was the announcement of a second hydrogen allocation round (HAR2) scheduled later in the year. HAR2 is projected to award contracts of up to 750 MW in 2025, marking a threefold increase from the initial round. A crucial element being developed is the Low Carbon Hydrogen Agreement (LCHA). The final version is expected to be released in Q3 2023, with initial contracts for electrolytic projects anticipated in Q4 2023. The government is keen on expediting contract allocations, planning to transition to annual, price-based competitive allocation post-HAR2. The UK intends to regulate hydrogen pipelines similarly to gas, incentivizing investment. For hydrogen storage, the preference is for 15-year private law revenue support contracts between storage providers and a government-appointed entity.

Strategic planning and regulatory frameworks are also under careful consideration to guide the development of hydrogen infrastructure across the UK. Furthermore, decisions regarding hydrogen blending into gas distribution networks and consultations on hydrogen-to-power market intervention are forthcoming. The government aims to collaborate closely with industry and regulatory bodies to address these concerns and refine business model designs for hydrogen transport and storage infrastructure. Additional consultations and policy decisions are on the horizon, shaping the trajectory of the UK's hydrogen sector.

Click here to know more

ASIA

1. JAPAN INTRODUCES THE INAUGURAL CODE OF CONDUCT FOR ESG EVALUATION AND DATA PROVIDERS.

In response to concerns regarding transparency and fairness, coupled with the increasing influence of organizations in this sector, Japan's Financial Services Agency (FSA) has developed a ground-breaking draft Code of Conduct for ESG Evaluation and Data Providers. Unveiled in July 2022, this pioneering initiative from a national regulator is open to public input until September 5, 2022. This initiative arises from identified challenges and recommendations presented by the FSA's Technical Committee for ESG Evaluation and Data Providers and the FSA's "Report by the Expert Panel on Sustainable Finance". Furthermore, it aligns with the 2021 report from the International Organization of Securities Commissions (IOSCO), highlighting the urgent need for increased focus on ESG ratings and data products.

The primary objective of the draft Code is to ensure consistent and reliable use of ESG evaluation and data across the spectrum of investments. It advocates for ongoing improvements in ESG evaluation and data provision services, emphasizing the importance of flexibility to accommodate future shifts in business models. This principled and voluntary code operates on a 'comply or explain' basis, granting Japanese financial market participants the flexibility to adapt its principles, guidelines, and concepts based on their specific circumstances. Although specific statutory regulations or definitions for ESG evaluation and data providers in Japan are currently absent, the draft Code provides clarity on the scope of these terms. Specialized institutions not directly supplying data to investors are excluded. However, organizations offering ESG data may fall within the draft Code's purview if their service complements corporate data.

Click here to know more

2. INDIA SETS EMISSION LIMITS FOR HYDROGEN TO BE CATEGORIZED AS ENVIRONMENTALLY FRIENDLY.

The government introduced Green Hydrogen guidelines, expanding the definition to include both electrolysis and biomass-based approaches. This marks a significant milestone for the National Green Hydrogen Mission's advancement, as mentioned by the Ministry of New and Renewable Energy. These newly released standards by the ministry delineate the emission benchmarks necessary for hydrogen production to qualify as 'Green,' indicating it's sourced from renewable origins.

The defined scope encompasses methods of hydrogen production involving both electrolysis and biomass, as clarified. Following extensive discussions with various stakeholders, the Ministry of New & Renewable Energy has established a definition of Green Hydrogen, requiring well-to-gate emissions (covering water treatment, electrolysis, gas purification, hydrogen drying, and compression) to be less than or equal to 2 kg CO2 equivalent / kg H2.

Furthermore, the notification outlines that the Ministry of New & Renewable Energy will detail the methodology for measurement, reporting, monitoring, on-site verification, and certification of green hydrogen and its derivatives. Additionally, the Bureau of Energy Efficiency (BEE) under the Ministry of Power will serve as the Nodal Authority, accrediting agencies for monitoring, verification, and certification of Green Hydrogen production projects. The introduction of the Green Hydrogen Standard has brought substantial clarity to the Indian Green Hydrogen community and has been highly anticipated. India has now become one of the early adopters globally to establish a definition for Green Hydrogen.

Click here to know more

UNITED STATES AND CANADA

1. CANADA UNVEILS PROPOSED REGULATIONS FOR A NET-ZERO ELECTRICITY GRID BY 2035

Canadian government introduced proposed Clean Electricity Regulations, aligning with its commitment to decarbonize the country's electricity grid and achieve net-zero emissions by 2035. The regulations follow Prime Minister Justin Trudeau's pledge during the COP26 climate conference in 2021 and Canada's participation in a G7 commitment to predominantly decarbonize electricity sectors by 2035. The goal is to advance climate actions and transition toward electric transportation, heating, and cleaner industries. The regulations set stringent pollution standards for power generation, promoting a technology-neutral approach that allows local decision-makers to determine the most suitable transition pathway to a clean grid.

However, environmental groups criticized the allowances for continued fossil fuel-based power generation and emphasized the need for improvements before finalizing the regulations. Despite this criticism, the proposed regulations represent a move toward achieving 100% zero-emissions electricity by 2035. The regulations aim to achieve emissions reductions of over 340 million tonnes from the electricity generation sector by 2050, providing a foundation for climate actions across various sectors and creating opportunities for clean technology and lower energy costs.

Click here to know more

SEPTEMBER, 2023

GLOBAL

1. TNFD RELEASES FINAL RECOMMENDATIONS FOR NATURE-RELATED FINANCIAL DISCLOSURES

The Taskforce on Nature-related Financial Disclosures (TNFD) has concluded a two-year open innovation process by unveiling its final Recommendations for nature-related risk management and disclosure. These 14 Disclosure Recommendations, designed through extensive global engagement, aim to enhance decision-making for companies and capital providers. Led by 40 Taskforce members representing over US$20 trillion in assets, the TNFD initiative received input from stakeholders in nearly 60 countries. Aligned with the Task Force on Climate-related Financial Disclosures (TCFD), International Sustainability Standards Board (ISSB) standards, and Global Reporting Initiative (GRI) impact materiality approach, the TNFD Recommendations offer a comprehensive framework for nature-related guidance.

The TNFD encourages voluntary market adoption of these Recommendations, anticipating companies to announce their intention to adopt from early 2024. GSK has committed to TNFD disclosures from 2026. This marks a crucial step in standardizing nature-related financial products, fostering transparency and enhancing liquidity.

The Recommendations result from a collaborative approach, involving knowledge partners, TNFD Forum participants, and pilot testing by over 200 companies and financial institutions. National or regional consultation groups worldwide played a vital role in mobilizing market participation.

Click here to know more

EUROPE

1. EC LAUNCHES CONSULTATION ON IMPLEMENTATION OF DISCLOSURE REGULATION

In a focused consultation, the EU Commission suggested a restructuring of product categories within SFDR. The proposal aims to establish precise criteria and formal categories for Article 8 "light green" and Article 9 "dark green" funds to prevent fund mislabelling. Concerns arise over the potential elimination of Article 8 and 9 in favour of a new categorization system, with market participants expressing worries about the impact on transparency.

The proposed changes aim to provide clearer guidelines, align with market practices, and reduce mislabelling, promoting transparent sustainability disclosure. Additionally, including Article 6 funds in disclosure requirements would help reveal the least sustainable assets.

The new SFDR category proposals align with the UK Financial Conduct Authority (FCA) and introduce new types of investment categories. However, the introduction of new categories may pose transitional challenges, uncertainties, compliance costs, and potential innovation stifling. Despite concerns, the demand for consistent and reliable sustainability data is expected to grow. The consultation runs till December 15, 2023.

Click here to know more

2. ADOPTION OF NEW RULES BY EC TO PREVENT MICRO PLASTICS POLLUTION

By 2030, in line with the European Green Deal, the new Circular Economy Action Plan and the Zero Pollution Action Plan, the European Commission has set a target to reduce micro plastics pollution by 30%. It aims to decrease the intentional addition of micro plastics to products such as detergents and cosmetics. Embracing a broader definition of micro plastics, the EC accepts micro plastics as "all synthetic polymer particles below five millimetres that are organic, insoluble and resist degradation." To address the issue of micro plastic pollution and minimize the potential for market fragmentation, the Commission has tasked the European Chemicals Agency (ECHA) with evaluating the risks associated with intentionally adding micro plastics to products.

ECHA's assessment revealed that micro plastics intentionally incorporated into specific products are released into the environment without proper control, leading to a recommendation for their restriction. Building on this, degradable plastics accumulate in animals and are consequently consumed by humans (fish, shellfish etc.) resulting in polluting food chains. Initial measures include a sales ban on microbeads plastics which are being phased out. However, it would take another 4 to 12 years to subject other cosmetics to the rules.

Click here to know more

UNITED STATES AND CANADA

1. CALIFORNIA EMISSIONS DISCLOSURE BILL TO BECOME LAW

The California State Assembly and State Senate have given their approval to the Climate Corporate Accountability Act (CA SB 253). Once enacted, the legislation will mandate large U.S.-based companies operating in California and generating over $1 billion in annual revenue (approximately 5,400 companies) to disclose their greenhouse gas (GHG) emissions, including Scope 3 emissions, following the GHG Protocol. Tech giants such as Apple and Google have expressed their support for the bill, seeing it as a crucial step to inspire other companies to accelerate their efforts toward achieving carbon neutrality.

CA SB3 is part of the broader Climate

Accountability Package introduced by California lawmakers in January 2023. This package also encompasses CA SB 261, requiring corporations with over $500 million in annual revenue conducting business in California to submit annual climate-related financial risk reports (TCFD disclosures) by 2026. In contrast, federal climate policy actions are facing resistance from various stakeholders, resulting in limited progress at the national level.

Know more about CA SB 253 | CA SB 261

ASIA-PACIFIC

1. 6 SOUTHEAST ASIA EXCHANGES AGREE ON GOVERNANCE METRICS FOR LISTED COMPANIES

The Stock Exchange of Thailand (SET) hosted the 36th ASEAN Exchange CEOs Meeting on September 8, 2023. This meeting brought together Bursa Malaysia, Indonesia Stock Exchange, Philippines Stock Exchange, Singapore Exchange Group, Vietnam Exchange, and SET to develop a set of core sustainability metrics aligned with international standards. The leaders discussed initiatives to enhance environmental, social, and governance (ESG) collaboration, aiming to elevate ASEAN stock markets and promote sustainable investments.

During the meeting, the CEOs acknowledged the potential of market connectivity opportunities through depository receipts cooperation. They are exploring ways to enhance products and regional promotion. SET President Pakorn Peetathawatchai highlighted the collaborative efforts of the ASEAN Exchanges to elevate the region's capital markets, focusing on sustainability, interconnected products, and expanded investment opportunities.

Pakorn emphasized the commitment of ASEAN Exchanges to establish the region as an attractive investment opportunity. He noted the significance of ESG issues in investment decisions and the common ESG metrics as a guide for companies to reach international investors and facilitate capital flows into the region.

At the meeting, the ASEAN Exchanges agreed on 10 Governance (G) metrics to complement previously announced Environment (E) and Social (S) metrics. These core metrics aim to provide a common foundation for member stock exchanges to drive sustainability among listed companies. The initiative encourages consistent ESG information disclosure on material topics and supports sustainable investment across the region, aligning with global trends.

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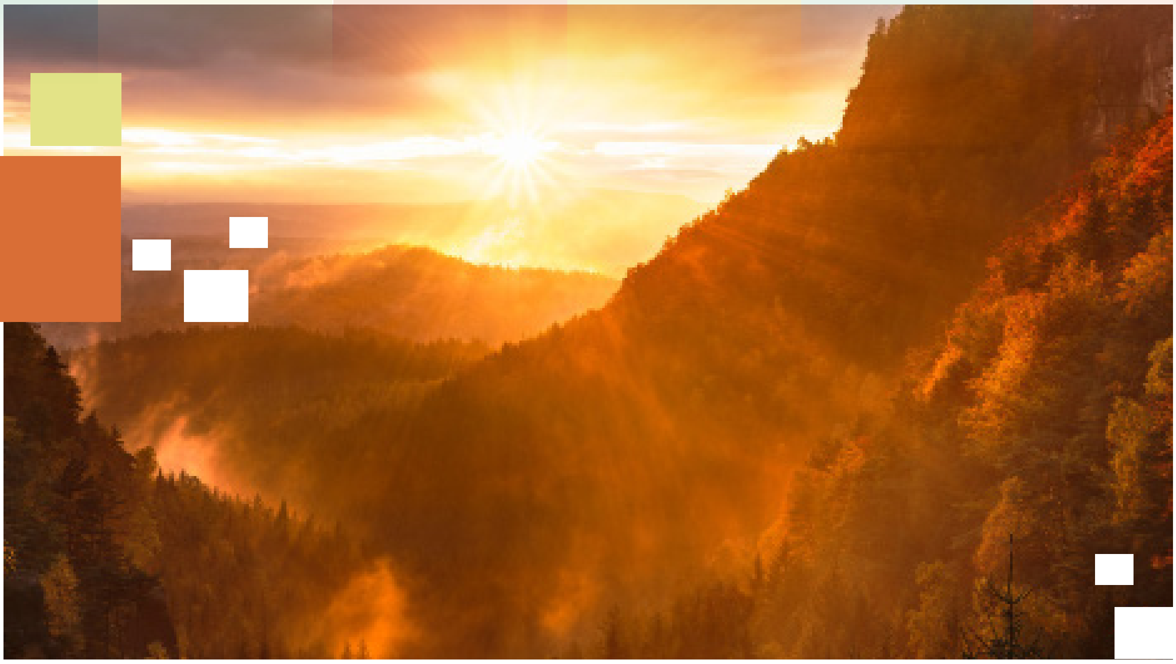

OCTOBER, 2023

EUROPE

1. EC ADOPTS REGULATIONS FOR EU GREEN BOARD STANDARD

On October 5, the European Parliament approved a new voluntary standard for the utilization of a "European green bond" label, aimed at preventing greenwashing. The standard mandates that companies using the label for marketing a green bond must disclose substantial information regarding the bond's utilization of proceeds. Companies are also required to outline how the bond aligns with their transition plans.

This standard is in harmony with the EU taxonomy, serving as a dictionary defining sustainable activities. Issuers must demonstrate that a minimum of 85% of the funds raised by a European green bond finances projects in accordance with the taxonomy. The remaining 15% can be allocated to other economic activities, provided the issuer clearly articulates the investment's objective. The regulation also establishes a registration system and supervisory framework for external reviewers of European green bonds.

The Council of the EU, composed of government ministers from the 27 EU member states, endorsed the standard on October 24. It will become effective 20 days after publication in the EU's Official Journal and will be applicable to issuers 12 months thereafter.

Click here to know more

2. EC LAUNCHES PLAN TO ACCELERATE WIND POWER DEVELOPMENT

On October 24, the European Commission unveiled a strategy to support the wind power sector, with the goal of assisting the bloc in achieving its renewable energy objectives. The Commission outlined plans to help member states in expediting the implementation of recently adopted permitting provisions through a new initiative named "Accele-RES," which involves the digitalization of national permitting processes.

Additionally, it pledged to facilitate access to EU financing via its innovation fund and proposed doubling the fund's budget for supporting clean technology manufacturing projects to €1.4 billion. The Commission also intends to collaborate with member states to enhance the structure of wind power project auctions, incorporating "objective and non-discriminatory" pre-qualification criteria, such as those related to business conduct, cybersecurity, and project delivery.

Despite adding 16 GW of new wind capacity in 2022, marking a 47% increase from 2021, the EU fell short of the annual target of 37 GW required to achieve the bloc's 2030 renewables goal. The EU aims for a minimum of 42.5% renewable energy by 2030.

Click here to know more

ASIA PACIFIC

1. AUSTRALIA - PROPOSED IFRS CLIMATE REPORTING STANDARDS RELEASED.

The Australian Sustainability Reporting Standards (ASRS), which encompass the preliminary versions ASRS 1 and ASRS 2, are established on the foundation of ISSB standards. The Australian Accounting Standards Board has utilized the ISSB's IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures as a reference point. However, adjustments or modifications to the ISSB standards might be made to align with the specific needs of Australian stakeholders and the legislative and regulatory framework in Australia. The primary goal of the ASRS is to establish a framework for sustainability reporting in Australia, with a particular emphasis on disclosures related to climate and finance. Striking a careful balance between ensuring compatibility with ISSB standards and accommodating local considerations and requirements is crucial. The ASRS welcomes comments till 1st March 2024.

Click here to know more

2. SINGAPORE ESTABLISHES ELIGIBILITY REQUIREMENTS FOR GLOBAL CARBON CREDITS.

The Ministry of Sustainability and the Environment (MSE) and the National Environment Agency (NEA) have established the Eligibility Criteria within the International Carbon Credit (ICC) Framework. Introduced in November 2022, the ICC Framework coincides with the gradual escalation of the carbon tax rate under the Carbon Pricing (Amendment) Bill. The current rate of $5 per tonne of emissions is set to increase to $25 per tonne in 2024 and 2025, and further to $45 per tonne in 2026 and beyond. Under this framework, carbon tax-liable companies can utilize eligible ICCs to offset up to five percent of their taxable emissions starting from January 1, 2024.

The ICC Framework supports the advancement of carbon markets by facilitating the matching of demand and supply for high-quality carbon credits. Companies can explore alternative pathways for decarbonisation, particularly for challenging emissions, while contributing financial resources to global projects focused on emissions reduction or removal. Aligned with Article 6 of the Paris Agreement, the ICC Framework enables Singapore to collaborate with other nations in supporting mutual climate targets. Effective international cooperation, particularly through carbon markets, plays a crucial role in Singapore's pursuit of achieving net-zero emissions by 2050, considering its national circumstances as a country with limited domestic mitigation potential and challenges in alternative energy.

Click here to know more

UNITED STATES AND CANADA

1. USA - BANK REGULATORS PUBLISH GUIDELINES IN CLIMATE-RISK MANAGEMENT FOR FINANCIAL INSTITUTIONS

On October 24, federal bank regulators in the United States issued a set of guidelines for financial institutions with total consolidated assets exceeding $100 billion to navigate climate-related financial risk exposures. The Federal Reserve, Federal Deposit Insurance Corp., and Office of the Comptroller of the Currency clarified that these principles are intended to assist boards and management of financial institutions in integrating climate-related financial risks into their risk management processes. They offer guidance on the role of boards and management in handling climate-related risks, covering areas such as governance, policies, procedures, limits, strategic planning, risk management, data, risk measurement, reporting, and scenario analysis. The principles also provide insight into addressing climate-related financial risks across credit, liquidity, other financial risks, operational, legal, compliance, and other non financial risks.

Click here to know more

LATIN AMERICA AND THE CARIBBEAN

1. BRAZIL - NEW GLOBAL SUSTAINABILITY DISCLOSURE STANDARDS ADOPTED

The Ministry of Finance in Brazil, along with securities regulator, Comissão de Valores Mobiliários (CVM), has announced the country's decision to adopt two sustainability disclosure standards set by the ISSB. Companies will have the option to voluntarily adopt these standards starting in 2024, with mandatory implementation becoming effective on January 1, 2026. Authorities emphasized that these standards have the potential to strengthen Brazilian capital markets by improving transparency and ensuring consistency and comparability of information related to sustainability risks and opportunities. Additionally, they noted that adherence to these standards could enhance the ability of Brazilian companies to attract capital and global investment. In doing so, Brazil has become the 1st country in the world to adopt financial information reports related to sustainability.

Click here to know more

NOVEMBER, 2023

EUROPE

1. EU REACHES MILESTONE AGREEMENT TO CURB METHANE EMISSIONS

The European Commission has welcomed a provisional agreement between the European Parliament and Council on a new EU Regulation to reduce methane emissions in the energy sector both within Europe and in global supply chains. Methane is a potent greenhouse gas and a significant contributor to climate change and air pollution. The agreement is seen as crucial for achieving the European Green Deal's goal of reducing net greenhouse gas emissions by at least 55% by 2030. It will require the fossil gas, oil, and coal industry to accurately measure, monitor, report, and verify their methane emissions according to the highest standards, as well as take action to reduce them. This development comes just before the upcoming COP28, where the EU will continue engaging with international partners on methane emission reduction.

The Regulation aims to prevent the release of methane into the atmosphere and minimize leaks from fossil energy companies operating in the EU. It mandates regular reporting of methane emissions, surveys to detect and repair leaks, and restrictions on venting and flaring. Additionally, it requires inventory and mitigation plans for closed assets like wells and mines. The Regulation also addresses methane emissions from imported oil, gas, and coal by establishing a transparency database, creating methane performance profiles for countries and companies, and implementing a global monitoring tool and rapid alert mechanism.

Starting in January 2027, new import contracts for oil, gas, and coal must meet the same monitoring, reporting, and verification standards as those for EU producers. These transparency measures will inform the EU's dialogues with global energy partners, supporting efforts to achieve methane emission reduction targets set under the Global Methane Pledge.

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2. EU LEGISLATORS COME TO AGREEMENT ON NEW ENVIRONMENTAL CRIME LAW

On November 16, the European Commission welcomed a preliminary agreement between the European Parliament and the Council on a directive aimed at enhancing environmental protection through criminal law. Proposed in December 2021, the directive seeks to strengthen law enforcement and support the objectives of the European Green Deal by targeting serious environmental offences with significant impacts on the environment and human health. Once enacted, the directive will require EU Member States to refine their criminal laws, providing clearer definitions of environmental offences and imposing effective deterrents against offenders. The goal is to ensure that serious environmental violations do not go unpunished, thereby discouraging pollution and environmental damage and safeguarding nature for future generations.

The directive mandates that breach of environmental obligations, such as illegal trade and handling of chemicals or mercury, and illegal ship recycling, be treated as criminal offences across all EU Member States. It also calls for consistent sanctions for both individuals and companies involved in these activities, with fines for companies set at a minimum of 5% of their global turnover or €40 million. Moreover, the directive emphasizes the importance of reporting environmental crimes and cooperating with authorities, offering supportive measures for those who assist in criminal investigations. It also requires national authorities to develop strategic approaches and provide adequate resources, training, and tools for law enforcement agencies, prosecutors, and judges.

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US AND CANADA

1. US FEDERAL INSURANCE OFFICE TO COLLECT DATA FROM INSURERS TO ASSESS CLIMATE-RELATED FINANCIAL RISKS

On November 1, the Federal Insurance Office (FIO) of the US Department of the Treasury announced its intention to gather information from insurers to evaluate climate-related financial risks impacting consumers nationwide. The largest insurers, responsible for 70% of homeowner's insurance premiums across the country, will be requested to furnish data on their home insurance policies at the zip-code level. The FIO emphasized that this data is crucial for comprehending the effects of climate-related financial risks on the population, particularly in light of decisions by certain insurers to withdraw from specific markets and substantially increase premiums in various states. In 2022, insurance covered only 60% of the $165 billion in total economic losses resulting from climate-related disasters, according to the FIO. If approved, the collection of data would commence in 2024.

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ASIA-PACIFIC

1. AUSTRALIA LAYS OUT PLANS FOR SUSTAINABLE FINANCE TAXONOMY

Australia has unveiled plans for the creation of its sustainable finance taxonomy, a framework outlining sustainable activities, as outlined in a new sustainable finance strategy released on November 2. The taxonomy will be in harmony with those in other jurisdictions and will initially focus on climate objectives, with intentions to broaden its scope to include other sustainability goals such as nature and circularity in the economy. Adhering to the “do no significant harm” principle, the taxonomy ensures that progress in one objective does not come at the expense of another.

The government aims to ensure that markets have access to reliable, comparable information on climate and sustainability to provide investors and companies with confidence and clarity while managing climate-related risks. The consultation paper outlines three key priority areas: enhancing transparency on climate and sustainability, strengthening financial system capabilities, and advancing Australia’s leadership and engagement on sustainability. It proposes various tools and policies, building on existing efforts such as standardized mandatory climate disclosure requirements and a sovereign green bond program.

The paper seeks feedback on several proposals, including the development of a labelling system for sustainable investment products, the establishment of a sustainable finance taxonomy with permanent governance, improved disclosure of corporate transition plans, addressing data-related challenges for financial system companies and investors, and enhancing Australia’s international engagement on sustainable finance.

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2. CHINA PUBLISHES PLANS TO LIMIT METHANE EMISSIONS.

The People’s Republic of China released its Methane Emissions Control Action Plan, outlining measures to regulate methane emissions across various sectors, including agriculture, oil and gas, coal, waste, and wastewater treatment. Methane, a potent greenhouse gas with a significant impact on global warming, accounts for 10.4% of China’s total greenhouse gas emissions, with energy and agricultural activities being the main sources. The plan outlines specific targets and measures to reduce methane emissions and enhance methane utilization by 2025.

In the oil and gas extraction sector, the plan aims to increase the collection of coal bed gas, which contains methane, for utilization to 6 billion cubic meters by 2025. Livestock farming, another major source of methane emissions, is targeted for improvements in dung disposal. The plan encourages the construction of anaerobic digesters to capture methane from manure and promote closed systems for dung disposal. It also incentivizes the use of methane for heating and power generation. The goal is to have at least 80% of livestock dung utilized by 2025, increasing to over 85% by 2030. In waste and wastewater treatment, efforts will concentrate on waste reduction, landfill gas recovery, and achieving a 60% resource utilization rate for urban household waste by 2025 and also aiming for a harmless disposal rate of over 90% for urban sludge by the same year.

To ensure effective methane emission control, the plan emphasizes coordinated pollutant control and the development of an integrated governance system. It also focuses on strengthening monitoring, reporting, and verification systems for methane emissions, including data collection, analysis, and evaluation to improve data quality. Lu Xinming, deputy director of the Ministry of Ecology and Environment’s department of climate change affairs, highlighted the plan’s focus on bolstering monitoring and data quality to effectively reduce methane emissions.

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DECEMBER, 2023

GLOBAL

1. COP28

The COP28 climate meeting concluded on Change to December 13, delivering key outcomes that underscored the urgent need to transition away from fossil fuels and reduce methane emissions. Among the notable achievements were the operationalization of the Loss and Damage Fund and the establishment of a framework for the global goal on adaptation. Nevertheless, COP28 did not fully meet expectations in accelerating immediate and ambitious climate actions.

COP28 was viewed as a crucial juncture to ensure that global efforts align with the objective of limiting warming to 1.5 degrees Celsius. Central to the agenda was the comprehensive Global Stocktake (GST), designed to evaluate global progress against climate change and identify necessary additional measures. Held against the backdrop of record-breaking global warming in 2023, the conference aimed to galvanize ambitious climate actions, particularly leading up to 2030.

The outcomes emphasized the need for countries to commit to transitioning away from fossil fuels. However, concerns emerged regarding the absence of specific timelines and targets for this transition. A positive development was the focus on tripling global installed renewable energy capacity and doubling energy efficiency improvements, potentially reducing emissions by approximately 7 billion tonnes of carbon dioxide equivalent by 2030.

The establishment of the Loss and Damage Fund, supported by commitments nearing US$800 million, aimed to provide vital financial assistance to countries grappling with climate-induced disasters. Additionally, COP28 endorsed a framework for the Global Goal on Adaptation, addressing critical areas such as water scarcity, climate-resilient food production, and health impacts. Nonetheless, the current adaptation agreement lacks concrete financial provisions and necessitates ongoing enhancement efforts.

Despite making significant progress, COP28 raised concerns about the absence of specific timelines for fossil fuel phase-out commitments and highlighted the imperative for stronger measures to effectively achieve the 1.5-degree Celsius target, especially in the short term.

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2. ISSB'S GLOBAL IMPACT: ENHANCING SASB STANDARDS FOR INTERNATIONAL APPLICABILITY

On December 19, 2023, the International Sustainability Standards Board (ISSB) announced amendments to the Sustainability Accounting Standards Board (SASB) standards, signaling a significant step toward bolstering their international relevance. The SASB standards are instrumental in guiding the implementation and adherence to the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information by preparers. Through these amendments, the ISSB endeavours to ensure the continued effectiveness of SASB standards for entities globally, while maintaining industry-specific nuances and without altering core topics or metrics.

In a thorough review, the ISSB revised a total of 192 non-climate metrics from the SASB Standards, eliminating 17 and introducing seven new ones. This nuanced approach seeks to harmonize international alignment while preserving familiar reporting methodologies. Crucially, these amendments retain the standards' focus on industry-specific metrics, enhancing their adaptability to varied reporting needs. To assist entities accustomed to the SASB standards, the ISSB has slated the effective date for these changes for annual reporting periods commencing on or after January 1, 2025, with provisions for early adoption. This timeline underscores the ISSB's dedication to facilitating a smooth transition for preparers, ensuring they have adequate time to integrate the revised standards into their reporting frameworks.

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EUROPE

1. THE EUROPEAN COUNCIL AND PARLIAMENT REACH AN AGREEMENT ON THE CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD).

The Corporate Sustainability Due Diligence Directive (CSDDD), finalized on December 14, 2023, mandates companies to identify, address, and prevent actual and potential negative impacts on human rights and the environment arising from their operations, subsidiaries, and business partners. The directive necessitates companies to incorporate due diligence into their risk management policies and formulate plans to align their business models and strategies with the Paris Agreement.

The scope of CSDDD applies to large EU companies boasting over 500 employees and a net worldwide turnover exceeding €150 million. Additionally, it encompasses non-EU companies with a net turnover surpassing €150 million generated within the EU. Notably, despite contentious negotiations, the financial sector remains excluded from the directive's purview. Nevertheless, a review clause has been incorporated to potentially broaden its scope in the future, subject to a "sufficient impact assessment."

CSDDD delineates several penalties for non compliance, including fines of up to 5% of global turnover. Adherence to the directive might serve as a prerequisite for securing public contracts and concessions. Moreover, entities impacted by adverse effects, such as trade unions and NGOs, possess the right to file claims up to five years subsequent to the impact occurrence.

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2. EU REACHES MILESTONE AGREEMENT: DECARBONIZING GAS MARKET AND PAVING THE WAY FOR A HYDROGEN ECONOMY

The European Commission welcomes the provisional agreement reached between the European Parliament and Council on revised EU regulations aimed at decarbonizing the gas market and fostering a hydrogen market. These regulations strive to promote the uptake of renewable and low-carbon gases, notably hydrogen, while ensuring energy security and affordability for EU citizens. This initiative resonates with the EU's overarching goal of achieving climate neutrality by 2050, facilitating emission reductions in sectors with high pollution levels and bolstering the competitiveness of European industries. Notably, the agreement, while excluding the financial sector, underscores the importance of strategic planning for a decarbonized gas sector, aligning national network development plans with integrated scenarios encompassing electricity, gas, and hydrogen.

The framework facilitates the integration of renewable and low-carbon gases by offering incentives such as discounts on cross-border and injection tariffs and establishing a robust certification system. It introduces a phased approach to hydrogen market design, encompassing access provisions, segregation of production and transport functions, and tariff regulation. For effective governance, the agreement establishes the European Network of Network Operators for Hydrogen (ENNOH). Moreover, the revised regulations bolster energy security by implementing default solidarity measures to safeguard vulnerable consumers and fortifying crisis management protocols. Addressing evolving cybersecurity challenges, the Commission is empowered to formulate specific regulatory measures. Overall, this agreement amplifies the EU's energy independence, aligns with climate objectives, and propels a greener and more sustainable European gas market.

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3. EU'S NEW ECO-DESIGN FRAMEWORK: PIONEERING SUSTAINABLE PRODUCT STANDARDS AND CONSUMER TRANSPARENCY

The European Union (EU) has rolled out a new "Eco-design" framework designed to elevate sustainable products as the market standard. This regulatory framework encompasses rules applicable to nearly all products marketed within the EU, thereby furnishing consumers with augmented information regarding a product's sustainability credentials. Motivated by escalating concerns surrounding waste generation, biodiversity depletion, water scarcity, and the pronounced environmental footprint of product design, the EU aims to catalyse the transition to a circular economy. This entails designing products that prioritize energy and resource efficiency, aligning with consumer aspirations for transparent information to inform their purchasing choices.

The Eco-design framework delineates sustainability benchmarks across multiple sectors, encompassing facets such as product longevity, reusability, reparability, energy efficiency, resource utilization, recycled content, remanufacturing, and carbon footprint mitigation. By 2030, these initiatives are projected to curtail natural gas consumption by 150 billion cubic meters and achieve a 10% reduction in annual energy consumption.

Supplementing these provisions, the framework introduces the innovative concept of a “Digital Product Passport.” This digital tool offers easily accessible insights into a product’s environmental sustainability by scanning an integrated data carrier. Information encompassed within this passport encompasses product durability, reparability metrics, recycled content details, spare parts availability, among other pertinent attributes. This initiative aims to empower consumers and enterprises to make enlightened decisions concerning purchases, repairs, and recycling endeavours, while facilitating regulatory oversight for public authorities.

The genesis of the Eco-design framework traces back four years to the inception of the European Green Deal. Following extensive public consultations and roadmap development spanning September 2020 to June 2022, and subsequent stakeholder engagements from January to May 2023, the EU has formally adopted these regulations. Companies are granted a two-year transition period to align with the stipulated requirements.

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