

TCB Digest for Executives

June 26th, 2023

Welcome to the 4th 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.

For recent TCB insights see [here](#). And mark your calendar on July 7th when [Sara Boettiger](#) joins us for the first in our [Sustainability Effectiveness](#) webinars to discuss 'Integrating Sustainability into Business Decision-making' - attendees will have the opportunity to ask questions live. Sign up for the webinar series [here](#).

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

Regulatory/Disclosure Updates:

- [Investigation into Major Insurance Companies' Climate Risk Evaluation, Fossil Fuel Support](#) (June 9) - The U.S. Senate Budget Committee launched an investigation into AIG, Berkshire Hathaway, Chubb, Liberty Mutual, Starr, State Farm, and Travelers, seeking disclosures on how they evaluate climate-related risks and support fossil fuel expansion projects.
- [European Commission Sustainable Finance package](#) (June 13) - The EU's sustainable finance package expanded the EU Taxonomy to include economic activities contributing to climate change in the manufacturing and transport sectors. ESG rating providers will now be required to be authorized and supervised by the European Securities and Markets Authority (ESMA).
- [Biden-Harris Administration Investments for Community Climate Resilience](#) (June 20) - President Biden highlighted three important investments during his California tour: a recently launched \$575 million Climate Resilience Regional Challenge, a \$2.3 billion investment to bolster grid resilience, and a new White House Summit on building climate-resilient communities.
- [Pending EU Legislation - Nature Restoration Law](#) (June 20) - Aiming to protect ecosystem services, this proposal, which is expected to receive a final vote in July, would put in place recovery measures covering 20% of EU sea and land areas by 2030, expanding to all ecosystems in need of restoration by 2050.
- [U.S. Congressional Hearing on the EPA's Emission Standards for Vehicle Models Year 2027 and Later](#) (June 21) - The EPA is reviewing proposals until July 5th for new GHG emission standards on light-duty, medium-duty, and heavy-duty vehicles manufactured after 2027. It is speculated that the rules could include a target for 67% of auto sales to be electric by 2032.
- [International Sustainability Standards Board \(ISSB\) Inaugural Global Sustainability Disclosure Standards](#) (June 26) - On June 26th, the ISSB issued the IFRS S1 and S2 climate-

related disclosure standards, creating a common framework to be used by both investors and companies. TCFD recommendations were used incorporated standards.

- [CDP Corporate Environmental Action Tracker](#) (June) CDP has introduced a tool that provides access to aggregated environmental data for companies, capital markets, and civil society to make informed decisions and track corporate progress on disclosed commitments starting from 2019.

Industry Events

- [BloombergNEF: Munich Summit](#) (June 13) - This summit brought together leaders in energy from across Europe to discuss the decarbonization of steel, petrochemicals, and transportation, battery manufacturing, and Europe's response to the IRA.
- [EnerKnol: New York Energy Week](#) (June 21-22) - This webinar brought together leading industry players to explore energy finance, solar technology advancements, and climate risks.

Publications

- [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) (June 8) - The OECD published recommendations for multinational enterprises to make positive environmental, economic, and social contributions. Focus areas include the environment, human rights, science and technology, and disclosure.
- [CGEP and ITS UC Davis: Low-Carbon Fuels for Aviation and Maritime Transport Summary](#) (June 21) - This publication summarizes two roundtable discussions, one in New York and one in Brussels, in which decarbonization pathways for aviation and maritime transport were examined.
- [RMI: The Renewable Revolution](#) (June) - This report highlights the technological innovations that have facilitated the economic feasibility of renewable energy generation, China's dominant presence in the renewables space, and the important considerations for the coming decade.

More must-reads

- Nasdaq (May) - [ESG & Climate Survey](#).
 - Columbia Center on Sustainable Investment (June) - [Finance for Zero: Redefining Financial-Sector Action to Achieve Global Climate Goals](#).
 - Harvard Business Review (June) - [The Evolving Role of Chief Sustainability Officers](#).
 - London School of Economics (Working Paper) - [Impacts of Climate Litigation on Firm Value](#).
-

Key Takeaways

Bloomberg NEF Summit Munich

Your Move Europe: Answering the US IRA

- The IRA's simplicity was a wake-up call. It was an investment disguised as a subsidy.
- Europe has ~\$1 trillion available through the Innovation Fund, Horizon Fund, Next Generation EU etc., but these pools of money form a black box, providing no transparency as to why money is awarded to certain projects.
- The EU is at a disadvantage compared to the US and China because it has no tax credit competence (does not have the right to tax member states) and has to deal with fragmented and illiquid capital markets.

The Elusive Green Premium: Pricing Clean Steel

- High demand has made clean steel manufacturers profitable despite a large steel green premium.
- Consumer green products (such as automotive and white goods) as well as construction, where there are green quotes and procurement producers that require green steel, have driven demand.
- To reach SBTi targets, contracts for green steel need to be arranged now, but supply is not ready to meet demand and likely won't be through 2030.
- There is hesitation that CBAM can level the playing field in the next decade, given how long the policy takes to come into play. There is a call to remove the free allocation of emission allowance free allocation for non-green steel players.

Europe's Energy Crisis Shifted Amid Unprecedented Gas Demand Response

- The European energy transition is a matter of reducing dependency just as much as it is a matter of reducing emissions.
- Public procurement, which is an estimated [14% of the EU's GDP](#), can drive innovative increases in energy efficiency.
- Ultimately, project pipelines can connect supply with demand.

Executive Interview: The Journey to Become a Net-Zero Emissions Carmaker w/ [Thomas Becker](#), Head of Sustainability at BMW Group

- In 1973, when BMW hired its first sustainability leader, the question was about factory cleanliness. Now there is a debate about the entire supply chain and footprint of an automobile.
- There are both alternates and lower CO2 versions for each of the four main materials in an automobile (steel, rubber, plastic, and aluminum), creating eight 'boxes' to examine.
- Complex materials that were introduced to reduce weight are now being brought into question.
- The limited number of EV cars currently being driven makes 'circular' batteries difficult.
- Circularity is easier to communicate to consumers because it is easy to understand the positive impact of less waste, as opposed to emission reductions - which are hard to visualize.
- Efforts towards circularity in BMW have inspired employees, who understand the need for the transition.

Europe's Battery Industry Is at a Crossroads: Can It Go Green and Stay Onshore?

- "We will have to wake up early," said [Hege Norheim](#), FREYR, a company launching a battery manufacturing facility in Norway.
- There is a current shortage of talent but belief among panelists that Europe will wake up from the IRA alarm bell.
- With more automation, labor constraints in Europe are expected to become less of a factor.

Solving for Circular and Net Zero: Petrochemicals Decarbonization

- There is a need for a drop-in solution that connects two ends of a supply chain that have historically operated independently.
- Without CO2 certificates, bioplastics will not be noticed. Currently, there are no industry-wide scientific frameworks for measuring the sustainability of bioplastics.
- In the United States, one needs to fill out a single page form vs. 20,000 pages in the EU.

Rebuilding Europe's Steel Sector

- In Europe, hydrogen is a clear winner over CCS.

- India and China may focus on CCS to decarbonize steel due to industry being closer to the beginning of investment cycles.
- Technological concerns and energy constraints are making green steel projects difficult to finance. Offtake agreements are key to attract capital.
- One challenge is that the presence of hydrogen infrastructure is often out of the control of a steel manufacturer.
- CCS requires a lot of space that is not always available on site/nearby, particularly in Europe.

LSE: Impacts of Climate Litigation on Firm Value

- Comprehensive analysis of effect of 108 lawsuits on stock prices of publicly traded corporations.
- Lawsuits had a measurable negative impact on the stock prices of “Carbon Major” firms (comprised of the 90 largest carbon emitters, almost all energy producers) – prices declined by roughly -.57% on the filing of a lawsuit, and by -1.50% after an unfavorable ruling. Lawsuits had no measurable impact on firms other than Carbon Majors.
- Lawsuits and litigation risk related to climate steadily have increased over the last decade.

**Thank you,
The TCB Team**



June 26th, 2023