THE CLIMATE BOARD

TCB Digest for Executives

March 27th, 2024

Welcome to the 17th edition of our Digest for Executives – a summary of key climate-related events, publications, and insights for cross-functional corporate leaders.

Since our last edition, the US Securities and Exchange Commission (SEC) finally released long-awaited rules on climate disclosure – and they were substantially watered down from Gary Gensler's original proposals in 2022, removing a requirement that would have seen emissions scrutiny extended to corporate supply chains. Even with this weakened disclosure burden, the rules are already facing a significant backlash from certain states and, most recently, a federal appeals court. *(Read our March 11 blog post about the new rules here.)*

Echoing some of these dynamics, the European Council recently approved the Corporate Sustainability Due Diligence Directive (CSDDD) after numerous delays – but not before the final version was watered down in the wake of German opposition.

TCB stands ready to assist its members in navigating the next steps on engagement with regulations on both sides of the Atlantic.

We also note that BlackRock suffered another asset withdrawal from a Texas pension fund and Shell scaled back its climate targets. As the "attack on ESG" remains a theme in 2024, especially in the run-up to the US election, we will shortly release a dedicated blog post focusing on how companies should navigate the "ESG backlash"; stay tuned.

Government & Regulatory Updates

- SEC Adopts Rules to Enhance and Standardize Climate-Related Disclosures for Investors (US Securities and Exchange Commission, March 6) - The final regulation will require some large companies to disclose Scope 1 and 2 emissions as well as the business risks and potential costs of natural disasters - but will not require disclosure of Scope 3 emissions. The rules are set to take effect in 2026, but legal challenges are likely to push this date further into the future. Less than two weeks after the rules were released by the SEC, they were temporarily halted by the federal Fifth Circuit Court of Appeals. Furthermore, many individual states are also suing the SEC.
- After Delays, EU Approves Corporate Sustainability Due Diligence Law (Forbes, March 15) – The CSDDD introduces a legal liability perspective for environmental impacts and human rights. The requirements apply both to a firm's direct actions and its supply chain (Scope 3). The CSDDD has been heavily watered down from its original version and now applies only to larger entities (e.g. companies with 1,000 employees, versus the original 500) and fewer activities covering only specific parts of the value chain. The CSDDD will now go to the EU Parliament for approval. *(TCB members can see the comprehensive policy memo on the CSDDD here. If you're not a TCB member and interested in the report, we invite you to contact us at the above link.)*

- Biden Administration Announces Rules Aimed at Expanding Electric Vehicles (The New York Times, March 20) – In a step aiming to make the majority of new car sales hybrid or all-electric by the 2030s, the Environmental Protection Agency released a new rule limiting the amount of pollution permitted from car tailpipes over time. If these limits are met by 2032, the U.S. may avoid more than seven billion tons of carbon emissions. (Transportation is the largest source of carbon emissions in the US.)

Corporate & Disclosure Updates

- Net-Zero Banking Alliance Members Vote to Reinforce Guidelines for Climate Target Setting (United Nations, March 13) - The NZBA, a group of banks committed to net zero greenhouse gas emissions by 2050, is updating its climate commitment to include capital markets activities – i.e., these firms will need to disclose how they plan to cut emissions related to clients they underwrite bond and stock sales for. This is one of the most significant exposures to emissions for many banks. The updated NZBA guidelines also clarify technical language and reinforce the banks' commitments to net zero, including interim targets by 2030.
- AT&T Agrees to Purchase Carbon Credits from Occidental's 1PointFive (Reuters, March 13) – The telecom giant's move aims to help meet its goal of global carbon neutrality by 2035. AT&T will purchase the credits from a direct air capture facility currently under construction; it will be able to capture up to 500,000 metric tons of carbon dioxide once the facility is completed.
- Google Committed to Contract $35 Million of Carbon Removal Credits Over Next 12 Months (ESG Today, March 14) – Along similar lines to AT&T, Google announced a commitment to purchase at least $35 million of carbon removal credits over the next year. The tech firm was the first company to join an initiative by the U.S. Department of Energy to help scale the carbon removal market by funding technology in the sector.
  Read TCB's report regarding the carbon market here (authored in conjunction with VCMI).
- Shell Weakens 2030 Carbon Emissions Reduction Target (Reuters, March 14) - Pointing to expectations that natural-gas demand will remain high and the energy transition will be unpredictable, Shell weakened its 2030 target for reduction of net carbon intensity of energy products and abandoned its goal of reducing carbon intensity by 45% as of 2035. The leader of an environmental activist group accused the energy major of betting on the "failure of the Paris Climate Agreement." At the same time, Shell affirmed its plan to achieve net zero by 2050 and added a new "ambition" to cut overall emissions from oil products sold to customers by 15-20% by 2030 (compared to 2021 levels).
- Texas School Fund Pulls $8.5 Billion Investment from BlackRock (Bloomberg, March 19) – In the latest anti-ESG broadside to hit the asset-management giant, Texas is divesting $8.5 billion from BlackRock, citing the need to comply with a 2021 law that limits investments with companies that participate in "boycotts" of the fossil-fuel industry. (BlackRock asserts that it is not a part of any boycott.) In December, the company was sued by Tennessee and subpoenaed by the House of Representatives over its ESG strategy.

Climate Updates

- Biden's Climate Law Has Created a Growing Market for Green Tax Credits (The New York Times, March 19) - New data from the Treasury Department indicates that the Inflation Reduction Act (IRA) has created a large market for clean-energy tax credits. Over 500 companies have registered a total of 45,500 new clean-energy projects across all 50 states and the District of Columbia to benefit from these tax breaks. The IRA aims to incentivize production and deployment of emissions-reduction technologies. The NYT says that the IRA's incentives have reduced the cost of American production of solar panels, making them more competitive against Chinese-made rivals.
- UN Weather Agency Issues 'Red Alert' on Climate Change After Record Heat, Ice-Melt Increases in 2023 (Associated Press, March 19) - The World Meteorological Organization (WMO) stated that there is a "high probability" that 2024 will be another year of record-high heat. The WMO also reported that the 12-month period from March 2023 to February 2024 pushed beyond the 1.5-degree (Celsius) base limit of the Paris Agreement – and that the first month 2024 was the hottest January on record. In our view, reports such as this highlight the continued need for bolstering corporate sustainability practices and strengthening environmental commitments.

More Must-Reads

- ESG Today, February 28 – Singapore to Introduce Mandatory Climate Reporting Beginning 2025
- MIT Technology Review, February 29 – Why Concerns Over the Sustainability of Carbon Removal are Growing
- Jones Day, March 11 - UK Financial Conduct Authority Publishes Sustainability Disclosure Requirements and Investment Labels
- Science Based Targets Initiative, March 13 - Minor Revisions to the SBTi Corporate Net-Zero Standard
- Axios, March 17 – Cherry Blossoms Hitting Earlier Peaks Due to Climate Change, Scientists Warn
- ESG Today, March 18 – Oracle Launches New Sustainability Data Tracking and Reporting Solution
- Ropes & Gray, March 18 – Court Stays SEC Climate Rules – Does This Change Anything for SEC Filers?
- Bloomberg Law, March 18 – SEC Climate Critics Keep Up Pressure Despite Weakening of Rules

Thank you,
The TCB Team

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