ESG NEWS MONITORING, SOVEREIGN AND REGULATION

ESG Analysis Team

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The Monthly ESG Newsletter compiles the most significant ESG news from around the globe over the past month, covering issuers, sovereigns, and ESG regulations. We aim to keep you informed and engaged with the latest developments in the ESG landscape. If there are specific ESG topics you would like us to delve into further, please let us know.

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ESG NEWS MONITORING

RWE (Utilities | DE)

Groundbreaking climate ruling against RWE: major emitters can be held liable for climate risks

The **Higher Regional Court** of **Hamm** in **Germany** has issued a groundbreaking **ruling** in a **climate change case** brought by a Peruvian farmer against the energy company **RWE**. While the court ultimately dismissed specific claim, it made **legal history** by **affirming** that **major GHG emitters can be held liable under German civil law for the consequences of climate change.** This is the **first time** a higher court in Europe has recognized such liability, setting a precedent that could influence similar lawsuits in other countries. The case has already inspired similar legal actions worldwide, with over **60 ongoing lawsuits** targeting **polluters** for their **role** in the **climate crisis**. Research indicates that the world's **largest O&G companies** could face **trillions of dollars** in **liability** for **past emissions**. This ruling, though limited in its immediate outcome, marks a **pivotal moment** in the **global pursuit of climate justice**.

Source: **German Watch**

ESG Reference: Lorenzo Angeletti

PME (Pension Fund | NL)

US fund managers put on notice by $65 billion Dutch investor

Dutch pension fund **PME**, which manages around **€57 billion**, has issued a **strong warning to U.S. asset managers**, expressing **concern** that many are **aligning** too closely with the **Trump administration's stance** on issues like **climate change**, the **judiciary**, and **diversity policies**. PME's senior strategist **criticized U.S. firms** for **failing** to **condemn** these **developments** and **warned** that continuing to invest with such managers could **legitimize harmful political actions**. PME is currently **reviewing** a **€5 billion mandate with BlackRock** after the firm **exited** a **major climate alliance**. The fund is also **reassessing** its **broader investment strategy**, introducing a **new ESG screening process** that evaluates investments based on **governance**, **environmental impact,** and **social responsibility**. This includes **excluding passive equity investments** in **emerging markets** due to high ESG risks. U**.S. asset managers** are increasingly **seen** as **unreliable partners** due to their **perceived compliance** with **Trump-era policies**, which **threaten environmental** and **social progress**. PME's stance reflects a **broader trend among European investors**, who face **stricter ESG regulations** and **growing pressure** to **align portfolios with climate** and **social goals**. The fund's decisions in the coming weeks could significantly impact its relationships with major U.S. financial firms.

Source: **Bloomberg**

ESG Reference: Xhois Hatibi

Boeing (Aerospace & Defense | US)

Boeing pays over $1.1 billion in fines to avoid alleged prosecution following two fatal crashes in the US

Boeing will reportedly pay over **$1.1 billion in fines** to **avoid prosecution** following **two fatal crashes** of its 737 Max in the US. The Department of Justice (DOJ) reportedly entered into a **non-prosecution agreement** with the company provided it **pay the fines, improve** its **safety** and **compliance procedures**, and **compensate** the **victims' families**. Boeing initially faced **fraud charges** for allegedly **deceiving** the **Federal Aviation Administration** during the 737 Max jet's certification process. In 2024, Boeing approached a criminal guilty plea with the DOJ, acknowledging that its employees colluded to deceive aviation authorities before **346 people died** in the 737 Max crashes in 2018 and 2019 of Lion Air and Ethiopian Airlines, respectively. The DOJ offered Boeing protection from prosecution and to **end criminal fraud** charges against it, in exchange for an **additional $444.5** million from the company, to be divided between affected families of the crashes, on top of an **additional $243.6 million fine**. The agreement allegedly shields Boeing from a criminal fraud trial for the third time. Some family members of the Ethiopian Boeing flight 302 crash victims have **denounced the non-prosecution arrangement**. The company has also been **criticized** for its alleged **repeated breaches** and **lack of accountability**. Additionally, in January 2024, an Alaska Airlines-operated Boeing 737 Max 9 encountered a potentially fatal aircraft failure when its door blew off mid-air in the US.

Source: **Reuters**

ESG Reference: Lorenzo Angeletti

JP Morgan (Financials | US) and others

European 'green' investments hold billions in fossil fuel majors

A media investigation has found that **JP Morgan**, **BlackRock**, and other **investment firms** have been operating **"green"** or **sustainable funds** that have allegedly invested more than **$33 billion** in major **O&G companies** despite their industry's contribution to the **climate crisis**. Over **$18 billion** of that money was invested in five companies described by the 2023 Carbon Majors listing as the biggest carbon polluters: **TotalEnergies**, **Shell**, **ExxonMobil**, **Chevron**, and **BP**. The **green funds** of **JPMorgan**, **BlackRock**, and **DWS** reportedly had the biggest investments in **fossil fuel companies**. **JPMorgan Asset Management** and its UK subsidiary had $3.2 billion, **BlackRock Investment Management UK** and **BlackRock Advisors UK** had $1.7 billion total, and **DWS** with $2.2 billion. **Legal & General Investment Management's** green fund **Europe Climate Pathway** reportedly invested $88 million in Shell, BP, and TotalEnergies,

while **Robeco's Sustainable Global Stars** fund put $40 million in TotalEnergies. **State Street Global Advisors UK** had $243 million in its **green funds**.
Source: **The Guardian**
ESG Reference: Andres Gallego Reyes

Equinor (Integrated O&G | NO)

Equinor to resume $5bn Empire Wind project after Trump administration reversal

Equinor's $5bn Empire Wind project off the coast of New York will **resume construction** after the **US government reversed** its month-old order telling the company to **halt construction** on the development that has been in the Trump administration's crosshairs. The Norwegian energy company said that the Department of the Interior's Bureau of Ocean Energy Management had **allowed** the **project to continue**, following **dialogue** with **regulators** and **federal**, **state** and **city officials**. In a statement, **New York Governor** Kathy Hochul also **thanked Trump** for his **co-operation** in **allowing** the **project** to **continue**. The **wind industry** has been a **target** for the **administration** from **Trump's first day in office**. In January, the president signed an **executive order** that **paused permitting** and **leasing** for **onshore** and **offshore wind projects** and ordered **reviews** of those that **had been given the green light**. The moves have prompted leading developers including **Shell** and **TotalEnergies** to **reduce** and **slow down their US ventures**. The industry is also facing the **early phaseout** of former president Joe Biden's **Inflation Reduction Act tax credits**. **Empire Wind** is scheduled to reach commercial **operation** in **2027** and power **500,000 homes** in **New York**, according to the company.
Source: Financial Times
ESG Reference: Francesca Albino/ Gian Marco Marchetti

Honda Motor Co (Automobiles | JP)

Honda delays $15-billion EV project citing demand, shifts some CR-V output to U.S.

Honda has **delayed** its $**15-billion electric vehicle** (EV) **investment** in **Ontario**, citing **uncertain market demand**. The company now **plans** to **reassess** the **EV market** in **two years** before deciding whether to proceed. At the same time, **Honda** is **shifting** some **production from Canada** to US. This move is a direct **response** to **tariffs**, particularly those imposed by U.S. President Donald Trump, which are expected to **reduce Honda's operating profit by $4.4 billion this fiscal year**. The company emphasized that this shift is about **adjusting export destinations** and does not involve job cuts at its Canadian operations. The decision reflects broader **challenges** in the **EV sector**. While **EV sales are growing**, they have **not met** the **high expectations** that **spurred** over **$46 billion in Canadian EV investment commitments since 2020**. Tariffs and political uncertainty in the U.S. are adding to the **pressure**, especially with Trump's efforts to **roll back EV incentives**. **Other automakers** have also **scaled back EV plans in Canada**. **Ford** delayed an **electric** SUV **project** in Oakville, Umicore paused a $**2.8-billion battery materials plant**, and **GM** temporarily **laid off workers** at its Ingersoll **EV plant**. **Northvolt's battery project** in Quebec is also in **question** after its **Swedish parent company** declared **bankruptcy**. Despite these setbacks, **some EV projects are moving forward**. **Stellantis** and **LG** are **completing** a **battery plant** in Windsor, and **Volkswagen's PowerCo**. is building a major Gigafactory expected to begin in 2027.
Source: The Canadian Press
ESG Reference: Lorenzo Angeletti

Enel (Utilities | IT) and others

Enel, Leonardo, Ansaldo Energia team up on nuclear power research

Italian power group **Enel**, defence company **Leonardo** and **Ansaldo Energia** have set up a **company** to study **new-generation nuclear technologies**. **Enel** will hold **a 51% stake** in the company named **Nuclitalia**, with **Ansaldo Energia** owning **39%** and **Leonardo 10%**. **Nuclitalia** will be in charge of assessing the **most innovative** and **mature designs** of **new sustainable nuclear power**, with an initial focus on **water-cooled small modular reactors**. The **Italian government** approved in **February** a law that will allow a **return** to **nuclear energy almost 40 years after** it was banned by referendum. Analysts say, however, it could **take more than a decade to bring back atomic energy**.
Source: **Reuters**
ESG Reference: Lorenzo Angeletti

JBS (Food Products | Brazil) and others

Deforestation allegedly driven by JBS, Bunge, and other firms may cause $2.7 trillion in economic losses by 2030

Deforestation allegedly fueled by the **supply chain** of **JBS** and **other companies** is estimated to cause **$2.7 trillion** of **yearly economic losses by 2030**, according to the **World Bank**. Most companies allegedly **continue** to **treat deforestation** as a **peripheral issue** rather than a **material** risk despite the **damage** that it **inflicts** on **them**. The **deforestation** in the **Amazon** allegedly **threatens water cycles** and **agricultural resources** of **South America**. In **2024**, **JBS** was **fined $64 million** for allegedly **sourcing cattle** from **deforested land in the Amazon**. Concurrently, **Bunge's reputation** was also allegedly **smeared** after its **soybean supplier** was **fined $950,000** due to alleged **illegal deforestation**. Despite these risks, **companies** have **not yet set commitments to stop deforestation** in their supply chains, according to Global Canopy's 2024 Forest 500 report. Companies involved in **cocoa**, **coffee**, or **rubber**, such as FinLav, Decathlon, and others, were also **assessed** in the report due to their alleged **increasing culpability** for **deforestation**. The report also

revealed that only **6%** of the companies **have human rights policies**, even though **deforestation** is **linked** to **violent displacement** of **indigenous groups**, **land grabbing**, and **forced labor**.
Source: Forbes
ESG Reference: Xhois Hatibi

Alphabet (Interactive Media & Services | US)

Google facing at least 12 billion euro in damage claims across Europe
Several **civil lawsuits** seeking more than **EUR 12 billion** in **damages** were **filed** by price comparison websites against **Alphabet's Google** in the **Netherlands**, **Germany**, and **other European countries**, accusing the company of **stealing** their **customers**. Reportedly, the lawsuits stem from the **European Commission's 2017 €2.4 billion fine a**gainst Google for **unlawfully using** its **search dominance** to **favor its shopping service**. Since 2017, the EU has reportedly fined **Google €8 billion** over **antitrust violations**, adding to the **2017 €2.4 billion fine**, a **€4.34 billion fine related to its Android system**, **and EUR 1.49 billion for its advertising contracts**. A lower court has **reduced** the **first** fine and **annulled** the **latter**, for which the **EU might appeal**. In 2024, a tribunal reportedly ruled that **Google violated antitrust laws**, allowing cases filed against the company in Europe to **move forward**, including €3.3 billion lawsuit in Germany, €2.1 billion lawsuit in Sweden, now-closed Foundem's GBP 1 billion lawsuit in the UK. In the US, Google reportedly lost two antitrust cases and is facing a ruling seeking to break apart its advertising and search browser businesses.
Source: **Business Standard**
ESG Reference: Xhois Hatibi/ Gian Marco Marchetti

Orsted (Utilities | DK)

Orsted has cancelled the largest offshore wind farms worldwide, the Hornsea 4 project
Orsted will **no longer build** a **major offshore wind farm in Britain**, citing a **deteriorating global business environment** for **renewables** and dealing a blow to UK ambitions to decarbonise its energy supplies**. Hornsea 4** was **cancelled** primarily due to **supply chain inflation** and an **increase** in **long-duration yields** in the **UK** as well as a **perception** of **higher execution risks**. The company highlighted that this **decision reflected** a more **disciplined capital allocation approach**, especially **limiting** the **financial impact by cancelling** the **project** at an **earlier stage**. Despite this, Orsted has **no intention of selling the site** and **remains positive** on the UK offshore industry. Orsted remains **committed** to **completing** its **two remaining US offshore projects**, **Revolution** and **Sunrise** wind with the projects being 75% and 35% completed and an expected COD in **H2 2025** and **H2 2026**, respectively. The company also highlighted that the **DKK1.2bn impairment** due **to US metal** and **steel tariffs** would be cash and that the additional planned tariffs on US imports from Europe (potentially 20%) would impact **turbine blades** and **cables primarily**, although the company estimates this would **only lead to an impairment of <600mn DKK**.
Source: **Reuters**
ESG Reference: Lorenzo Angeletti

HSBC (Banks | UK) and others

1. *HSBC, Barclays and other UK banks criticized for financing companies involved in carbon bomb projects*
HSBC, **Barclays**, and **other UK banks** have been **criticized** for **allegedly financing companies** involved in **developing carbon bomb projects** that would emit **420 billion tons of carbon emissions worldwide**. Reportedly, the banks have poured **over USD 100 billion** into companies **responsible** for at **least 117 carbon bomb projects in 28 countries** between 2016 and 2023. Allegedly, **HSBC** financially **supported** companies **associated** with **104 carbon bomb project** which could **emit up to 392 gigatons of carbon dioxide**. **Standard Chartered** reportedly **supported companies** linked in **75.** Additionally, **Barclays** is claimed to have **financed companies engaged in 62 mega-projects**, while **Lloyds** and **NatWest** are claimed to **back and finance firms taking part in 26 and 20 projects**, respectively.
Source: **The Guardian**

2. *HSBC accused of 'bulldozing through' key climate policy with $1bn Glencore deal*
HSBC has been accused of **violating** its **own climate policy** by raising **USD 1 billion for Glencore**, which has increased **coal production in Colombia** and **elsewhere**. HSBC reportedly **pledged** in December 2021 to **stop providing finance** to **companies** that were **increasing coal production**. However, the **bank allegedly helped Glencore raise USD 1 billion** in **May 2023. Glencore's coal extraction reportedly increased year-on-year** between 2021 and 2023. From 94 million tons of coal reportedly extracted in 2021, Glencore's production **rose to 101 million tons** in 2022, and 106 million tons in 2023. Glencore's Cerrejon open-pit coal mine in Colombia. The mine has been **accused** of **causing health problems** to **nearby Indigenous residents** and impacting the **water quality** and **volumes** of the Rancheria River.
Source: Independent
ESG Reference: Andrés Gallego Reyes

SOVEREIGN

EU

1. EU watchdog probes Commission over bypassing consultation on eased sustainability rules

The **European Union's Ombudswoman** has opened an **inquiry** into the **European Commission's** recent proposal to **relax corporate sustainability rules**—following accusations that the process **lacked transparency** and **excluded public consultation**. The **watchdog** has requested **clarification** from the Commission on several points, including why **no public consultation was conducted** and **which companies or stakeholders were consulted** behind closed doors. Complainants argue that **industry lobbyists were granted exclusive access** to influence the draft. The **Commission** has argued that the **changes** were prompted by **pressure** from **European industries**, which claim that complex EU sustainability rules hamper their **competitiveness**—especially compared to companies in China and the United States, where regulations are being rolled back under former President Donald Trump's influence. The outcome of this inquiry could **impact** the **future** of **EU sustainability policy**, signaling whether **regulatory processes** will be **driven** by **broad stakeholder engagement** or **dominated** by **select industry voices**.

Source: **Reuters**

2. EU close to reaching climate goals despite green backlash

The EU is nearly on track to meet its 2030 climate targets, with new data showing projected GHG emissions cuts of about 54% compared to 1990 levels—just shy of the 55% goal. **This is a significant achievement** for the European Commission, especially amid economic challenges from the COVID-19 pandemic, the energy crisis following Russia's 2022 invasion of Ukraine, and global trade tensions. **The energy sector is the primary driver of emissions reductions**, thanks to the expansion of wind and solar power, according to climate think-tank Ember. However, **the Commission is under pressure to ease green legislation**, such as the proposed 2035 ban on new combustion engine vehicles, due to concerns from the struggling European car industry. **The EU is also preparing to unveil its 2040 climate strategy**, aiming for 90% emissions cut, a target that has sparked political debate. While some countries like Germany may support it with conditions, others like Italy, Poland, and France are more skeptical. **Heavy industries argue that recent emissions drops are due more to production cuts than true decarbonization**. **Land use and agriculture remain problematic**, with minimal emissions reductions and challenges like deforestation and extreme weather. Agriculture, notably, still lacks sector-specific emissions targets and has sparked protests from farmers. **Transport is another underperforming sector**, according to recent Commission data. Despite the EU's progress, **its global impact is limited**, with its share of emissions falling to 6% in 2023 from 15% in 1990, while global emissions have risen over 60% since then.

Source: **Financial Times**

3. ACEA launches an interactive tracker to map progress on key zero-emission metrics

The **European Automobile Manufacturers' Association** (ACEA) has developed a new interactive **tracker** to help **map progress** on **electrification** and the **zero-emission transition**. Building on the recent welcome step to provide **flexibility** for manufacturers of **light-duty vehicles on CO2 compliance** in the **short term,** the **tracker** will help feed into ongoing **discussions** as part of the **Strategic Dialogue engagement** with the **European Commission**. **Key data** of tracker are:

- **Battery-electric car market** share experienced its first-ever **decline** in 2024, falling from 14.6% to 13.6% – an almost 6% decrease in units sold.
- **8.8 million recharging points for cars and vans are needed** to meet the 2030 target, but today there are only around 880,000 in the EU – that's a tenfold increase in five years.
- On average, there is **one public charging point per every five battery-electric cars** in the EU, with the ratio increasing significantly when factoring in plug-in hybrids and vans.
- When charged on public networks, **electric cars and vans cost more to run than combustion engine models** in most European countries.
- The **market share of zero-emission medium- and heavy-duty trucks stands at 3.5%,** far from the ~35% share needed in just five years to meet 2030 CO2 targets.
- Today **only a few hundred truck-suitable public chargers are available** in the EU. But to meet 2030 CO2 targets, approximately 35,000 truck-suitable public chargers must be available in addition to around 2,000 hydrogen refuelling stations (with a capacity of at least two tons per day). That's at least 500 chargers deployed on average every month

Source: **ACEA**

4. Euronext rebrands ESG to support defence listings and bond issuance across Europe

Euronext has **rebranded the meaning of ESG** from its traditional focus on Environmental, Social, and Governance to a new framework centered on **Energy, Security, and Geostrategy**. This shift is designed to align **financial markets** with the **European Union's strategic priorities**, particularly in **defense**, **energy independence**, and **infrastructure resilience**. As part of this initiative, Euronext is launching **new indices** that highlight sectors critical to European autonomy, such as aerospace and defense. It is also revising existing ESG indices to include defense companies, provided they are not involved in banned weaponry. Additionally, the exchange is streamlining the bond issuance process for defense firms

and introducing an EU-backed program to help these companies prepare for public listings. This redefinition reflects a broader geopolitical pivot in Europe, emphasizing security and self-reliance **over traditional sustainability metrics**.
Source: **ESGNEWS**

US

1. House budget bill effectively halts US clean energy boom

The House passed a budget bill that would significantly curtail the clean energy boom in the U.S. by ending key subsidies introduced in 2022. **The bill, backed by Republican lawmakers, aligns with former President Donald Trump's agenda to cut taxes and increase military and border spending.** It would **terminate clean energy tax credits earlier than planned**, making them largely inaccessible to most companies. **This move caused clean energy stocks to plummet**, with industry leaders warning that it could **shut down factories, eliminate jobs, and raise electricity costs** for American households. Analysts estimate that **household energy bills could rise by 7%** as a result. Despite earlier promises to reform the credits carefully, the bill introduces sweeping changes that critics say will devastate the sector. **The bill eliminates tax credits for leased and homeowner-owned solar panels**, ends the transferability of tax credits that helped finance projects, and **requires projects to begin construction within 60 days** of the bill's passage. It also **advances the expiration of clean electricity tax credits to 2028**, three years earlier than previously scheduled. **Projects involving Chinese companies or materials are disqualified from receiving tax credits**, a move that targets China's dominance in the clean energy supply chain. While some nuclear projects are exempt, the overall impact is expected to be severe. **The American Petroleum Institute praised the bill**, while clean energy advocates expressed outrage, especially since **many Republican districts that benefited from clean energy investments supported the bill**. Critics argue that this legislation **undermines a historic manufacturing resurgence** and **concedes clean energy leadership to China**.
Source: **Reuters**

2. EPA moves to eliminate federal GHG limits on fossil fuel power plants

The U**.S. Environmental Protection Agency** is preparing a **sweeping regulatory rollback** that would **eliminate all federal greenhouse gas (GHG) limits** on **coal and gas-fired power plants**. The document is currently under **inter-agency review** and expected to be **published** in the **coming weeks**. In its draft, the EPA argues that **emissions** from these **plants** "**do not contribute significantly to dangerous pollution**" or **climate change** because they represent a "**small and declining sh**are" of global emissions. The agency further asserts that **eliminating** such **emissions** would have "**no meaningful effect on public health and welfare**." These claims sharply **diverge** from **global scientific consensus**. The **United Nations** has stated unequivocally that **fossil fuels** account for **more than 75% of global GHG emissions** and **nearly 90% of carbon dioxide emissions**, making them the **primary driver of climate change**. This **regulatory retreat aligns** with a **broader policy agenda under President Donald Trump**.
Source: **ESG News**

Germany

Germany drops opposition to nuclear power in rapprochement with France

Germany has **reversed** its **long-standing opposition** to **nuclear power**, marking a significant shift in energy policy. This change signals a **renewed willingness** to **cooperate** with **France**, particularly in **aligning** their **positions** on **EU energy legislation**. Berlin has informed Paris that it will **no longer obstruct efforts** to **classify nuclear energy** on **equal footing with renewables in EU law**, resolving a major point of contention that had delayed key decisions. This policy shift is part of **Merz's broader strategy** to **revive Franco-German cooperation**. While Merz does **not intend to reopen traditional nuclear facilities**, he **supports investment** in **advanced technologies** such as **small modular reactors** and **nuclear fusion**, which do not produce long-lived radioactive waste. The new stance also opens the door for Germany to **engage** in **discussions** with France about **participating** in a **European nuclear deterrent**. This development is seen as a pragmatic step that could **strengthen EU energy sovereignty and security**. The shift comes amid **growing EU-wide support for nuclear energy**, especially after the energy crisis triggered by the war in Ukraine. A group of **12 EU countries** recently **urged** the **European Commission** to **recognize** the **complementary role** of **nuclear** and **renewable energy sources**, advocating for **updated policies** that would allow **state aid** for **nuclear projects** and **encourage private investment**. Germany's previous resistance was **partly ideologica**l, influenced by the **anti-nuclear Green Party**, and **partly economic**, due to **concerns** that **France's extensive nuclear infrastructure** would give it a **competitive advantage**. French President Macron **called** for an **end** to **EU-level discrimination against low-carbon energy sources**, including **nuclear**. One immediate consequence of Germany's new position is that **hydrogen produced using nuclear power** will now be **treated** the same as **hydrogen from wind or solar energy**, a key demand from France. This **rapprochement** is expected to **ease energy negotiations within the EU** and could serve as a **foundation** for **broader cooperation between the bloc's two largest economies**. Experts believe that when **France** and **Germany align**, it becomes significantly **easier** for the **EU** to **make progress** on **major policy issues**.
Source: **Financial Times**

UK

1. EU, UK to work on linking carbon markets

The **European Commission** and the **UK** government have announced plans to work towards **linking** their **respective carbon markets** by establishing a **connection between** their **emissions trading systems** (ETS). This initiative is part of a **broader set of agreements** covering **security**, **migration**, **energy**, and **climate policy**. Since **Brexit**, the EU and UK have operated **separate ETS frameworks**. The **EU ETS** is a **cornerstone** of **the EU's climate policy**, covering sectors such as **electricity** and **heat generation**, **steel**, **cement**, **chemicals**, and **aviation**. It is projected to **generate** around **€40 billion in revenue** between 2020 and 2030. In 2023, the EU introduced the **Carbon Border Adjustment Mechanism** (CBAM), a **carbon tax on imports** designed to prevent "carbon leakage" by ensuring imported goods face the same carbon costs as those produced within the EU. The **UK** established its **own ETS in 2021** and plans to implement a similar **CBAM** in **2027**. The proposed **linkage** between the two systems would allow **carbon allowances** from **either jurisdiction** to be **recognized** by the **other**, potentially **exempting goods** traded between the EU and UK from **CBAM charges**. This would apply to **sectors** such as **electricity generation**, **industrial heat**, **maritime transport**, and **aviation**, with the possibility of **expanding** to **additional sectors** over time. A key **condition** of the **agreement** is that the **UK's ETS cap** and **emissions reduction trajectory** must be at **least as ambitious as those of the EU**. This ensures **alignment** in **climate ambition** and **maintains** the **environmental integrity** of **both systems**. This a **significant step** in **post-Brexit cooperation** on **climate policy** and could **streamline carbon pricing** and **emissions regulation** across Europe.
Source: **ESGNEWS**

2. Global leaders emphasize the critical need for reliable energy amidst geopolitical tensions

The **UK** and the **International Energy Agency** gathered ministers and high-level officials from **60 countries** at Lancaster House in London for two days of talks on the future of **energy security**. The EU was well-represented, the US sent a top official, but **China** did not attend. **Energy security** is seen as **national security**. Despite geopolitical differences, all countries agreed on the importance of **secure** and **reliable energy supplies**. UK Prime Minister **Keir Starmer** emphasized the UK's commitment to **clean, low-carbon energy** and the push to **decarbonize power**. A key theme was the **weaponization of energy supplies** in conflicts, particularly by **Russia** during its invasion of Ukraine, which caused fossil fuel prices to soar and led to a global cost of living crisis. Most countries at the conference sought alternatives to **fossil fuels**, aiming to tackle the **climate crisis**. The **US** was **vocal** in supporting **fossil fuels**, warning that reaching **net zero** by 2050 was "**harmful and dangerous**." In contrast, **China**'s President **Xi Jinping emphasized climate action** as a means of **building international relationships** and **positioned China** as a **climate leader**. **Nuclear power** was highlighted as a point of **common ground** for some countries. **Fatih Birol**, executive director of the IEA, stressed the importance of **all energy sources**, including oil and gas, but also praised nuclear power for its ability to provide **baseload power generation**. The US's rejection of climate policy under **Donald Trump** could **divert investment** to **other countries open to renewable energy**. UK Foreign Secretary **David Lammy** emphasized the need for **resilient**, **secure**, and **low-cost clean energy supply chains**, addressing the challenge of securing **critical minerals** essential for **clean technologies.**
Source: **The Guardian**

REGULATION

EU Action Plan for the Automotive Industry

EU grants carmakers 3-year CO2 compliance window ahead of 2025 targets

The **European Union** has **officially approved** a **regulatory amendment** that gives **car manufacturers** additional **leeway** to **meet their CO_2 emissions targets**. The **Council** of the **European Union** adopted the **final legislative step**, allowing **automakers** to **assess compliance** with **fleet-wide emissions targets over a three-year average** (2025–2027) **rather than annually**. This targeted change is part of the broader **Industrial Action Plan for the automotive sector** unveiled by the European Commission on March 5, 2025. The change reflects an **urgent push** to **support** the **automotive sector's transition** while **maintaining** the **EU's ambitious climate goals**. By smoothing out annual fluctuations, **manufacturers** can **manage emissions** more **strategically** during a critical phase of the shift to electric vehicles and cleaner mobility. The amended regulation will **take effect 20 days after its publication in the Official Journal** of the European Union, making it **officially binding across all member states**.
Source: **ESG News**

EU Carbon Border Adjustment Mechanism (CBAM)

EU member states approve CBAM simplification proposal

The **Council** adopted today its **negotiating position** on one of the proposals of the Omnibus **I**' legislative package, which simplifies and strengthens the EU's CBAM, paving way for **exemption** of **90% of companies**. As part of the **omnibus package**, the European Commission proposed significant changes to **reduce** the **regulatory burden of CBAM**. Most notably, **small importers** – primarily SMEs and individuals – will be **exempt** from **CBAM obligations**. This proposal aims to **exclude 90% of importers** while still **covering 99% of embedded emissions**, according to EC estimates. Additionally, the sale of **CBAM certificates** has been **postponed by one year** to February 2027. The adoption of the legislation is

expected before summer. Looking ahead, a **crucial revision** of **CBAM** is expected in **Q4 this year**. The primary goal is to **address circumvention risks** and **protect European industries.**
Source: **European Council**

EU Omnibus Package

ECB urges caution over Omnibus proposals

The European Central Bank (ECB) has issued a **formal opinion** on the **European Commission's proposed simplifications** to **sustainability reporting and due diligence rules**, expressing **concern** that the changes could **undermine investor protection**, **economic stability**, and the **EU's broader sustainability goals**. While the **ECB supports the aim** of **reducing regulatory burdens**, it warns that the **proposed reduction** in the scope of the **CSRD**—which would exclude companies with fewer than 1,000 employees—could significantly **limit access** to **critical sustainability data**. The ECB recommends **maintaining mandatory reporting** for **companies** with **500 or more employees**, using **simplified standards tailored to their size and complexity**. The **Commission's Omnibus I package** aims to ease compliance by reducing the number of companies subject to the CSRD and scaling back the European Sustainability Reporting Standards (ESRS). However, the ECB argues that **reliable**, **standardized sustainability information** is **essential** for **capital markets**, **financial stability, and effective monetary policy,** especially in the face of **climate and nature-related risks**. The central bank also **criticizes** the **removal** of **sector-specific reporting standards** and urges the Commission to at least **provide sectoral guidelines** to **ensure comparability across industries**. Additionally, the ECB raises concerns about the **potential competitive disadvantage for EU firms** if third-country companies are held to **different reporting standards**, and it warns that **voluntary reporting for smaller firms** could lead to **selective disclosures and greenwashing**. The ECB emphasizes the need to **retain key ESRS data points**, particularly those related to **climate change and biodiversity**, as these are vital for **assessing financial** and **transition risks**.
Source: **ECB**

SFDR

Final opportunity to shape SFDR's future

The European Commission launched its '**Call for Evidence**' on the review of the SFDR. The European Commission aims to review the SFDR to **simplify the framework**, **enhance usability, and prevent greenwashing**. Stakeholders are invited to **submit general feedback** rather than answer specific questions, in contrast to the European Commission's 2023 SFDR consultations. This is an important **opportunity** for asset managers and other stakeholders to **provide their views** on the **future of the European Union's sustainable finance disclosure regime**. The European Commission has confirmed there will be **no further public consultation following this Call for Evidence**, although it may carry out **targeted outreach to specific stakeholders or their representatives**. The Call for Evidence notes that the SFDR review will aim for **greater alignment and to strengthen the coherence of SFDR** with the sustainability reporting requirements for companies under the **Omnibus amendments to the** CSRD. This could be particularly relevant in relation to developments on the principal adverse impact indicators (PAIs) present in both CSRD and SFDR. The European Commission notes **concerns** about the **lack of legal clarity on key concepts**, the **limited relevance** of certain disclosure requirements, **overlaps** and **inconsistencies** with other parts of the sustainable finance framework, and **data availability** concerns. As a result, there is a **risk of greenwashing and an "unwarranted exclusion of some sectors** because of how some rules are applied in practice," according to the European Commission. Of particular note for **private markets** clients is that the Call for Evidence suggests that an **objective and policy option** should be to consider **different investor groups and types of financial products**, as well as the international reach and exposures of investments. Feedback submitted could explore retaining the flawed but flexible Article 8, SFDR fund categorisation with the promotion of environmental and/or social characteristics or the merits of a more prescriptive new labelling regime, as envisaged by the Sustainable Finance Platform. The **deadline for feedback is 30 May 2025**, with the European Commission **confirming that its revision of SFDR is in its work programme for Q4 2025**.
Source: **European Commission**