THE CLIMATE BOARD

TCB Digest for Executives

February 1st, 2024

Welcome to the 15th edition of our Digest for Executives – a summary of key climate-related events, publications, and insights for cross-functional corporate leaders. As it's the first edition of 2024, we invite you to preview the research TCB has planned for this year and take a look back at the work we published in 2023 – linked here.

The first month into the new year, and the World Economic Forum has already taken place. The New York Times declared climate was on the "back burner" at Davos, despite the attendance of John Kerry and Sam Altman's enthusiasm for carbon-capture technology, as WEF attendees focused more on artificial intelligence and U.S. political developments. However, the risk report released by the WEF showed respondents were very concerned about the impact from an intense El Niño weather cycle this year.

Like the Davos set, financial-services companies continue to face a backlash; the Wall Street Journal started the year with an overview of fund companies abandoning the ESG acronym. Meanwhile, Politico provides a guide for key U.S. court cases that could frustrate energy-industry regulators this year.

Finally, the U.S. greenhouse-gas emissions figure is in for 2023. While emissions dropped 1.9% as coal plants were phased out, replaced by renewables, this pace is not rapid enough to meet the nation's 2030 goal.

Government & Regulatory Updates

- Legal Cases to Watch in 2024 (E&E News by Politico, January 2) - The Supreme Court may overturn its 1984 Chevron ruling, which has directed courts to defer to agencies' interpretations of ambiguous statutes. This would give courts greater power to overturn regulations and administrative actions on environmental and energy issues, as an increasingly conservative judiciary grows more hostile to such regulation. For example, the Court will hear a case brought by electric utilities challenging a Federal Energy Regulatory Commission interpretation that required a Montana utility to purchase solar power. If Chevron deference ends, courts would have much freer rein to decide critical administrative law cases as they wish instead of deferring to agency expertise, potentially blocking Biden administration climate and clean energy efforts.
- Members of EU Parliament Adopt New Laws Banning Greenwashing and Misleading Product Information (European Parliament, January 17) – This directive will add greenwashing to the EU's list of banned commercial practices, including the use of vague claims such as "environmentally friendly" and "natural" with no verification. It will also ban corporates from claiming carbon neutrality or reduction reliant on carbon offsetting. After it receives final approval from the Council, member states will have two years to implement the directive as law.

- Denmark Announces Alliance on Green Fuels in India (The Economic Times, January 8) – This initiative involves nine Danish companies, including shipping giant Maersk, and will focus on advancing India's green hydrogen sector. India aims to become a global hub for green hydrogen, targeting the fuel as a key component of its aspirations to achieve Net Zero by 2070.

Corporate & Disclosure Updates

- What Are the Top Sustainability Trends for 2024? (Economist Impact, January 8) - Experts predict scrutiny will shift from data reporting to actual delivery of emissions reductions and nature-positive impacts. Corporate leaders across sectors will need to rapidly build capacity to move from high-level net zero commitments to detailed, time-bound transition plans, back up their sustainability claims with high-quality, assured data, and face growing stakeholder demands to show their environmental policies translating into real-word change.
- The Latest Dirty Word in Corporate America: ESG (The Wall Street Journal, January 9) - Some business leaders are starting to consciously avoid the term "ESG" by rebranding corporate reports with terms such as "responsible business;" money managers are closing ESG funds that are declining in popularity. The WSJ said this pivot does not necessarily mean companies are ramping down environmental, social, and governance efforts; it may simply mean that companies are setting and achieving the same goals as before but seek less publicity amid the perceived stigma and political scrutiny that the ESG acronym generates in some quarters.
- How Google is Using AI to Help One U.S. City Reduce Traffic and Emissions (CBS News, January 4) – Seattle is the first U.S. city to try Project Green Light, which aims to optimize traffic-light timing to reduce frustrating stop-and-go traffic and vehicle emissions – the largest source of U.S. greenhouse gases. Google says early results show the system can cut intersection emissions by 10% with quick, free changes that can be easily implemented by city engineers. As Google looks to rapidly expand the initiative to more cities, the project demonstrates the potential for artificial intelligence and big data to cost-effectively tackle sustainability pain points relevant to both municipal leaders and corporates with large vehicle fleets.

Climate Updates

- Buying Home and Auto Insurance is Becoming Impossible (The Wall Street Journal, January 8) - Climate change is affecting insurance pricing and availability in many U.S. states as environmental impacts make it harder for insurance companies to measure risks and push higher premiums to cushion the higher potential of losses. Some insurance companies have stopped writing policies in states particularly vulnerable to climate-change impacts: Nationwide Mutual says it won't renew policies for homes in hurricane-prone areas of North Carolina, and State Farm stopped writing new home-insurance policies in California.
- U.S. Carbon Emissions Fell in 2023 as Coal Use Tumbled to New Lows (New York Times, January 10) - U.S. greenhouse gas emissions dropped 1.9% in 2023, in large part due to coal burning reaching its lowest level in 50 years. Electric utilities shuttered over a dozen large coal-burning power plants and replaced them with

natural gas, wind, and solar power plants. Although America's emissions have been trending downwards since 2005, the decline in emissions is not fast enough to reach the country's goals of 50% below 2005 levels by 2030, and the transportation sector – the U.S.'s largest contributor to greenhouse gases – increased its emissions by 1.6% even with the increase of electric vehicle sales.

Publications

- The World Economic Forum's Global Risks Report 2024 (World Economic Forum, 10 January): The organizer of the Davos conference released a survey indicating that 63% of respondents have a "stormy or turbulent" outlook for the next 10 years. In the near term, extreme weather tops the list of concerns for 2024, with 66% citing risks from an intensifying El Niño cycle. Other top threats include AI-enabled misinformation polarizing societies (53%) and escalating political divisions (46%). As social and environmental risks converge with technological change, business leaders will face pressure to bolster organizational resilience. Firms should stress-test operations and supply chains, combat misinformation, bridge political divides and accelerate sustainability efforts. With global cooperation fraying, companies will also need to drive progress locally while bracing for global shocks.
- Net Zero Investor's Trustee Network Roundtable on Nature Positive Investments and Natural Capital This debate among five trustees highlighted the significant capital needed to transition agriculture and timber production to more sustainable models, given high break-even costs for technologies like precision irrigation. While natural capital investments offer inflation hedging and economic diversification, near-term market volatility has pension funds focused on liquidity over new allocations. Still, some see a 2- to 3-year window to revisit these investments as strategies that offer both return potential as well as benefits for the climate and natural world. With 2% average allocations to date, leaders predict growth as sustainability disclosure requirements increase. Ultimately, corporations will need to support transformation across forest, farm and food supply chains to mitigate risks, realize related opportunities and meet net zero commitments.
  Nuveen, the asset manager that convened the roundtable, argues that natural capital investments like timberland and farmland offer corporations strong diversification and inflation hedging to enhance portfolio resilience, given 30-year data showing favorable risk-adjusted returns and low correlation to stocks and bonds. As global population growth drives up resource demand while climate change constrains supplies, these assets also allow firms to meet sustainability goals around forest conservation, soil health, and carbon removal. With over $11 trillion now committed to net zero transitions, natural capital's extremely low emissions intensity per dollar invested makes strategic allocations ever more compelling, it said.

- **More Must-Reads**
- Financial Times, January 10 – Artificial Intelligence Starts to Show Promise as Tool to Shift Mountain of Sustainability Research
- Reuters, January 11 – Maersk to Use Rail for Some Vessels to Bypass Panama Canal
- Bloomberg Law, January 17 – New Hampshire GOP Officials Seek to Make Using ESG a Crime
- Financial Times, January 18 – BlackRock Stresses Financial Strength Over ESG in Company Calls

- The New York Times, January 18 – Davos Puts Climate on the Back Burner

Thank you,
The TCB Team

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