THE CLIMATE BOARD

TCB Digest for Executives

July 17th, 2023

Welcome to the 5th edition of The Climate Board's Digest for Executives – a summary of key climate-related events, publication activities, and other insights for cross-functional corporate leaders.

Recent TCB insights can be found here.

TCB's Key Takeaways from these events and publications can be found below the fold.

Regulatory/Disclosure Updates:

– Biden-Harris Administration Progress on Made-in-America National Network of Electric Vehicle Chargers (June 27) - The National Renewable Energy Laboratory found, in the 2030 National Charging Network study, that the U.S. is poised to install a network of 1.2 million public chargers by 2030 to keep up with the rapidly growing demand for electric vehicles. President Biden highlighted that almost $24 billion has already been committed for public charging infrastructure through 2030.
– Council of the EU Political Agreement – Farm Sustainability Data Network (June 29) - the Council and the Parliament reached a conditional political agreement on the Farm Sustainability Data Network regulation with a goal to improve the sustainability of the EU's food systems through enhanced data collection processes. This regulation would allow for the collection of environmental and social data to aid in the European Green New Deal's farming sustainability objectives.

Industry Relevant Events

– U.S. House Financial Services Committee Roundtable on Empowering Shareholders and Stakeholders and the Importance of ESG Disclosures (July 12) - The Committee hosted a roundtable with experts Ms. Brooke Lierman (Maryland Comptroller), Professor Shiva Rajgopal (Columbia Business School), Ben Cushing (Sierra Club Campaign Director), and Bhakti Mirchandani (Managing Director, Responsible Investing, Trinity Church Wall Street) to discuss the importance of empowering shareholders and stakeholders to engage with companies they invest in on ESG disclosures.
– English High Court Rejects Climate Case Against Energy Company Board (July 7) - The High Court declined to formulate a duty regarding climate, giving boards extensive discretion to incorporate climate as one of many decision-making risks. This decision reinforces the English courts' well-established reserved approach with regards to interfering in company management, including on matters of climate change.

– Learning Sessions to Inform New York's Development of an Economy-Wide Cap-and-Invest Program – Session 1: Lessons from California's Cap-and-Trade Program (July 6) -

Georgetown Climate Center, Columbia's Sabin Center for Climate Change Law, and Resources for the Future sponsored a panel to discuss California's cap-and-trade program and consider paths forward for new programs in New York state.

Publications

- Harvard Business Review: The Evolving Role of Chief Sustainability Officers (July) - This article suggests four major changes to the CSO role with greater focus on cross-functional and broader stakeholder engagement in order to capture how sustainability aids in value creation. Specifically, it suggests that sustainability professionals should have more engagement in strategy and capital allocation, and input into communications with investors, and employees throughout an organization, including boards and senior leadership teams.
- WSJ Opinion: Florida's New Law Helps Investors Consider Real ESG (July 12). Robert Eccles, professor, self-identified Democrat, and founding chairman of the Sustainability Accounting Standards Board (SASB), expresses his support for Florida's recent law limiting activism within the ESG movement.
- Citi Primer on Voluntary Carbon Markets (VCM) (July) - Citi released a report overviewing the voluntary carbon market, which began evolving after the Kyoto Protocol. The report emphasized the urgent need for tools to reduce the $1.7 trillion gap in climate finance and suggested expanding the VCM, including a wider set of credits.

More must-reads

- Fidelity International (June 26) – Mind the gap: Companies need to spend much more on net zero.
- PWC (July) – The new sustainability mandate.
- Bloomberg (July 5) - First Somali Reforestation Carbon-Credit Plan Supported by UN.
- Morningstar (July 5) - 2023 Proxy-Voting Season: Volume of Climate Resolutions Stays High.
- Diligent (June 27) - Large U.S. Public Companies are Voluntarily Reporting on Scope 3 Emissions.

Key Takeaways

Georgetown Climate Center: Lessons from California's Cap-and-Trade Program

- In order to build an effective program, New York should follow and build upon California's model.

Rajinder Sahota: Deputy Executive Officer for Climate Change and Research at the California Air Resources Board (CARB)

- California's cap-and-trade program was adopted in 2012, and regulation has been amended eight times since passage.
- The passage of AB 32, the California Global Warming Solutions Act of 2006, said that California had to return to 1990 GHG emissions levels by 2020; this goal was achieved 6 years early.

- The cap-and-trade program covers approximately 80% of the state's emissions sources, including about 450 entities. This coverage focuses on large industrial sources, and applies to electricity importers, natural gas suppliers, and transportation suppliers.
- When considering a new program, ensure that priority populations are taken into account; update scoping plans periodically to fine-tune existing regulations; approach the design as an overall system, and do not isolate specific parts of that system.

Katelyn Roedner Sutter: California State Director for the Environmental Defense Fund

- California has reduced its emissions and its economy has continued to grow.
- California has largely protected ratepayers from increased costs by returning revenue from the program to reduce utility bills.
- New York now has an opportunity to build on California's success – reducing emissions not only to help fight the climate crisis on a global basis, but to specifically help communities in the state that have disproportionately been impacted by air pollution. This can be achieved by identifying the most impacted communities, identifying the sources contributing to the impacts, and then limiting those sources' compliance flexibility to ensure emissions decline as fast as the overall cap.
- California's program demonstrates that allowance price containment, reserve output, based direct allocation and limited banking are far better cost-containment strategies than a price ceiling.

Dallas Burtraw: Darius Gaskins Senior Fellow at Resources for the Future

- The planning process that happened in California can be rapidly expedited in New York.
- New York should use the revenue from consigned allowances to encourage customers to use clean forms of electricity rather than set an expectation of less electricity usage.

Thank you,
The TCB Team

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