December 2024

ESG Corner

Our Monthly Newsletter

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Season's Greetings!

As we bring you the final edition of Uniqus' ESG Corner for 2024, we reflect on the key developments that have shaped the ESG landscape this year and look ahead to what 2025 may hold. This month's in-depth analysis delves into the challenges and opportunities in decarbonizing the transportation sector—one of the most critical areas in the global fight against climate change. With transportation emissions projected to rise significantly by 2050, achieving net-zero goals will require bold policies, technological advancements, and collaboration across industries.

This edition also highlights the Corporate Sustainability Reporting Directive (CSRD) updates. While adoption across EU Member States remains uneven, the directive's scope and rigorous reporting obligations continue to emphasize the growing importance of corporate transparency. Businesses, particularly those with operations in the EU, must act proactively to align with these evolving standards.

As always, we aim to equip you with insights that matter—covering regulatory updates, industry trends, and transformative initiatives shaping the path to sustainability. We hope this edition is a guiding resource as you plan your next year's ESG strategies.

Enjoy the read, and here's to a sustainable 2025!

Anu Chaudhary
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This section focuses on key developments globally, in the US, India, and the Middle East. It dissects the most recent news and analyzes its potential to influence regional landscapes, businesses, and consumers. Uniqus provides insights into how these developments may shape current market dynamics and set the stage for future opportunities and challenges.

Global

1. Looking Back at COP29

The COP29 climate summit in Baku, Azerbaijan, concluded with a contentious agreement on climate finance, reflecting deep divisions among the nearly 200 participating countries. The deal includes a commitment from wealthy nations to triple climate funding for developing countries, aiming to provide at least USD 300 billion annually by 2035. It also seeks to mobilize USD 1.3 trillion annually through private financing. This funding is intended to help vulnerable nations tackle the escalating impacts of climate change. Rich nations, constrained by domestic fiscal pressures, struggled to meet poorer countries' demands, arguing that the pledged amounts fall short of the trillions needed for climate adaptation and mitigation. In a compromise, developed countries increased their financial commitments to USD 50 billion more than the prior pledged number. Still, they avoided directly addressing the phaseout of fossil fuels due to opposition from oil-exporting nations.

The agreement, while a step forward, was met with mixed reactions. Some view it as an essential lifeline for the global climate cooperation framework, while others criticize it as inadequate in addressing the urgent climate crisis. The deal's outcomes will inform future emission-reduction pledges and preparations for COP30 in Brazil. Other developments from COP29 included concluding agreements on Article 6 of the Paris Agreement (international carbon markets), calls for countries to submit ambitious new Nationally Determined Contributions (NDCs) ahead of the February 2025 submission deadline, and other debates around themes of collective responsibility amongst parties (e.g., unilateral trade measures). Please refer to Uniqus' detailed COP29 recap for more details and perspectives on the conference: Link to COP29 TL

2. EU Approves New ESG Ratings Regulation

The European Union (EU) has introduced new regulations to enhance the transparency, consistency, and reliability of ESG ratings. This initiative has been approved by the Council of the European Union. It is designed to build investor trust in sustainable investment products by standardizing ESG rating practices and improving their comparability. Under the new directive, ESG rating providers within the EU must be authorized and supervised by the European Securities and Markets Authority (ESMA), facing transparency requirements around their methodologies and data sources and being required to disclose potential conflicts of interest. Additionally, the new directives aim to uniformly apply the rating standards by harmonizing the requirements and methodology, thereby achieving comparability and consistency.

Furthermore, rating providers outside of the EU must seek approval to operate within the EU, meeting specific criteria before gaining endorsement. The framework also supports the possibility of separate ratings for each E, S, and G pillar, with explicit criteria for combined ratings. These measures aim to reinforce the role of ESG ratings in fostering sustainable investments, providing investors with increased confidence in their capital allocation decisions.

This new regulation mirrors developments from policy movement in the UK, where the Financial Conduct Authority (FCA) has announced its intent to develop a regulatory regime for ESG rating providers, aligning with international standards such as those set by International Organization of Securities Commissions (IOSCO). The ESMA, the EU's financial markets regulator and supervisor, oversees other sustainable finance regulations, such as the Sustainable Finance Disclosure Regulation (SFDR).

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3. The EU Commission's Commitment to Cleantech Projects

The European Commission, under the Innovation Fund, has announced a commitment of EUR 4.6 billion to fund 41 clean technology projects across the EU through funds raised by the EU Emissions Trading System (EU ETS). This initiative is part of efforts to accelerate the transition to a net-zero economy and enhance industrial competitiveness in clean energy industries. Selected projects span diverse sectors, including renewable energy, carbon capture and storage, hydrogen production, and sustainable manufacturing.

Notable investments include EUR 2.4 billion dedicated to decarbonization technologies, including renewable energy, energy storage, heat pumps, and hydrogen production, EUR 1 billion allocated to supporting innovative electric vehicle (EV) battery cell manufacturing and associated technologies, and a EUR 1.2 billion auction set to fund renewable hydrogen projects. The Innovation Fund is one of the world's largest funding programs dedicated to net-zero technologies. These projects align with the EU's broader European Green Deal Industrial Plan and Net-Zero Industry Act, which aim to increase clean tech manufacturing capacity and strengthen its position in the global market.

Uniqus' POV

These recent developments demonstrate various aspects of climate and sustainability policy, investments, and negotiation in action. However, the results aren't always perfect, as persistent geopolitical and industrial barriers continue to stymie progress. For example, parties at COP29 nearly failed to reach a deal on climate finance, only coming together during the final weekend to agree upon a contentious figure of USD 300 billion pledged annually by 2035 by developed nations. Even then, while this deal represents progress, it falls short of the trillions demanded by vulnerable nations, and many nations were ultimately unhappy with the final results. Efforts to phase out fossil fuels were also derailed by opposition from oil-exporting countries, illustrating deep divisions. However, the mixed reactions to the agreement reveal lingering doubts about whether the outcomes sufficiently can address the climate crisis. Similarly, global environmental concerns were also a focus at INC-5 in South Korea, where negotiators struggled to finalize a treaty on plastic pollution and ultimately failed. The continuation of negotiations in 2025 will be critical for addressing these challenges.

On the positive side, COP29 advanced mechanisms for international carbon markets under the Paris Agreement and set the stage for more ambitious national climate commitments by 2025. Meanwhile, the EU has taken steps to bolster sustainable investment practices through new regulations on ESG ratings – and in doing so, seeks to position itself as a global leader in sustainable finance. The EU has also committed EUR 4.6 billion through its Innovation Fund to accelerate clean technology development. These initiatives aim to solidify the EU's leadership in clean tech and industrial decarbonization while enhancing global competitiveness.

Taken together, these developments reflect a dual narrative of progress and challenges. Efforts to enhance climate finance, reduce pollution, and foster sustainable technologies demonstrate increasing commitment, but geopolitical tensions and industrial resistance remain significant obstacles. Success in combating the climate crisis will depend on harmonizing these efforts globally, ensuring that negotiations, regulations, and investments align to drive transformative change at the necessary scale and urgency.

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US

1. The Importance of CSRD Compliance for US Companies

The European Union's Corporate Sustainability Reporting Directive (CSRD) is driving action to create higher transparency in sustainability reporting globally. Although this is an EU directive, it will affect many US companies, as the CSRD applies to companies conducting business in or operating within the EU. Earlier this year, the EU has endorsed a proposal to extend the adoption deadline for the CSRD's sector-specific sustainability disclosures and reporting standards for non-EU companies by two years. They did not amend the timelines for reporting on CSRD and the ESRSs themselves.

Thus, it is critical for US companies to start familiarization with the CSRD requirements and adequately prepare for compliance. The CSRD includes financial and non-financial performance metrics. Compliance with CSRD requires cross-functional collaboration between departments and may require investments in additional employees and technologies to streamline reporting.

2. President Bidens Investment in Clean Tech Grants

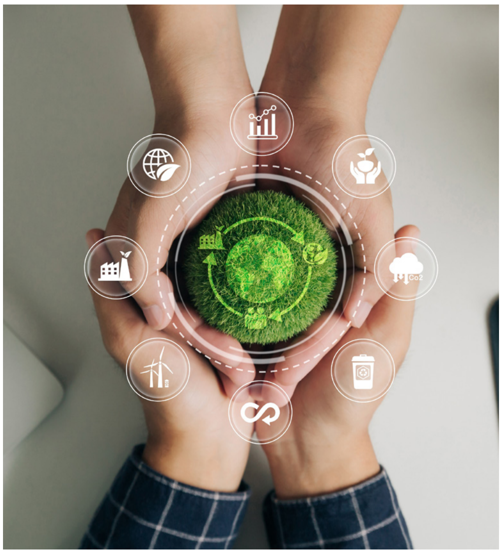
President Biden has announced over USD 100 billion in clean technology grants from the Inflation Reduction Act as part of a broader strategy to bolster the U.S. clean energy sector and address climate change through Executive Order (E.O.) 14057 and the Federal Sustainability Plan. These funds are allocated to various projects, including renewable energy development, electric vehicle infrastructure, and advanced manufacturing technologies. The announcement includes funding for 67 projects at Federal facilities across 28 U.S. states and six international locations, intended to save costs, reduce emissions and environmental footprints, and deliver other substantial benefits. Select projects include:

- **Creativity and resourcefulness combine with underutilized technologies to meet Federal and agency goals:** A Federal building and courthouse in Montana will repurpose abandoned mining caves' groundwater for a geothermal heating and cooling system to replace existing gas boilers; a DOE national laboratory in California will expand its microgrid solution to 9.4 megawatts of solar PV capacity and boost battery energy storage to 2,000 kilowatt-hours; and a Coast Guard yard in Maryland will slash on-site fossil fuel usage with a comprehensive ground-source heat pump solution.

- **Complete elimination of on-site fossil fuel in five Federal projects:** Through comprehensive retrofitting and electrification efforts, five projects will eliminate 100% of their direct on-site (Scope 1) emissions, demonstrating an important step toward decarbonization and advancing progress toward more sustainable Federal infrastructure.

- **Achieving net-zero water at a military fort in South Texas:** Facing chronic water scarcity, one project will implement advanced water conservation technologies to create a self-sustaining water system, ensuring long-term resilience and operational continuity while addressing critical resource challenges in the region.

The initiative is a significant component of the administration's efforts to meet net-zero emission targets by 2050 while creating jobs and enhancing U.S. energy independence. The announcement also comes during a politically sensitive time as preparations for a presidential transition begin. The focus on clean energy reflects the administration's commitment to advancing the green economy and maintaining leadership in global climate initiatives.



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The EU CSRD and Biden's clean tech grants highlight the urgency of transitioning to sustainable practices across corporate and public sectors in the US. The EU CSRD's emphasis on transparency and non-financial metrics aligns with the global movement toward accountability, necessitating that U.S. companies operating globally adapt to evolving expectations in international markets. Concurrently, the U.S. government's clean energy investments showcase a proactive approach to decarbonizing infrastructure, addressing resource challenges, and positioning the country as a leader in climate innovation.

Together, these initiatives underline the growing integration of sustainability into economic and operational frameworks. For businesses, the dual pressures of regulatory compliance and public demand for sustainability call for strategic shifts in operations and reporting. For governments, investments in clean technology and infrastructure serve as both an environmental imperative and an economic opportunity, reflecting a broader commitment to a resilient and sustainable future.

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India

1. SEBI defers the ESG disclosure deadline under the BRSR framework by 1 year to FY2026

SEBI has introduced significant amendments to the Business Responsibility and Sustainability Reporting (BRSR) framework to simplify compliance and enhance transparency. These changes include deferring the ESG value chain disclosures timeline to FY 2025–26 and making such disclosures voluntary rather than mandatory under the earlier ‘comply-or-explain’ approach. To further ease compliance, SEBI has substituted “assurance” with “assessment or assurance,” giving companies more flexibility. A notable addition is introducing a leadership indicator requiring entities to report on Green Credits generated by the company and its value chain partners.

These updates reflect SEBI’s responsiveness to industry feedback and commitment to creating a balanced framework that aligns with global sustainability trends while easing compliance challenges for Indian companies.

Uniqus’ POV

The latest amendments to SEBI’s BRSR framework mark a critical shift in India’s ESG reporting landscape. By deferring timelines and introducing voluntary reporting, SEBI has provided businesses with the much-needed breathing room to align their value chain processes and disclosures with global standards like CSRD and ISSB. However, companies that voluntarily adopt value chain disclosures stand to gain a competitive edge by demonstrating their commitment to sustainability and building stronger stakeholder trust. These changes highlight the importance of proactive collaboration with value chain partners, leveraging technology, and embedding ESG considerations into business strategies for long-term resilience and success.

The figure below summarizes SEBI’s updates:

Pre Amendment	Particulars	Post Amendment
2024 - 25	Value Chain Disclosures effective date	2025 - 26
Comply or explain	Value Chain Disclosures applicability	Voluntary
Applicable from FY 2025 - 26	Assurance on Value Chain Disclosures	Applicable from FY 2026 - 27
Upto 75% by value	Value chain partners	Entities individually 2% or more up to 75% by value
Reasonable assurance for top 1000 listed companies as per the glide path issued by SEBI	Assurance on BRSR Core Indicators	Substitution of the term “assurance” with “assurance or assessment”
-	Green Credits	Introduced as leadership Indicator

We will delve deeper into this in an upcoming Uniqus publication.

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2. India launches updated National Biodiversity Strategy and Action Plan (NBSAP) at COP16 to the Convention on Biological Diversity (CBD), in Colombia

India launched its updated National Biodiversity Strategy and Action Plan (NBSAP) at COP16 in Colombia, aligning with the Kunming-Montreal Global Biodiversity Framework (KMGBF). The updated strategy adopts a 'Whole-of-Government' and 'Whole-of-Society' approach, outlining 23 national biodiversity targets to halt biodiversity loss by 2030 and achieve harmony with nature by 2050. Prioritizing ecosystem restoration, species recovery, and community-driven conservation, it emphasizes the restoration of degraded ecosystems, wetland protection, and sustainable coastal and marine management. Developed through a broad consultative process involving multiple ministries, state organizations, and communities, the NBSAP underscores biodiversity mainstreaming, sectoral integration, and inter-agency collaboration. It is grounded in India's robust governance framework under the Biological Diversity Act of 2002 and its 2023 amendments, reflecting the nation's commitment to global biodiversity goals.

Uniqus' POV

India's updated NBSAP exemplifies a progressive approach to addressing biodiversity challenges while aligning with global targets under the Kunming-Montreal Framework. The strategy's focus on ecosystem restoration, community-driven conservation, and biodiversity mainstreaming underscores a balanced vision of environmental sustainability and socio-economic development. India highlights the importance of collective action in biodiversity conservation by emphasizing inclusive governance and inter-agency collaboration. The NBSAP sets an ambitious roadmap for halting biodiversity loss and positions India as a global leader in sustainable environmental management, offering a replicable model for addressing biodiversity challenges worldwide.

3. SEBI Proposes Key Amendments for ESG Rating Providers

SEBI has proposed amendments to ESG Rating Providers (ERPs) regulations under the SEBI (Credit Rating Agencies) Regulations, 1999. These changes address the subscriber-pays model and expand the scope of ESG ratings. Key proposals include the simultaneous sharing of ESG rating reports with both subscribers and issuers, prohibiting rated entities or their affiliates from subscribing to their own ratings and introducing a formal process for issuer feedback on inaccuracies. The paper suggests removing the requirement for ERPs to disclose ESG ratings to stock exchanges, as these are already publicly available on ERP websites. Additionally, SEBI proposes an activity-based regulatory framework enabling ERPs to rate unlisted entities and products under sector-specific guidelines, with clear delineation of regulatory oversight to maintain transparency and credibility.

Uniqus' POV

SEBI's proposed amendments to ESG Rating Provider (ERP) regulations enhance transparency, objectivity, and operational efficiency. SEBI ensures fairness while safeguarding subscriber-pay models by mandating simultaneous sharing of ESG rating reports with subscribers and issuers. Prohibiting rated entities from subscribing to their own ratings prevents conflicts of interest, reinforcing credibility. The streamlined process for issuer feedback addresses data inaccuracies without delaying report publication. Eliminating the requirement for ERPs to disclose ratings to stock exchanges reduces redundancy, as public website disclosures suffice. Additionally, introducing activity-based regulation broadens the scope of ESG ratings to unlisted entities and products, maintaining clear oversight under relevant sectoral guidelines.
These measures position SEBI as a progressive regulator, fostering a robust and adaptable ESG rating ecosystem that aligns with global best practices.

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4. India Set to Benefit from COP29 Carbon Market Agreement

The COP29 negotiations in Baku, Azerbaijan, concluded with a landmark agreement on the operationalization of global carbon markets under Article 6 of the Paris Agreement. This agreement establishes two mechanisms: Article 6.2 for bilateral carbon trading between nations and Article 6.4 for a global crediting system to sell emissions reductions. For India, this offers significant opportunities to shape its domestic carbon market, expected to be operational by FY27. Aligning with global standards will enhance the fungibility of Indian carbon credits, attract investments, and ensure greater market efficiency through improved price discovery. With guidelines from the Bureau of Energy Efficiency (BEE), energy-intensive sectors like manufacturing and steel can capitalize on this framework, supporting India's ambitious climate goals while participating in global carbon trade.

Uniqus' POV

The operationalization of Article 6 carbon markets at COP29 represents a pivotal moment for India's climate strategy. Aligning India's Carbon Credit Trading Scheme with international standards will unlock access to global climate finance, enhance credibility, and attract institutional investments. The focus on robust rules, standardized carbon accounting, and collaborative public-private partnerships will ensure the efficiency and stability of India's carbon market. By integrating global best practices, India can position itself as a leader in climate finance, providing businesses with the tools to offset emissions and monetize reductions. This initiative aligns with India's broader decarbonization agenda, driving sustainable development and reinforcing its global climate commitments.

5. India Faces Significant Economic Impact from Climate Change by 2070: ADB Report

The Asian Development Bank's (ADB) inaugural Asia Pacific Climate Report warns of a 24.7% GDP loss for India by 2070 under a high-emission scenario. Rising sea levels and decreased labor productivity are projected as primary contributors, with vulnerable economies bearing the brunt of these challenges. Across Asia-Pacific, GDP losses are estimated at 16.9%, with over 300 million people at risk of coastal flooding and trillions of dollars in annual damage to coastal and riverine assets. The report highlights that emissions from emerging Asia, led by China, have surged significantly, now contributing nearly 46% of global emissions. As a densely populated region, Asia faces mounting risks from intensified storms, flooding, and loss of forest cover. These outcomes underscore the urgent need for adaptation financing and policy reforms to mitigate long-term economic and environmental damage.

Uniqus' POV

The ADB report highlights the pressing need for India to address the projected 24.7% GDP loss by 2070 due to climate change under a high-emission scenario. With rising sea levels, reduced labor productivity, and escalating risks to critical infrastructure, the findings call for immediate and strategic climate action. India must focus on scaling green infrastructure, strengthening climate resilience, and fostering collaboration across sectors to mitigate these impacts. Additionally, integrating robust climate adaptation policies with sustainable economic practices will be essential to protect vulnerable communities and industries. By prioritizing climate finance, emissions reduction, and international partnerships, India can position itself as a leader in climate resilience and sustainable growth, ensuring long-term economic stability in the face of global environmental challenges.

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Middle East

1. The Qatar Financial Centre Regulatory Authority (QFCRA) proposes amendments to sustainability reporting requirements to align with the ISSB standards

The QFCRA proposes to implement the **corporate sustainability reporting framework** through the adoption of a phased and proportionate approach that reflects the varying levels of entities' readiness and capacity to implement the ISSB standards.

This approach entails:

- Focusing on a limited number of entities that have to apply the requirements (i.e. all Category A entities and entities designated by the QFCRA);
- Providing proportionality mechanisms and extended transition reliefs to facilitate the use of the standards; and
- Guiding entities through a guide document.

The QCFRA proposes to develop and implement a corresponding assurance framework to the sustainability reporting framework. The assurance framework will be based on newly developed international assurance standards for the assurance of sustainability information.

The comment period for the amendments ends on 25 March 2025.

Uniqus' POV

The Qatar Financial Centre Regulatory Authority (QFCRA) has published 'Proposed Amendments to General Rules on Corporate Sustainability Reporting', which propose to align the existing sustainability reporting requirements with IFRS S1 and IFRS S2.

The aim of this amendment is to establish robust sustainability reporting and assurance, to foster trust, confidence, and transparency to stakeholders, especially investors. The adoption of a phased and proportionate approach is the right step as entities are at various stages of the sustainability journey, hence, will require time and resources to comply with this proposed amendment.

Entities are encouraged to begin to take necessary steps in preparation for the amended regulation once it comes into effect.

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1. Qatar Launches Green Bonds Trading on the London Stock Exchange

Qatar has officially launched the trading of its first green bonds on the London Stock Exchange (LSE), marking a milestone in the nation's commitment to financing environmentally friendly projects. The bonds, issued by Qatar's Ministry of Finance in May 2024, are aimed at supporting projects that align with global environmental priorities.

The green bonds are part of Qatar's broader efforts to enhance economic cooperation with international financial institutions.

Qatar's green bond initiative reflects its commitment to sustainable development and expanding access to green financing. This move aligns with global efforts to transition towards a low-carbon economy and strengthens Qatar's position in the international financial landscape.

This milestone is a blueprint for future collaboration between Qatar and global markets, driving innovation in sustainable investment opportunities.

Uniqus' POV

Over the years, Qatar has shown an unwavering commitment to sustainability at macro and micro levels. The country strives to promote projects with clear environmental benefits through the issuance of green bonds. In May 2024, Qatar's Ministry of Finance issued its first green bonds to fund environmentally friendly projects.

As Qatar's Ministry of Finance debuts its first green bonds on the London Stock Exchange to fund environmentally friendly projects, the country stands out in global collaboration to push the sustainable finance agenda across geographies. The initiative strengthens Qatar's partnerships with international financial institutions.

Green bonds underscore Qatar's dedication to financing sustainable development and can now be traded on the London Stock Exchange. This listing is significant in advancing Qatar's sustainability objectives.

3. Saudi Arabia Launches National Sustainability Committee

Saudi Arabia has taken a significant step toward promoting environmental sustainability by establishing its first national sustainability committee. Announced on December 8, 2024, by the Federation of Saudi Chambers, the committee aims to drive a green economy and integrate environmentally forward business practices across the Kingdom.

Khaled bin Abdulrahman Al-Othman has been appointed as chairman, with Nouf bint Abdulaziz Al-Ghamdi serving as Vice Chairman. This initiative reflects Saudi Arabia's commitment to addressing environmental challenges from rapid industrialization and population growth. By aligning with international climate agreements like the Paris Agreement, the Kingdom is dedicated to mitigating the effects of climate change and protecting its environment.

The formation of this committee underscores Saudi Arabia's proactive approach to environmental stewardship and its efforts to promote sustainable development practices nationwide.

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Saudi Arabia's establishment of the first national sustainability committee is an important step in integrating environmentally forward business practices and policies into the nation's economic framework. The national sustainability committee will solidify the country's agenda for green transformation.

Saudi Arabia has proactively addressed environmental challenges, many of which are shared globally, including those stemming from rapid industrialization and population growth. The country has made substantial progress through its Saudi Green Initiative (SGI), launched in 2021. The SGI includes ambitious goals such as reducing carbon emissions, planting 10 billion trees, and protecting 30 percent of the country's land and marine areas. With USD 188 billion worth of investments in over 80 projects, Saudi Arabia is steadily progressing towards creating a sustainable and green economy.

Through the national sustainability committee, Saudi Arabia is poised to strengthen its position as a regional leader in sustainability and, with increased oversight, help achieve its national sustainability goals and objectives.

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Decarbonizing the Transportation Sector: Driving Towards a Sustainable Future

Global greenhouse gas (GHG) emissions in 2023 totaled 53 gigatonnes of CO2 equivalent (Gt CO2eq), excluding emissions from Land Use, Land Use Change, and Forestry. Global energy-related CO2 emissions in 2023 rose by a modest 0.1% compared to 2022, reaching 37.4 billion tonnes (Gt). This sector encompasses activities like transportation, electricity, heat generation, building operations, manufacturing, construction, fugitive emissions, and other fuel combustion processes. The global CO2 emissions from fossil fuels and industry have increased at ~1.6% Y-O-Y since 2000 and 2.4% Y-O-Y since 1900.

The transportation sector presents a significant challenge in the global fight against climate change. From 2021 to 2022, the transport sector saw a 3% rise in global CO2 emissions, reaching approximately 8 gigatonnes[1]. Over the past 50 years, transport emissions have grown faster than those of any other sector, and the demand for transport is expected to continue increasing dramatically. As a result, emissions from transport activities may rise by 60% by 2050[2].

Adding to this challenge, the transport sector depends upon oil for 92% of its energy needs, making it particularly hard to decarbonize. The transportation sector faces significant challenges transitioning to low-carbon alternatives due to its reliance on long-lasting infrastructure and assets. The diverse nature of transportation modes, each with its own operational, economic, and technological limitations, necessitates a multifaceted approach to decarbonization.

To align with the Net Zero Emissions (NZE) Scenario, the transport sector must drastically reduce its CO2 emissions by approximately 25% to around 6 gigatonnes by 2030[3], even considering anticipated growth in travel demand. Achieving this reduction will require a multi-pronged approach, including the rapid electrification of road vehicles, the implementation of operational and technical energy efficiency measures, the commercialization and scale-up of low-emissions fuels like sustainable aviation fuels and hydrogen for sectors like maritime and aviation, and the promotion of policies that encourage a shift towards less carbon-intensive travel modes.

Global CO2 (Gt CO2) emissions from transport by sub-sector in the Net Zero Scenario, 2000-2030

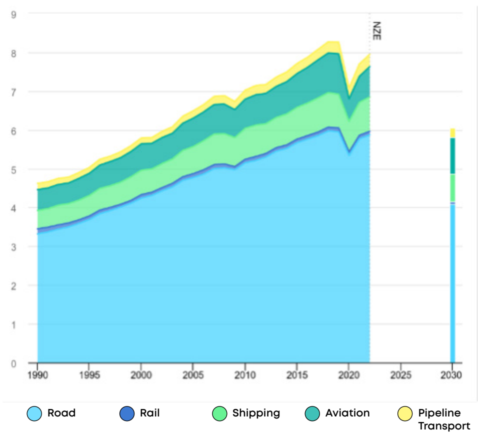

Figure 1 IEA (2023), Global CO2 emissions from transport by sub-sector in the Net Zero Scenario, 2000-2030, IEA, Paris

Emissions trends from different transportation types

Emissions within the transportation sector are primarily generated by the movement of people and goods, with road transport dominating this activity. As of 2019, road transport accounted for 69% of global transport-related CO2 emissions, or 6.1 GtCO2-eq. This is primarily due to the movement of passengers and freight, which continues to grow globally. International shipping and aviation are the second and third largest emission sources, contributing 9% (0.8 GtCO2-eq) and 7% (0.6 GtCO2-eq), respectively[4].

[1] https://www.iea.org/energy-system/transport

[2] Decarbonising Transport Initiative (International transportation initiative)

[3] https://www.iea.org/energy-system/transport

[4] ITF (2019), ITF Transport Outlook 2019, OECD Publishing, Paris, https://doi.org/10.1787/transp_outlook-en-2019-en.

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Freight transport, particularly heavy-duty vehicles (HDVs), is another key source of emissions. Freight activity grew by 68% between 2000 and 2015 and is projected to more than triple by 2050. HDVs contribute significantly to air pollution due to their high particulate matter and black carbon emissions, which have a much higher short-term warming potential than CO2[5].

Despite the challenges, significant mitigation potential exists across all transport sub-sectors. Strategies such as electrification, alternative fuels, and improved fuel efficiency can be crucial in reducing emissions from road transport, aviation, and shipping.

Regional Emissions Trends and Growth

Transport emissions exhibit stark regional disparities. While developed regions like Europe and North America have experienced relatively slow growth due to advancements in fuel efficiency and alternative transport, emerging economies in Asia, Africa, and Latin America have witnessed significant emissions growth driven by rapid economic development, rising populations, and increased motorization. This rapid growth, particularly in regions with low vehicle ownership, poses a significant challenge to global decarbonization efforts. To address this, emerging economies must prioritize the development of sustainable transport systems, including public transport, clean energy infrastructure, and policies that encourage efficient and sustainable modes of transportation.

Key Strategies for Decarbonizing Transportation Sector

1. **Policy Interventions:** Eliminating or phasing out fossil fuel subsidies is crucial for aligning market forces with low-carbon mobility options. For example, phasing out subsidies in Germany increased investments in renewable energy projects.

2. **Infrastructure Development:** Investing in and expanding rail networks is essential for decarbonizing both passenger and freight transport. Examples include high-speed rail projects in Saudi Arabia and Turkey, as well as initiatives to increase freight rail transport in Brazil and India, including India's target of full rail electrification by 2024. Implementing policies like France's ban on short domestic flights that can be replaced by rail can significantly reduce aviation emissions.

3. **Technological Advancements:** The electrification of vehicles, including cars, buses, and two-wheelers, is crucial in reducing emissions. Examples include private companies supporting EV adoption through charging networks and India's target of complete electrification of its two- and three-wheeler fleet by 2030.

4. **Integrating Electrification with Sustainable Mobility:** Integrating electrification with strategies that promote public transport, cycling, and walking is essential to reduce overall energy demand in the transport sector.

5. **Linking Electrification with Renewables:** Support measures for electrification and power-to-X technologies must be closely linked to ambitious renewable energy targets. This integration will ensure that the decarbonization benefits from EVs and alternative fuels are not undermined by carbon-intensive electricity generation.

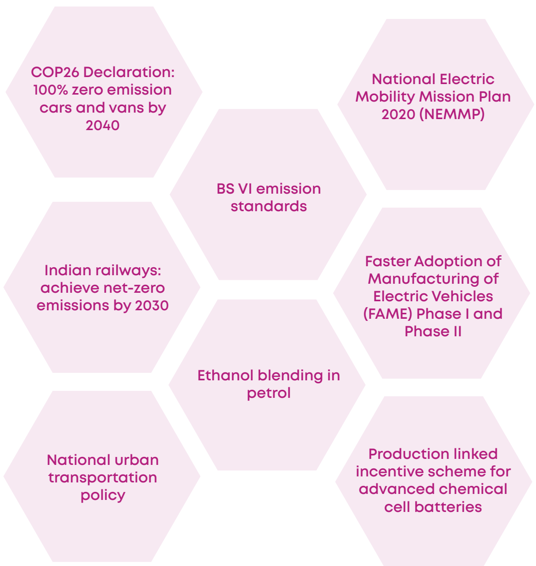
6. **Grid Emission Factors and the Energy Transition:** The progress of the energy transition in the power sector can be tracked through grid emission factors, which indicate the carbon intensity of electricity generation. While many countries have seen improvements in grid emission factors, the pace of this transition is insufficient to meet global climate goals.

[5] https://www.itf-oecd.org/decarbonising-transport

The India Outlook

The movement of people and goods is the backbone of India's fast-paced economic development. India's strong emphasis on socioeconomic growth and the pace of its urbanization have increased its mobility demand. While transport-related emissions grew by 18.4% from 2015 to 2019, per capita emissions grew by 13.5% in the same period. Despite strong growth rates, however, its per capita emissions – 0.25 metric tons CO_2 – are the lowest in the G20[6].

India's total CO_2 emissions from fuel combustion increased by 375% between 1990 and 2019, yet they represent a relatively low share of total emissions – only 14%. Among other reasons, this is due to the high carbon intensity of India's power generation. Nevertheless, transport sector emissions could increase by 65% by 2030 and by 197% by 2050 relative to 2020 levels. Road transport is the main contributor to sector emissions, followed by rail transport. In order to achieve Net Zero Commitments and reduce emissions from the transportation sector, several policy-level interventions have been introduced in India to provide a conducive ecosystem for a smooth transition of India's road transportation sector towards net zero emissions. Some of these interventions are summarized below.



Role of corporates in decarbonizing their transportation-related emissions

Corporates can significantly impact transport decarbonization by electrifying fleets, optimizing logistics, and promoting sustainable transport options. This directly influences Scope 3 emissions, which encompass indirect emissions from the upstream and downstream of the value chain.

Strategically reducing transportation emissions can have a considerable positive impact on the environment and economy. Optimizing transport routes, switching to less carbon-intensive transport modes, and local sourcing are some of the strategies these industries can implement to lower their Scope 3 Category 4 emissions. Sustainability leaders within these industries recognize the value in decoupling business growth from environmental impact, turning sustainability into a competitive edge.

Optimizing Supply Chain Logistics for Decarbonization

Organizations from across sectors with dependencies on upstream and downstream transportation (e.g., manufacturing, retail, agriculture, energy, construction etc.) can significantly reduce their Scope 3 emissions by optimizing supply chain logistics. Below are a few of the actions that corporates could take to reduce their Scope 3 emissions across upstream and downstream transportation.

[6] *Towards Decarbonizing Transport 2023, Niti Aayog*

Optimizing Supply Chain Logistics for Decarbonization

Collaborate with suppliers
Engage with suppliers to find joint solutions for reducing transportation emissions. Encourage suppliers to use more sustainable transportation modes or fuels.

Shift to greener transportation options
Increase the use of rail or sea freight, which typically produces fewer emissions per tonne-kilometre compared to road or air. Explore opportunities for using electric or alternative-fuel vehicles in the logistics chain. This could include incentiving employees for adoption of electric vehicles.

Increase load efficiency
Improve packaging to reduce size and weight, maximizing the capacity of each transport load. Utilize shared transportation services where possible to ensure vehicles are fully loaded.

Encourage local sourcing
Reduce the distance goods need to travel by sourcing materials from closer suppliers. Support local economies by fostering relationships with local producers.

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1. What are your reflections from this year, i.e., 2024?

2024 has been a year of mixed progress for ESG globally. Several countries have moved steadfastly on their path to requiring companies to focus on issues like climate change and address environmental concerns in a resolute manner. Adoption of global baseline standards such as IFRS S1/S2 is also gathering momentum with countries such as Canada, Qatar, Australia, Singapore and the like expressing their intent to adopt these standards. The adoption of CSRD for companies operating in the EU is also imminent.

The journey has been cautious in the United States, reflecting the slower pace of regulatory evolution amidst impending leadership changes. While businesses are aware of the strategic importance of ESG, the momentum for mandatory compliance has yet to materialize fully. Contrastingly, India has been steadily consolidating its ESG landscape. The government's proactive measures to unify and expand sectoral ESG rulings have brought much-needed clarity, pushing industries to integrate sustainability into their core strategies. The Middle East, however, has stood out as a beacon of commitment. Following the legacy of COP28 hosted by the UAE in 2023, the region has amplified its regulatory frameworks and demonstrated unparalleled seriousness in translating these into market practices. Across these regions, businesses have grappled with varying degrees of preparedness and ambition, underscoring the need for tailored strategies.

2. What is your outlook for ESG as we enter 2025?

In 2025, we will have to watch the developments in the US on ESG front. I firmly believe adaptability of ESG regulations and disclosures will be key for companies navigating the uncertainty of new playing fields. I would like countries to focus on interoperability of ESG disclosure and reporting standards in 2025. That will go a long way to ensure rationalization of disclosures, setting up a global baseline and moderate the cost of compliance for organizations.

The trend we saw in the current year on companies focusing on reporting climate-related risks and disclosures is likely to pick up pace. Also, progress on Article 6 that was made operational at COP29 will be crucial for the development of a unified carbon market.

Anu Chaudhary

Partner, Global Head of ESG Consulting

3. What would be your advice to businesses as they prepare for the future?

Businesses must adopt a global mindset while staying cognizant of regional regulatory nuances. US companies should focus on bolstering their ESG data capabilities, aligning with international standards to remain competitive. In India, businesses must proactively embrace the government's ESG directives, viewing them as opportunities to innovate and lead rather than compliance. With its robust regulatory push, the Middle East will reward organizations that align their strategies with long-term sustainability goals and take bold steps in decarbonization and technology adoption. Additionally, EU frameworks like the CBAM (Carbon Border Adjustment Mechanism) and CSDDD (the Corporate Sustainability Due Diligence Directive) will impact non-EU businesses with a presence in the EU. We have covered them in some detail in our previous newsletters. Hard-to-abate sectors will face significant challenges. Companies must prioritize resilience by embedding ESG into their operational models and leveraging technology to navigate complexities effectively.

Companies should look at embracing technology in their ESG reporting initiatives. We see limited penetration of technology platforms currently by corporates. If companies need to bring uniformity, consistency and comparability to their data as well as ensure audit transparency then embracing technology is imperative.

Also, focus on building capacity and knowledge of their team members especially in newer regulations such as IFRS S1/S2 as well as CSRD.

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REGULATORY WATCH

Regulation around ESG continues to evolve rapidly. This section summarizes some of the latest regulatory developments across critical global markets, including the US, EU, UK, India, and the Middle East. Our analysis captures the nature of the legislative changes or updates and our high-level assessment of broader implications on business practices and compliance strategies.

Global

Governing Body	Update	Uniqus' Impression
EU Parliament and Council	The European Parliament and Council have announced the implementation delay of the EU Deforestation Regulation (EUDR) by 12 months. The Regulation was first introduced in 2021 and enacted in June 2023. The EUDR is aimed at preventing deforestation specifically for projects involving products such as palm oil, beef, timber, coffee, cocoa, rubber and soy. Companies supplying products with these materials on the EU market or exporting them will be subject to mandatory due diligence rules requiring them to provide detailed information on where the products were produced, ensuring they were not on land that was subject to deforestation.	Although there has been a delay in implementation, the basis of the EUDR remains intact. This delay signifies collaboration between the European Parliament and the businesses and farmers that would be affected by the regulation. Based on feedback received, the Commission agreed to allow additional time for preparation to ensure all those affected by the regulation would feel adequately prepared and able to comply.
European Commission	The EU Taxonomy is part of the EU Action Plan on Sustainable Finance and includes a criterion focusing on six environmental objectives to identify sustainable economic activities. The European Commission recently released an FAQ document intended to streamline the implementation of the EU Taxonomy and alleviate the associated administrative burden for companies applying the EU Sustainable Finance Framework. The FAQ document provides detailed information about regulatory requirements and specific environmental reporting criteria.	The EU Taxonomy FAQ is intended to benefit both investors and companies. The detailed guide will help investors understand the environmental impacts of their investments while also assisting a company with its transition to becoming more sustainable. The release of this FAQ document highlights the importance of creating higher transparency in reporting and providing all stakeholders with the necessary information to ensure full participation and compliance.

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Governing Body	Update	Uniqus' Impression
Canadian Sustainability Standards Board (CSSB)	The Canadian edition of sustainability investment disclosure standards, based on the ISSB Standards but modified for Canadian public interests, has been released in December 2024 – the Canadian Sustainability Disclosure Standards (CSDS) 1 and CSDS 2. Like the ISSB Standards, the two new standards from the CSSB will be voluntary and designed to offer consistency, comparability, and transparency for sustainability reporting from corporates for investors. CSSB released feedback from almost 5000 individuals and entities regarding drafts of the standards, ensuring public opinion was considered across representatives from government, academia, advocacy groups, and other stakeholders.	The CSDS 1 and CSDS 2, though voluntary, will provide guidance to Canadian companies looking to adhere to a growing global baseline around transparency and accountability regarding ESG factors. The CSSB has aligned with international frameworks, particularly the ISSB, providing support for stakeholders such as investors and regulators increasingly demanding reliable ESG information to make informed decisions. As ESG reporting becomes more important in various jurisdictions, the CSDS will help Canadian companies prepare for evolving regulatory landscapes. Uniqus will follow up shortly with a thought leadership piece analyzing the newly released CSDS.
European Commission	The European Commission has proposed an omnibus regulation, slated for publication in 2025, to streamline and integrate the overlapping requirements of the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy Regulation, and the Corporate Sustainability Due Diligence Directive (CSDDD). This initiative aims to reduce administrative burdens, simplify compliance processes, and bolster European competitiveness.	Although the regulation details remain under discussion, the overarching intent signals a shift toward regulatory coherence and efficiency. European businesses should closely monitor developments, as the omnibus regulation could reshape compliance timelines and necessitate strategic adjustments. Proactive planning will be essential to stay ahead in this evolving regulatory landscape.

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Governing Body	Update	Uniqus' Impression
California Air Resource Board (CARB)	CARB provided an updated enforcement notice on 5 December 2024, stating that it will exercise its enforcement discretion such that, for the first report due in 2026 for reporting entities' scope 1 and 2 emissions under SP 219, entities may submit emissions from the prior fiscal year that can be determined from information already possessed or already collected at the time of issuance of CARB's notice. That is, CARB will exercise enforcement discretion for the first reporting cycle on the condition that entities demonstrate good faith efforts to comply with the law.	Given the delays with implementing the California climate laws, including implementation rules and clarifications from the state's policymakers, Uniqus welcomes the transition reliefs provided by CARB for entities required to report GHG emissions under SB219 due in 2026. CARB will not take enforcement actions for incomplete reporting against entities for the reporting cycle as long as the companies can demonstrate good faith efforts to retain data relevant to emissions reporting, and as such, it is important for entities to prepare such efforts in working towards full compliance in the future – even if not in the first reporting cycle.

CSRD UPDATES

In recent weeks, significant developments have unfolded regarding the European Union's Corporate Sustainability Reporting Directive (CSRD), a key regulatory framework to enhance corporate transparency in sustainability. These updates have far-reaching implications for EU-based organizations and international companies with regional operations.

Member States' Progress on CSRD Transposition:

As of December 2024, the adoption of the CSRD into national legislation remains inconsistent across EU Member States. The European Commission has launched infringement proceedings against 17 countries that have yet to fully implement the directive, highlighting the pressing need for compliance. This fragmented approach challenges businesses operating in multiple jurisdictions, facing varying regulatory requirements and implementation timelines

Implications for U.S. Companies:

The CSRD's broad scope extends to approximately 3,000 U.S. companies with substantial operations in the EU. The timeline for non EU companies having busiensses in the EU is fast approaching and companies should start their preparation forthwith. The directive's detailed and rigorous reporting obligations require robust Environmental, Social, and Governance (ESG) frameworks, yet a recent survey reveals many U.S. executives may overestimate their readiness. Proactive action is crucial to address these complex requirements effectively.

Adjustments to Size Thresholds in the Accounting Directive:

The European Commission has proposed amendments to the Accounting Directive, raising financial size thresholds by around 25% to reflect inflation. This adjustment would narrow the CSRD's applicability, potentially exempting smaller companies previously required to report. The changes are expected to take effect for financial years beginning on or after January 1, 2024, although Member States may choose to adopt the new thresholds sooner.

These updates highlight a growing global trend toward increased corporate transparency and accountability in sustainability reporting. Companies across all regions should closely monitor these regulatory changes, evaluate their relevance, and take proactive steps to ensure compliance with the evolving ESG landscape.

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About Uniqus Consultech:

Uniqus Consultech is a global tech-enabled consulting company that specializes in ESG and Accounting & Reporting Consulting. The Company is co-founded by consulting veterans Jamil Khatri and Sandip Khetan and backed by marquee investors such as Nexus Venture Partners, Sorin Investments, and other angel investors. Anu Chaudhary, a global ESG specialist with over 20 years of experience, serves as the Global Head of ESG.

With operations in the US, India, and the Middle East, Uniqus is committed to leveraging technology and an integrated global delivery model to provide best-in-class consulting services that drive measurable results and create long-term value for its clients.

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Feedback

We encourage you to share this newsletter with your colleagues and networks, and to provide us with feedback on topics that you would like to see covered in future issues. Uniqus is here to support you in navigating this evolving landscape. Contact us to learn more about how we can help you on your ESG journey.