

SECTORAL

UPDATES

JUN 2021



ESG

ESG Fund Assets Hit Record \$1.4 Trillion in Europe Last Year

Bloomberg Quint, 16th June 2021

Europe, a global sustainability leaders managed to hit another milestone as it witnesses a record inflow into ESG funds valuing \$1.4 trillion. Investors believe that it will be beneficial in the long term, hence prioritizing sustainability goals over financial returns in the short run.

Total sustainable assets have doubled since 2018 according to the Association of the Luxembourg Fund Industry (ALFI), with 11% of the total asset under management being sustainable in Europe. The deputy director-general at ALFI, Marc-Andre Bechet, mentioned that the large investors, pension funds and institutional investors will not consider mainstream funds in the next one or two years. This remark indicates a strong climate-centric approach within the investor community and will bring in more funds in the sustainability area.

<https://www.bloombergquint.com/markets/european-esg-funds-hit-record-1-4-trillion-in-assets-last-year>

FSC mandates ESG-related data disclosure from 2022

Taipei Times, 17th June 2021

Following the need for climate disclosures, and to improve investor confidence and transparency, the Taiwanese Financial Supervisory Commission (FSC) made it mandatory for all listed companies to disclose climate-related data. Last year, disclosures were voluntarily, however, since not many did, FSC has now made these disclosures mandatory.

Disclosures must include data around three themes; (a) carbon emissions, (b) water use, and (c) waste management. The FSC also requires that the disclosures are specific, as this information will be vital to measure companies' ESG performance. Adding to this, FSC also plans to bring disclosure regulations and guidelines for ESG themed funds, with combined AUM of US\$4.3 billion.

Global watchdog to tackle greenwashing with ESG rating guidance

Al Jazeera, 23rd June 2021

Greenwashing and inconsistency in climate-related data are major challenges for investors. Especially different ESG ratings by various providers create confusion as there is no clear definition or outline on the methodology used, raising questions around reliability and relevance. IOSCO will work on providing recommendations and guidance to deal with a potential conflict of interest.

IOSCO also wants asset managers to disclose meaningful climate-related considerations into their risk management. Along with IFRS, it also aims to write mandatory global standards for company disclosures on climate change. These efforts are to avoid conflicts and the creation of more noise in the system, Ashley Alder, Chair of the IOSCO body said.

<https://www.aljazeera.com/economy/2021/6/23/global-watchdog-tackles-greenwashing-with-esg-ratings-guidance>

Asia's ESG bond issuances hit record \$69 bln this year, no let-up seen

Reuters, 8th June 2021

ESG bonds issuances in the Asia-Pacific more than doubled, hitting a record \$69 billion, with issuances from governments, businesses and other institutions (excluding Japan) outpacing US issuers. Refinitiv data shows that green bonds made up 70% of the issuance, making them the most popular, with sustainability-linked bonds tailing at 20%.

Asian governments and financial institutions are starting to take climate-related issues more seriously, with reports that banks are beefing up their internal teams to meet the ESG-bond demand. However, despite this progress, greenwashing remains a significant risk for the Asian-Pacific market. To this end, financial regulators in Hong Kong and Singapore are also implementing compliance and disclosure laws to protect investors and bring transparency to the markets.

<https://www.reuters.com/business/sustainable-business/asias-esg-bond-issuances-hit-record-69-bln-this-year-no-let-up-seen-2021-06-07/>

House passes ESG, climate disclosure rules for public companies

Roll Call, 16th June 2021

The US House of Representatives passed landmark legislation which would now require public companies to report on ESG metrics and link between ESG and long-term business performance. The package would require public companies to report on industry-specific climate data, including direct and indirect GHG emissions and assets linked to fossil fuels.

This information would help shareholders hold companies accountable for their ESG performance and protect against climate risk. This package would ensure companies report on climate risks, political spending, executive compensation and taxation rates.

Market regulator, the Securities and Exchange Commission (SEC) is also weighing transparency laws on climate risk, diversity of the board and other issues related to the workforce. This package would aid in shaping the regulator's ESG and climate risk disclosure laws and bring more transparency to the American market.

<https://www.rollcall.com/2021/06/16/house-passes-esg-climate-disclosure-rules-for-public-companies/>





SUSTAINABLE FINANCE

BOJ to launch new scheme for fighting climate change, keeps policy steady

Reuters, 21st June 2021

The Japanese central bank (BOJ) expressed a need to address climate risks as it may have a devastating medium- and long-term impact on its economic activity and prices. A committee has been set up to tackle climate-related financial risks and address severe climate change-related issues. The new climate initiative was unveiled at the monetary policy meeting by Japan's Central Bank (BOJ) on 18th June 2021. The objective is to provide financial assistance to financial institutions making efforts to tackle climate change. This will help boost investments and financing towards energy transition projects and decarbonizing technologies.

<https://www.reuters.com/world/asia-pacific/boj-may-extend-pandemic-relief-scheme-keep-stimulus-intact-2021-06-17/>

New finance to drive African renewable energy

ReNews, 16th June 2021

A new partnership has been announced between Rockefeller Foundation (RF) and the International Finance Group (IFC) to support the development of renewable energy in Sub-Saharan Africa. It aims to invest \$150 million of RF's catalytic capital finance to mobilize private sector investment into the sector up to \$2 billion.

The partnership will focus on investing in high-impact projects with an initial deployment of \$30 million in blended concessional finance and grant capital. As per immediate opportunity identified, funds will be deployed in Sub-Sahara African countries as a priority. IFC and RF are both committed to raising finance for energy transition projects to stress the importance of global energy access needs.

<https://renews.biz/70343/new-finance-to-drive-african-renewable-energy/>

World Bank Group Increases Support for Climate Action in Developing Countries

World Bank, 22nd June 2021

With the announcement of Climate Change Action Plan by the World Bank, it aims to allocate climate finance to developing countries in its 5-year plan. This will help achieve climate as well as development goals, working in alignment with the Paris Agreement targets. The plan will focus on investing in green projects, helping developing nations to flatten the emissions curve.

The World Bank will contribute to key sectors and address climate change, build a resilient economy, focus on just transition, identifying and prioritizing opportunities for high impact climate action. Additionally, other objectives include catalyzing and mobilizing private funds, assistance in implementing and updating NDCs, developing a finance system for carbon credit markets, bonds and loans.

<https://www.worldbank.org/en/news/press-release/2021/06/22/world-bank-group-increases-support-for-climate-action-in-developing-countries>

G7 backs making climate risk disclosure mandatory

Reuters, 5th June 2021

There is an increasing demand for consistent and comparable climate risk data. This leads to a lack of investor confidence and lack of knowledge in terms of the actual impact a company has on the environment. Finance ministers at the G7 meeting agreed to make efforts towards making climate risk disclosure mandatory which will provide decision-useful information to investors.

A final communique released after two days of the talk stated that this decision would drive trillions of dollars of private finance and help governments meet net-zero commitments by reinforcing policy. This is an effort to prevent the financial system from any systemic climate change shocks.

<https://www.reuters.com/business/environment/g7-backs-making-climate-risk-disclosure-mandatory-2021-06-05/>

World's Biggest Carbon Market to Get Stronger in EU Green Shift

Bloomberg, 27th June 2021

European Union carbon market is imposing much stricter norms to limit GHG emission. As the region aligns with the climate targets, the European Commission is planning to phase maritime transport in EU Emissions Trading System by 2023. This will further shrink the emission cap reduction of 55% from the earlier 40% reduction goal as compared to the 1990 level. This is aligned with the target of European Union becoming the first carbon-neutral continent by 2050

The EU will impose an annually declining cap on 120000 installations owned by manufacturers, utilities, and light emission from airlines. The Commission is also considering a Border Adjustment Mechanism for industries like cement, aluminium, fertilizers, electricity. The EU is also strengthening ETS-fund for modernizing low-income member countries. Other elements of the carbon market report include the creation of the adjacent emission trading program along roads, the introduction of the carbon contract, tougher financing rules which condemn fossil fuel usage and carbon capture and utilization.

<https://www.bloombergquint.com/business/world-s-biggest-carbon-market-to-get-stronger-in-eu-green-shiftf>



CLIMATE RISKS

Climate crisis to shrink G7 economies twice as much as Covid-19 says research

The Guardian, 7th June 2021

According to Oxfam and the Swiss RE Institute, G7 countries are at risk of losing \$5 trillion from their economies or 8.5% of GDP/a year if the global temperatures rises by 2.6C within the next 30 years. This amount is equivalent to twice as much as the loss pandemic has caused amongst the G7 nations.

Jerome Haegeli, the group chief economist at Swiss RE, highlighted that climate change is the number one risk in the long term to the global economy, stressing the importance to aid developing economies as well. A failure to tackle the climate crisis and GHG emissions would result in 6.5% of the loss to UK's economy every year, a quarter to India's GDP, 12.5% output loss to Australia, and a tenth to South Korea by 2050, failing to meet the Paris climate agreement.

<https://www.theguardian.com/environment/2021/jun/07/climate-crisis-to-shrink-g7-economies-twice-as-much-as-covid-19-says-research>





CLIMATE RISKS

Famine knocking at the door of 41 million worldwide, WFP warns

UN News, 22nd June 2021

Famine is already present in 4 countries but it at the doorsteps of million more. The World Food Program (WFP) announced that around 584,000 people are experiencing famine-like conditions in several parts of Ethiopia, Madagascar, South Sudan, and Yemen. Countries like Nigeria and Burkina Faso also have several areas which are facing such dire conditions.

All these issues have arrived due to climate change, conflict, and economic shocks leading to soaring prices of basic foods (raising cost of maize by almost 90%). In countries like Venezuela and Zimbabwe hyperinflation leads to the stockpiling of food, creating food scarcity, thus, worsening the situation for its people. With sufficient funding and access, WFP aims to provide life-saving food and nutritional assistance.

<https://news.un.org/en/story/2021/06/1094472>

Great Barrier Reef in danger, UN World Heritage Committee draft report finds

UN News, 22nd June 2021

A World Heritage Committee report stated that despite numerous commitments, no significant progress has been made towards the long-term sustainability of the Great Barrier Reef, which has continued to deteriorate and suffer significant coral bleaching over the past 5 years. The report suggested stronger and clearer commitments towards countering climate change, but also towards accelerating water quality and land management. This being said, Australia is set to oppose the World Heritage Committee's recommendations claiming that UN officials have back-peddled and the recommendations provided have been made on the basis of desktop review and without adequate consultation.

<https://news.un.org/en/story/2021/06/1094512>

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