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UPDATES

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OCT 2021





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Boris Johnson strikes £400m deal with Bill Gates to boost green technology

The Guardian, 19th October 2021

Speaking at a Global Investment Summit at the Science Museum in London, UK Prime Minister, Boris Johnson announced plans to launch a £400 million package of investment alongside billionaire, Bill Gates to boost the development of new green technologies. He asserted that this deal would accelerate a “green industrial revolution” and aid in developing emerging technologies that may not be commercially viable but are crucial tools to meet the British government’s climate goals. The UK has already pledged up to £200 million to develop these technologies, with Gates matching the UK’s commitment via Breakthrough Energy Catalyst, a coalition of private investors that funds innovative climate action interventions. The aim of this partnership is to scale selected projects and reduce costs in order to offer scalable solutions to reduce emissions. Such PPP-style investments demonstrate the abundance of opportunities emerging from climate action that are ripe for the picking.

<https://www.theguardian.com/environment/2021/oct/19/boris-johnson-strikes-400m-deal-with-bill-gates-to-boost-green-technology>

Lack of investment rigour risks creating an ESG bubble

Financial Times, 19th October 2021

Stocks that are traded by investors for ESG reasons have particularly benefited from the flooding. According to a Bloomberg Intelligence study, the ESG-mandated asset pool is expected to grow to US \$ 50 trillion by 2025 from US \$ 35 trillion last year.

The large amount of capital channelled into environmental initiatives is not in itself a risk, but large flows of funds without traditional investment rigor and discipline can wreak havoc on financial markets, creating price bubbles and undermining efforts to achieve zero net emissions and a low-carbon future.

<https://www.ft.com/content/c6346a90-6c3c-48f9-bec3-5ae5057e1ed7>

UK Makes it Official: Mandatory Climate Disclosure to Become Law

ESG Today, 29th October 2021

Days ahead of COP26, the British Government announced formal plans of mandatory climate disclosures by companies and financial institutions to become law. Expected in April 2022, the legislation accompanies 1300 of the country's largest listed companies and financial institutions' TCFD reporting. Companies under this new legislation would also include private companies with over 500 employees and £500 million in revenue, aiding in 'greening' the UK economy.

This development follows the HM Treasury's report detailing its sustainable investing roadmap and strategy to implement disclosure requirements for businesses and asset managers, as part of its overall Green Finance Strategy. This aims to establish the UK as an international green finance sector and align its financial sector to global climate goals. Such a system-wide strategy offers a comprehensive approach to much-needed climate action efforts.

<https://www.esgtoday.com/uk-makes-it-official-mandatory-climate-disclosures-to-become-law/>



Biden Releases Government-Wide Strategy to Address Financial and Economic Climate Risk

ESG Today, 18th October 2021

The Biden administration announced a government-wide strategy to address the financial risks of the climate crisis. The 'Roadmap to Build a Climate-Resistant Economy' report highlights a variety of actions undertaken by American government agencies and regulators, which include integrating climate strategies into systems and processes, cultivating deeper understanding and disclosure of climate risks and strengthening the climate resilience of supply chains, among others.

The report emphasises the need to disclose on the financial impact of climate risks, and details the Biden administration's efforts to better prepare regulators to mitigate climate risks to the American economy. The SEC's upcoming recommendation for mandatory climate risk disclosure by public companies is also highlighted, along with the Department of Labour's removal of barriers for pension funds to incorporate ESG and climate considerations within their investment strategies.

<https://www.esgtoday.com/biden-releases-government-wide-strategy-to-address-financial-and-economic-climate-risk/>

ESG funds may have to keep 80% in sustainable companies

Mint, 27th October 2021

India's Securities and Exchange Board (SEBI) proposed that ESG funds should have at least 80% of their total assets in sustainability-themed securities, with the remaining 20% not being "in stark contrast with the ESG philosophy". This comes alongside a host of recent developments with SEBI introducing disclosure norms for ESG mutual fund schemes and asking the Association of Mutual Funds to work towards a common understanding of sustainable finance terms and definitions. This also emerges amongst rising concerns of greenwashing by sustainability or ESG-related financing instruments.

<https://www.livemint.com/mutual-fund/mf-news/sebi-suggests-esg-funds-must-be-80-invested-in-securities-following-the-theme-11635254078247.html>



Investor Coalition Calling for Government Action on Climate and Mandatory Reporting Grows to \$52 Trillion

ESG Today, 27th October 2021

Over 700 institutional investors from around the world, representing more than 50% of all assets under management globally, have signed the Global Investor Statement to Governments on the Climate Crisis. Some of the world's largest investors including State Street Global Advisors, PIMCO and AMUNDI, among others have now become signatories to this statement.

This statement calls on greater climate action by governments, by mobilising investments, outlining roadmaps to decarbonise and implement mandatory disclosure requirements. It sets out 5 priority actions including strengthening NDCs to align with the 1.5 degree Celsius warning, tighter mid-century net zero targets, policies to deliver on broader climate targets include carbon pricing, coal phase-out, removing fossil fuel subsidies, green COVID-19 recovery plans and mandatory climate disclosures aligned to the TCFD.

Investor action continues to be crucial to promote interventions and remains a key tool in unlocking a variety of solutions to mitigate the climate crisis.

<https://www.esgtoday.com/investor-coalition-calling-for-government-action-on-climate-and-mandatory-reporting-grows-to-52-trillion/>

Climate change: Australia pledges net zero emissions by 2050

BBC, 26th October 2021

Australia has pledged to achieve net zero emissions by mid-century, despite not setting ambitious targets for 2030. Prime Minister, Scott Morrison's plan has been criticised for not having the rigour needed to achieve substantial and impactful change, following criticism against Australia for "dragging its heels on climate action". The country's plan includes an investment of over US \$15 billion in low emissions technologies including carbon capture, reducing costs of solar and developing greener industries. The greatest criticism levied against this plan is that does not aim to limit fossil fuels, with Morrison stating that heavy industries would "stay open, remain competitive and adapt". While the 2050 pledge is a welcome move, the initiative by the Australian government seems to have received a lack lustre response as it is believed to not effectively contribute to the global climate action push.

<https://www.bbc.com/news/world-australia-59046032>



Moody's: Sustainable Bond Issuance to Top US \$1 Trillion in 2021

ESG Today, 27th October 2021

Moody's ESG Solutions' quarterly Sustainable Finance update forecasted sustainable bond issuance (including green, social and sustainability-linked bonds) to rise over US \$1 trillion. Global sustainable bond issuance grew 25% year-on-year in Q3 of 2021 to us \$217 billion, despite a dip from Q1 and Q2 issuances of US \$285 billion and US \$273 billion respectively.

Green bond issuances reached US \$115 billion in this quarter with a rise of 18% and US \$380 billion year-to-date, demonstrating a 75% increase following the slower quarters in H1 2020. The sustainability-linked bond market remains the most rapidly growing sector. This has emerged as an increasingly popular instrument with characteristics such as interest payments tied to the issuer's specific targets on sustainability. The issuance year-to-date was at US \$62 billion, "eclipsing" the US \$9 billion issued in all of 2020.

Moody's forecasts green bond issuance of over US \$500 billion, social and sustainability bond volumes of US \$200 billion each and sustainability-linked bonds expected to reach US \$100 billion for 2021. According to Moody's ESG, considerable acceleration to national climate commitments, cooperation on international climate policies, scaling climate finance and mobilising capital for climate resilience investments.

<https://www.esgtoday.com/moodys-sustainable-bond-issuance-to-top-1-trillion-in-2021/>

FSOC Calls Climate Change and Emerging Threat to Financial Stability

ESG Today, 22nd October 2021

The US Financial Stability Oversight Council (FSOC) has identified climate change as an “emerging and increasing threat” to American financial stability. Its latest report calls on federal agencies to take action, including developing climate data and enhancing climate-related disclosures.

The FSOC, whose mandate is to identify potential financial and non-financial risks and address emerging threats to the financial stability of the American economy, provided key recommendations for federal agencies in its report. These included using scenario analysis, evaluating the growing need for new regulations and enhancing climate disclosures to improve investor decision-making and the assessment and management of risks by regulators and financial institutions. The report also calls for enhanced climate-related data to improve risk measurement and ultimately, assessment and management by regulators and the private sector.

<https://www.esgtoday.com/fsco-calls-climate-change-an-emerging-threat-to-financial-stability-sec-looks-at-enhanced-disclosure-for-green-funds/>



Climate change: 'Adapt or die' warning from Environment Agency

BBC, 12th October 2021

On the backdrop of the Germany floods that claimed more than a hundred lives, the Environment Agency has warned in its hard-hitting report that this will happen in UK as well. Hundreds of people could die. The report says that the country is not ready for the impact of climate change. The BBC writes, that articulated in such an apocalyptic tone, the report intends to startle the governments, companies, and communities. The UK government has responded saying key measures to protect UK from the effects of global warming has been taken. The Agency further projects that even a smaller rise of 2 degree C would have severe consequences.

<https://www.bbc.com/news/science-environment-58883234>

COP26: Global business leaders want tangible concrete objectives to combat climate change

BBC, 12th October 2021

As business and government leaders convene in Glasgow for the COP26 meeting, maintaining this balance has perhaps never been so precarious. The hope is that the meeting will set clear, ambitious and binding policies that will drive action towards a net zero world in line with a 1.5C pathway—and that all countries ratchet up their emissions reduction commitments, reinforcing their intent and sending a clear message that there is no turning back. The summit hopes to fast-track the goals of the 2015 Paris Agreement and the UN Framework Convention on Climate Change and make significant strides forward. This includes achieving net zero emissions by 2050 and keeping global temperature rises to well below 2 degrees, preferable to 1.5 degrees Celsius.

<https://www.euronews.com/next/2021/10/20/cop26-global-business-leaders-want-tangible-concrete-objectives-to-combat-climate-change>

Climate Change Increases the Global Risk of Water-Related Hazards like Floods and Droughts, Warns UN Agency

The Weather Channel, 6th October 2021

The WMO's data show that water-related hazards have increased in frequency over the past 20 years. Since 2000, flood-related disasters have risen by 134 per cent compared with the two previous decades, while during the same period, the number and duration of droughts also increased by 29 per cent.

Most drought-related deaths occurred in Africa, indicating a need for more robust end-to-end warning systems for drought in that region. Most flood-related deaths and economic losses were recorded in Asia, while Africa was hit the most by drought-related deaths.

<https://weather.com/en-IN/india/climate-change/news/2021-10-06-climate-change-increases-the-global-risk-of-water-related>

ESG Focus: Fed Eyes Climate Stress Tests for Banks

FN Arena, 6th October 2021

The US Federal Reserve Bank of New York, which is the Federal Reserve's and US Treasury's money manager, has published a model for stress-testing big banks' climate exposures. If applied, the model will likely result in banks being required to lay aside greater capital to support their oil and gas assets, raising the cost of capital for holding fossil-fuel assets. Morgan Stanley has estimated these capital shortfalls will, for some banks, be "economically substantial". The cost to banks of laying aside extra capital could be passed on to fossil-fuel companies, adding higher funding costs to the risk of stranded assets for shareholders in fossil fuels.

<https://www.fnarena.com/index.php/2021/10/06/esg-focus-fed-eyes-climate-stress-tests-for-banks/>



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