



TCB Digest for Executives

November 22nd, 2023

Welcome to the 12th edition of The Climate Board's Digest for Executives - a summary of key climate-related events, publications, and insights for cross-functional corporate leaders.

As the world ramps up for the COP28, kicking off November 30th in the United Arab Emirates, we invite you to revisit our [summary of New York Climate Week](#), whose themes we expect will stay in focus at COP28. In this edition of the digest, we note the importance of the conference's "Global Stocktake" - assessing progress made since the Paris Agreement was signed - and how the U.S. plans to advocate mass adoption of nuclear power. In preparation for this key climate conference, and during a time of heightened geopolitical tension, the Biden administration has been busy.

As the U.S. President met his Chinese counterpart, their climate envoys also gathered in California. The "Sunnylands Statement" saw the U.S. and China agree to ramp up renewables. For the first time, China will [address methane emissions](#) and include non-carbon-dioxide greenhouse gases in its next climate plan, though the deal stopped short of requiring China to stop building new coal plants. David Sandalow, formerly of the Clinton and Obama administrations, [told the New York Times](#) that the statement would "lay the foundation for negotiations in Dubai."

[The Treasury and the IRS issued proposed rules](#) governing tax credits for renewables - nitty-gritty guidance aimed at more clarity for the large investment decisions the Biden Administration wants to see made as a result of the Inflation Reduction Act.

The U.S. also released its Fifth National Climate Assessment (NCA5), which was a mix of good and bad news and launched an [interactive atlas](#) for browsing climate-related projections by state or county. Renewables and declining coal use have helped decrease emissions, but that hasn't been enough to meet national or international goals, and all Americans should expect to feel more effects of climate change in their daily lives.

Finally, we note that the continued [drought-related disruptions](#) to the Panama Canal are resulting in cost increases for global business in real time: one of the world's major shipping firms is adding a "Panama Adjustment Factor" from next year.

Regulatory & Government Updates

- [Biden-Harris Administration Releases Fifth National Climate Assessment](#) (NCA5, November 14) - This publication, also known as NCA5, assesses the national impacts of climate change and progress on climate action. It highlighted the encouraging fact that U.S. greenhouse gas emissions decreased by 12% between 2005 and 2019

due to the decline of coal and rise of renewables. However, NCA5 described most of these efforts as “incremental,” and that “more transformative adaptation” is necessary to address climate change. The White House’s [press release](#) on NCA5 unveiled \$6 billion allocated to bolstering the electric grid - both for resilience against disasters and increasing capacity to handle renewable energy - and protecting communities from climate change impacts. (Read the New York Times’ analysis [here](#).)

- [Sunnylands Statement on Enhancing Cooperation to Address the Climate Crisis](#) (U.S. Department of State, November 14) - The U.S. and China pledged to accelerate bilateral cooperation across energy, forests, methane emissions, plastic pollution and more. The nations said they are “committed to working with each other” at COP28 for consensus on action regarding the Global Stocktake, which assesses progress on the Paris Agreement’s commitment to limit the global temperature increase to 1.5C-2C.
- [U.S., U.K. Lead Pledge to Triple Nuclear Power by 2050 at COP28](#) (Bloomberg, November 14) - This declaration, which will likely be signed by six nations including South Korea, Finland, Sweden and France, will call on the World Bank to include nuclear in its lending policies and be followed by an international commitment to improve nuclear technologies. The pledge, which is scheduled to be signed on Dec. 1 in Dubai, is the “latest sign of shifting sentiment” towards a sometimes-controversial technology, Bloomberg News writes.
- [Treasury, IRS Propose New Rules to Drive Clean-Energy Investments](#) (Treasury, November 17) - The proposed new regulations apply to investment tax credits for renewable-energy projects and co-located batteries. [An analysis by Norton Rose Fulbright](#) called this “the first wholesale rewrite of investment tax credit regulations in 42 years,” and said it addressed a number of market participants’ questions about such tax credits, while leaving others unanswered.

Corporate & Disclosure Updates

- [Electric Vehicle Battery Prices are Falling Faster Than Expected](#) (Goldman Sachs, November 1) - The Wall Street firm’s analysts expect EV battery costs to fall 40% from 2022 levels by 2025, helped by lower prices for raw materials like nickel, cobalt and lithium. The declining expense of a battery pack would cut the cost of producing an EV with a 50-100 kWh pack by \$3300-\$6600 per vehicle. Separately, [the New York Times released a podcast](#) examining the results of the Biden Administration’s EV incentives.
- [Unilever CEO Signals Radical Shift in Sustainability Agenda](#) (GreenBiz, November 6) - The consumer goods giant named Hein Schumacher as its CEO this year, replacing Alan Jope. GreenBiz argues that the new CEO’s shift from aspirational sustainability goals to a more business-driven approach has major implications. While the company will embed sustainability into performance metrics, it must demonstrate clear business value. Schumacher also told investors that [Unilever would stop “force fitting” purpose](#) to all of its brands, according to Marketing Week.
- [European Financial Reporting Advisory Group \(EFRAG\) and CDP Announce Cooperation to Drive Market Uptake of European Sustainability Report Standards](#) (CDP, November 8) - CDP, the charity formerly known as the Carbon Disclosure

Project, will work to align with the European Sustainability Reporting Standards (ESRS); EFRAG will provide guidance in this endeavor. CDP is used by companies accounting for almost 90% of European stock-market value, and this collaboration will see those firms offered detailed guidance to support their reporting of ESRS data points. The move aims to raise the bar for quality disclosure across sectors and underscores how seriously markets are beginning to take rigorous, mandatory sustainability reporting.

- [PepsiCo Sued by New York State for Plastic Pollution](#) (BBC, November 16) - The world's second-largest food company was accused of contaminating the Buffalo River and harming wildlife. The state government claims that Pepsi failed to warn the public regarding the risks of plastic packaging and has put out deceptive statements about its efforts to reduce plastic pollution, breaking state laws.
- [France's CMA CGM Becomes First Major Shipping Line to Impose Panama Canal Surcharge](#) (CMA CGM, November 21) Drought in Central America has forced canal authorities to reduce the number of vessels transiting the waterway. CMA CGM will be imposing a "Panama Adjustment Factor" from Jan. 1. See the IMF report in the following section for more on the disruptions.

Publications

- [Benchmarks for Success for COP28](#) (World Resources Institute, November 2) - COP28 will feature the first global progress "[stocktake](#)" since the signing of the Paris Agreement. This article argues that the success of COP28 depends on how the summit addresses the Global Stocktake synthesis [report](#), published in September, and names specific goals that must be met at COP28 - including signaling the end of the fossil-fuel era and fully operationalizing the [Loss and Damage Fund](#). It also argues that countries attending COP28 must also show how they are carrying out their past pledges and preparing even stronger pledges for 2025.
- [In a U.S. First, a Commercial Plant Starts Pulling Carbon From the Air](#) (New York Times, November 9) - Heirloom has developed a technology that accelerates the process of direct air capture, which can help curb emissions in heavy industry. However, the challenge lies in finding enough clean power for this energy-intensive process. While direct air capture is currently expensive, advancements and government incentives may make it a more viable option in the future.
- [Climate Change is Disrupting Global Trade](#) (International Monetary Fund, November 15). With low water levels in the Panama Canal set to continue, the IMF and Oxford University launched [PortWatch](#), which simulates spillovers from port closures and provides climate scenario analysis.
- [Wall Street's ESG Craze is Fading](#) (The Wall Street Journal, November 19) - After years of embracing sustainable investment, investors pulled over \$14 billion from sustainable funds in 2023. The potential reasons include higher interest rates, more stringent regulatory oversight, and the politicized rhetoric surrounding ESG.

More Must-Reads

- Department of Energy, October 30 - [Biden-Harris Administration Announces \\$1.3 Billion for Nation's Electric Transmission](#)

- New York Times, November 1 - [Offshore Wind Firm Cancels New Jersey Projects as Industry's Prospects Dim](#)
- FoodNavigator Europe, November 2 - [Unilever Unearths Regenerative Agriculture Findings for Knorr and Hellmann's](#)
- IPE, November 7 - [Ex-BlackRock Research Head: ESG's 'Biggest Sin' is Conflating Finance, Impact and Ethics](#)
- BBC, November 13 - [Why Polar Bears are No Longer the Poster Image of Climate Change](#)

Key Takeaways: Panel on U.S. Securities and Exchange Commission's Climate Disclosure Rule (Columbia University, Nov. 13)

- The panel of Columbia academics was moderated by Professor Steven A. Cohen, the former executive director of the university's Earth Institute. It also discussed upcoming regulations in California.
- Private companies in CA will be required to report Scope 1 and Scope 2 emissions in 2026. Scope 3 emissions reporting will be required in 2027.
 - One question that is being discussed: "How much business in CA is enough for the requirement to apply to a company?"
- [AB 1305](#) in California aims to reduce greenwashing by requiring entities to report certain information on the voluntary carbon offsets they market, sell, purchase, or use, including those used to achieve reduced or net zero emissions.
 - AB 1305 also requires disclosure of other environmental marketing claims made without VCOs, including claims of net zero, carbon neutrality, or significant emissions reductions. It Starts in January 2024.
 - Likely to result in less interest in participating in carbon market, panelists say
 - Due to the upcoming regulations from California and the SEC, there is an expectation that large companies will report less in the short term to avoid inconsistencies with future and 10K reporting; future auditing burdens will demand a greater emphasis on accuracy, versus the current environment of voluntary and private ESG reports
- Federal Acquisition Regulation: Companies with large federal contracts will be required to disclose emissions. Those awarded federal contracts over \$50 million will be required to make a Science Based Target.
- Established service providers like the "Big 4" accounting firms are entering the climate reporting market.
- If the US does not improve transparency in climate reporting for capital markets, it's likely to fall behind the EU and parts of Asia, panelists say

**Thank you,
The TCB Team**



THE CLIMATE BOARD

CORPORATE SUSTAINABILITY MADE REAL.

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