



# Status of the green transition

## Towards corporate sustainability 3.0

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Timothy Gore, Director Sustainability Advisory

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# Agenda

**Rapid stocktake of  
the green transition**

**10 mins**

**Corporate  
sustainability 3.0**

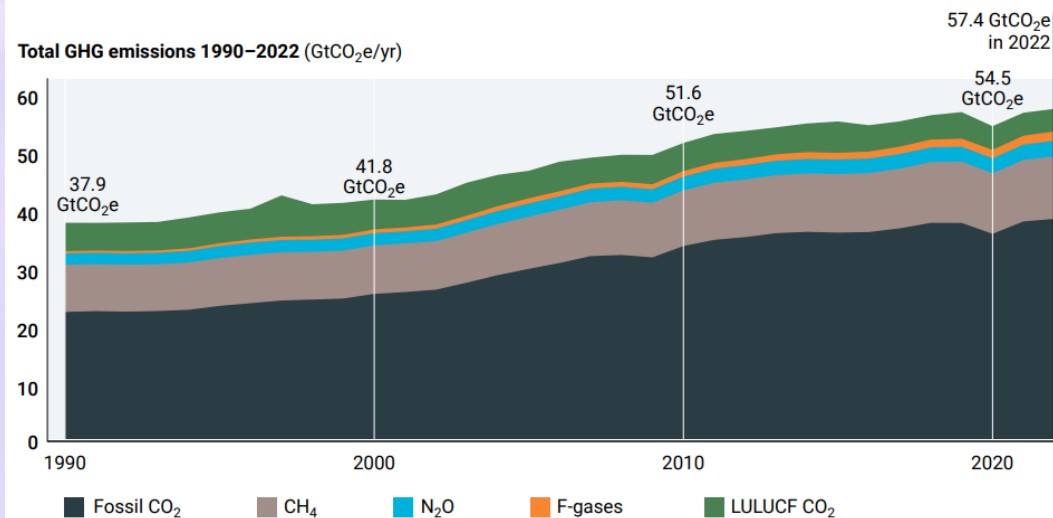
**5 mins**



# Global emissions are not on track for the Paris Agreement goals

## Global CO<sub>2</sub>e emissions

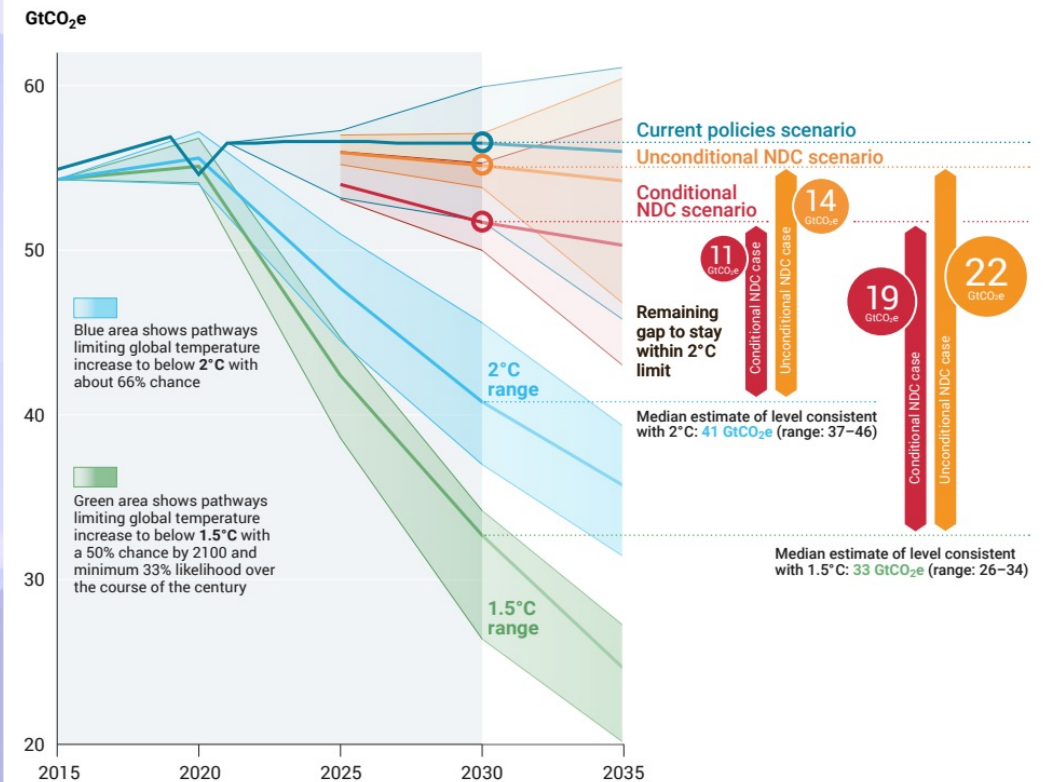
- Global emissions are still rising – increasing 1.2% 2021-22 to reach 57.4Gt CO<sub>2</sub>e
- All sectors apart from transport fully rebounded from COVID-19



UNEP (2023) <https://www.unep.org/resources/emissions-gap-report-2023>

## The global emissions gap

- With current policies, the world is set to heat by 3°C
- The gap to a 1.5°C pathway is 19-22Gt CO<sub>2</sub>e by 2030

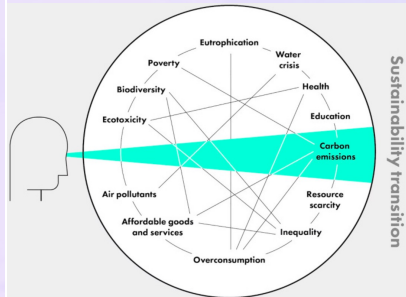


UNEP (2023) <https://www.unep.org/resources/emissions-gap-report-2023>



# Biodiversity and ecosystem functioning is deteriorating

## Carbon tunnel vision

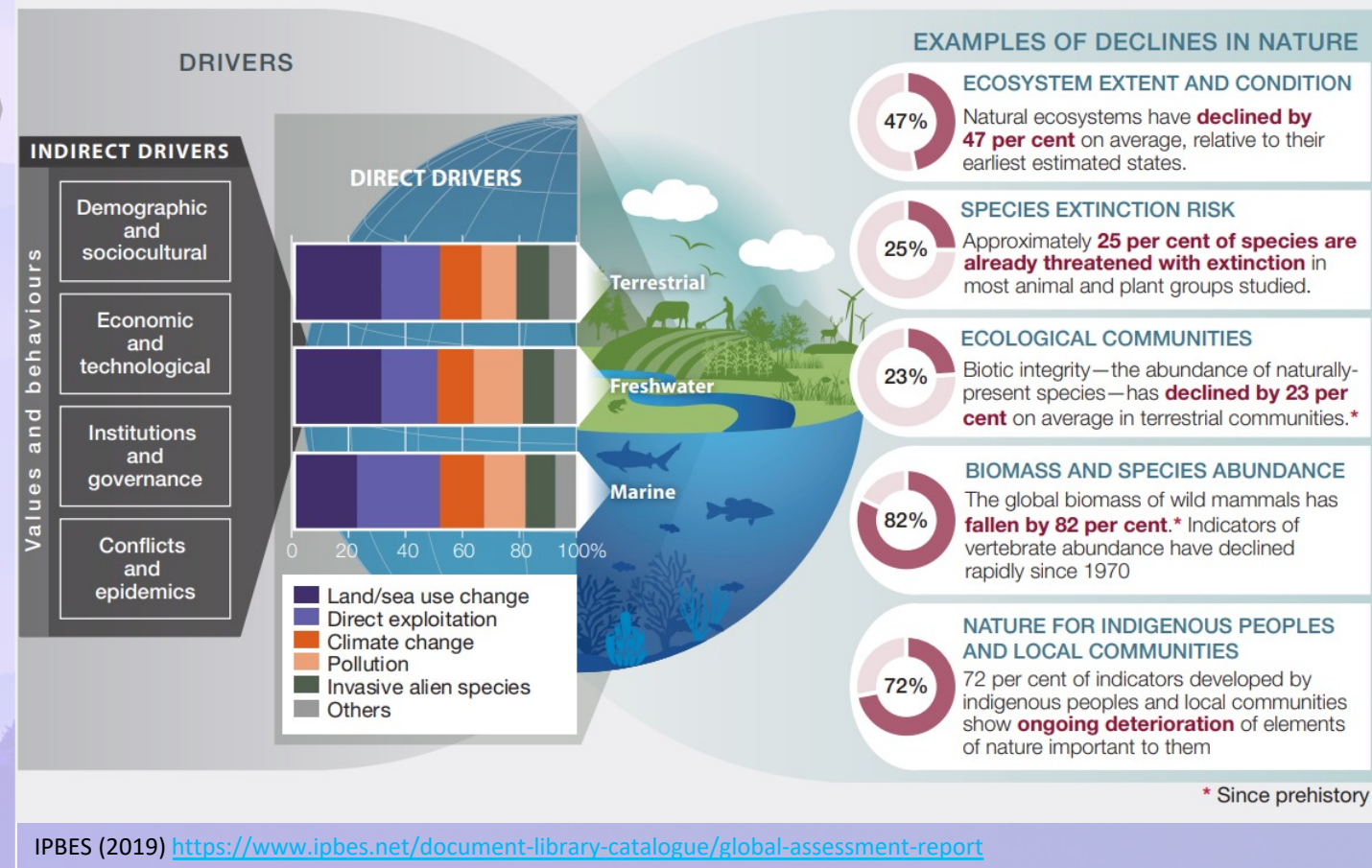


Deivanayagam and Osborne (2023)

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10021701/>

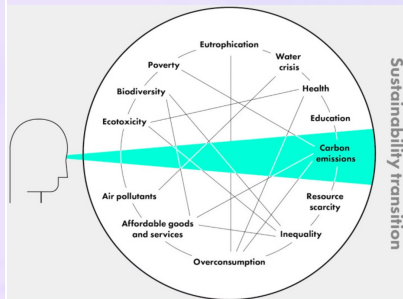
## Declines in nature

- A range of global indicators show severe impacts on nature



# Global material demand continues to rise

## Carbon tunnel vision



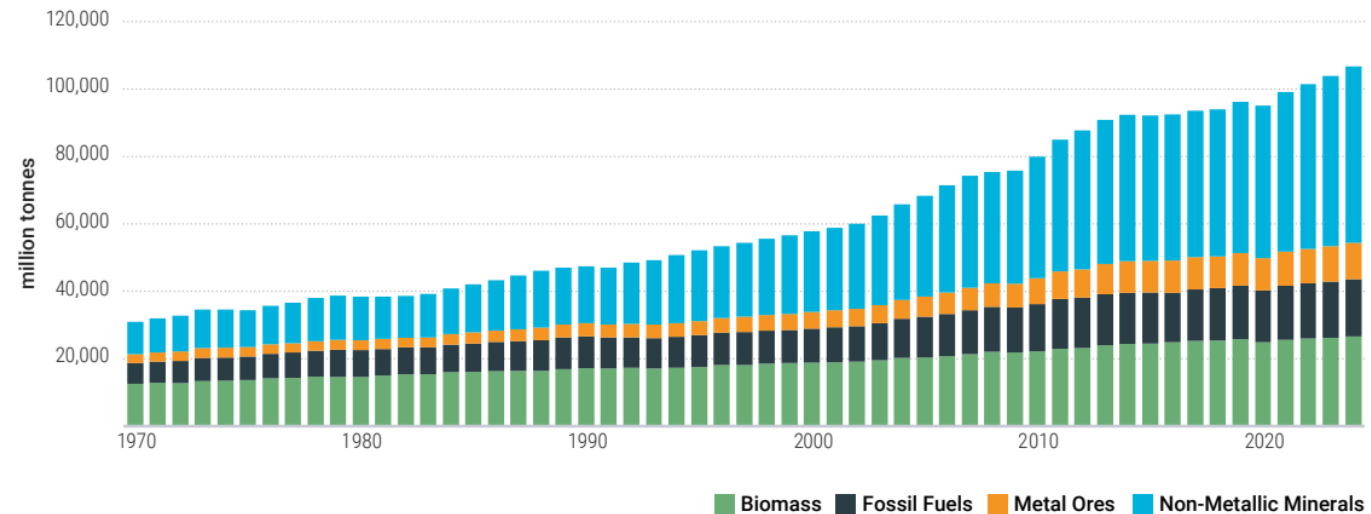
Deivanayagam and Osborne  
(2023)

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10021701/>

## Global material extraction

- In 2022, extraction and processing of materials accounted for 55% of global emissions and 90% of biodiversity loss and water stress
- Material extraction plateau from 2012-2018 appears to have been temporary

**Figure 2.9: Global material extraction, four main material categories, 1970 – 2024, million tonnes.**



Source: Global Material Flows Database (UNEP 2023a).

UNEP (2023) <https://www.resourcepanel.org/reports/global-resources-outlook-2024>

# But the green transition is advancing

**Politics**

**Economics**

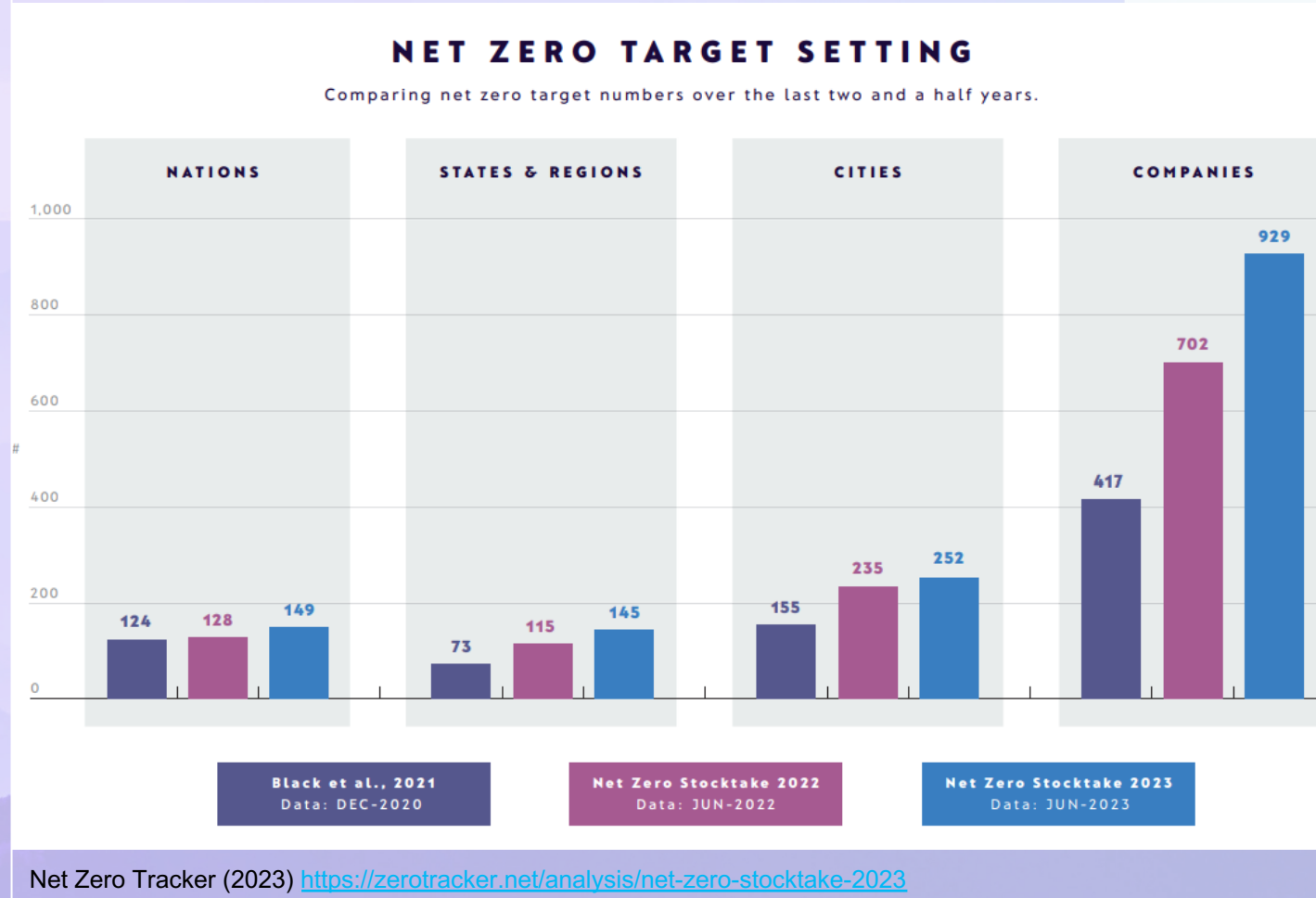
**Society**

**Technology**



# Net zero commitments have multiplied

- Net zero targets now cover 88% global emissions and 92% global GDP



# Mandatory corporate sustainability disclosures and due diligence are becoming the norm

## UK

The Companies act requirements on non-financial and sustainability information statement, SECR, The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017), Modern Slavery Act 2015

## Canada

Transparency in Supply Chains Act, Modern Slavery Act (Bill S-211)

## United States

SEC Climate Disclosure Rule, SEC Conflict Minerals Disclosure, Uyghr Forced Labour Prevention Act, CCDA, CRFRA

## Mexico

Sustainable Taxonomy of Mexico (draft)

## Brazil

Resolution 1710/23

## France

Law on the Duty of Vigilance, BEGES

## Spain

Regulation of the content in estimation reports on the financial impact of climate risks

## Norway

Transparency Act

## Germany

LkSG

## Switzerland

Swiss Ordinance on Climate Disclosures, Due Diligence and transparency in relations to Minerals and Metals from conflict-affected areas and Child Labour

## Tunisia

Law no. 25 of June 2018

## India

Indian Companies Act (2013), BRSR

## EU regulations

CSRD, Taxonomy Regulation, CSDDD, Prohibition of Products Made from Forced Labour Regulation, PTD, EUDR, REACH, Critical Raw Materials Act, Batteries Regulation, CBAM, Conflict Minerals

## China

CSRC Standards Concerning Disclosure by Companies Offering Securities to the Public; Administrative Measures for the Mandatory Disclosure of Environmental Information by Enterprises

## Japan

Implementation of ISSB standards

## South Korea

Bill on Human Rights and Environmental Protection for Sustainable Business Management

## Philippines

Memorandum Circular No 04, Republic Act No. 9208



# The EU, US and China have laid solid policy foundations

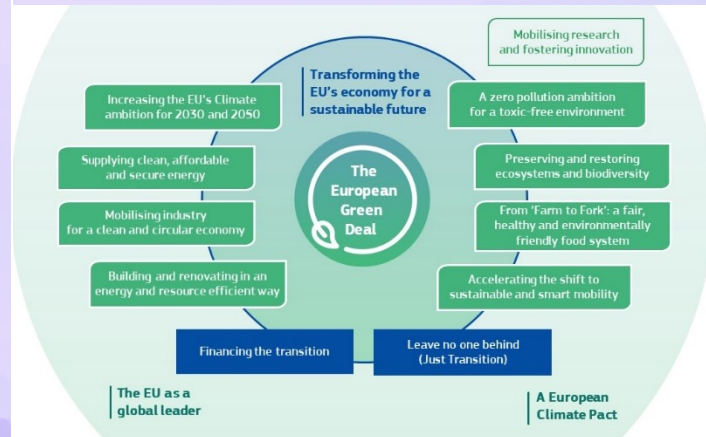
Politics



EU

## The Green Deal

- Emissions trading (EU ETS)
- Product standards (Ecodesign, CO2 standards for vehicles, EPBD, EUDR, CBAM)
- Corporate & financial disclosures (Taxonomy, SFDR, CSRD)



EC (2019) <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52019DC0640>



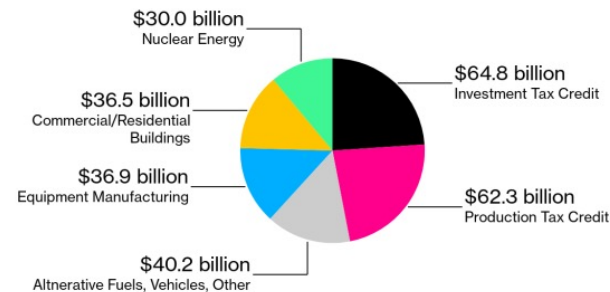
USA

## Inflation Reduction Act

- 391bn USD in federal support, 270bn of which as green tax credits
- Covers 20% of cost of new EV purchases, 30% residential solar PV, 30% charging stations, 60-70% green hydrogen and CCUS

### Tackling Climate Change With Tax Breaks

The Inflation Reduction Act offers a variety of green tax credits.



Source: Joint Committee on Taxation revenue estimate

Bloomberg Tax

Bloomberg (2022) <https://news.bloombergtax.com/tax-insights-and-commentary/tax-credits-in-us-climate-deal-bring-paris-accords-goals-closer>



China

## 14th Year Plan and N+1 guidance

- Command and control targets ("Target Responsibility System")
- Emission trading experimentation
- 26% global energy-related R&D
- New (!) product carbon footprint system for 2027

### China's New Climate Strategy

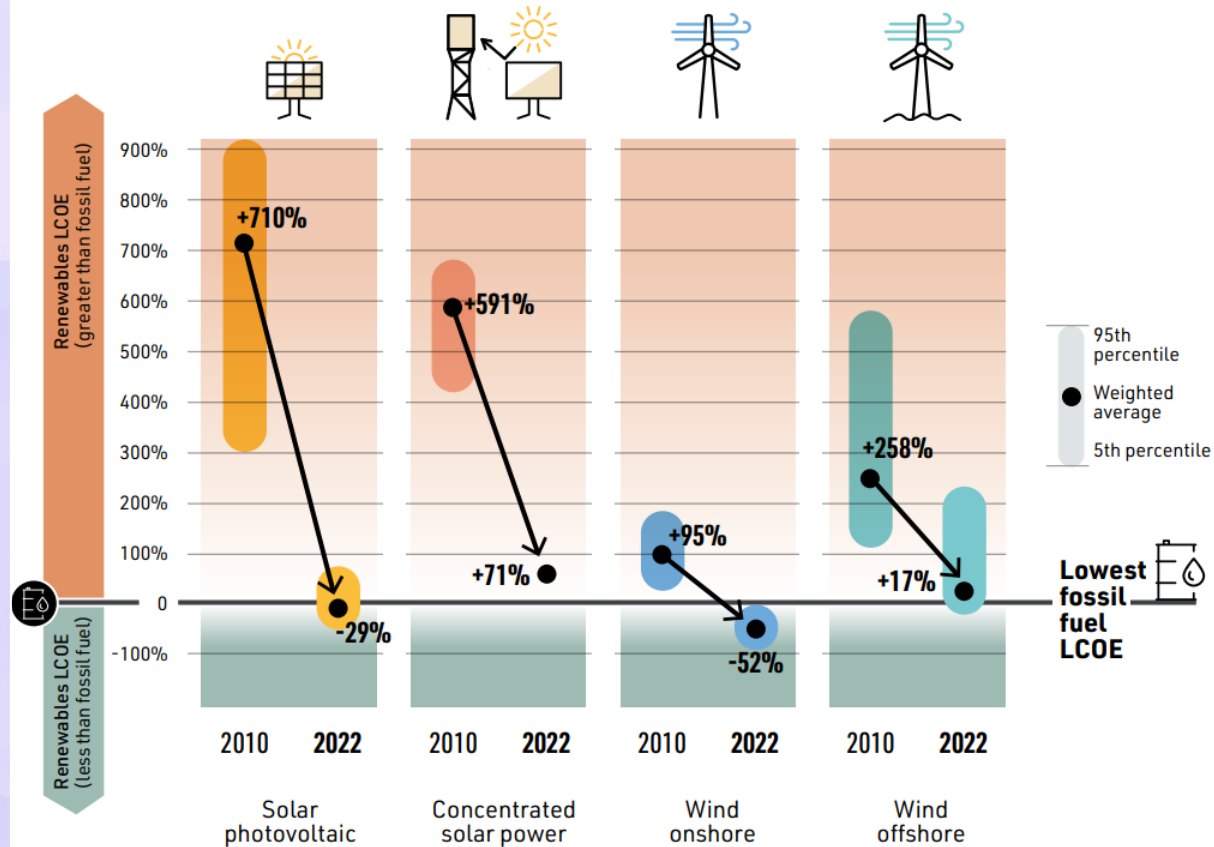
"1+N" Policy Framework



E3G (2021) <https://www.e3g.org/news/1-n-china-upcoming-climate-plans-1n-xie-beijing-han/>

# Renewable energy is becoming cost competitive

**FIGURE 3** Cost competitiveness of solar and wind power, 2010-2022



Note: LCOE = levelised cost of electricity.  
Based on: (IRENA, 2023a).

IRENA (2023) [https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Oct/COP28\\_IRENA\\_GRA\\_Tripling\\_renewables\\_doubling\\_efficiency\\_2023.pdf?rev=9831037db9e44aa5976b582af19a90da](https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Oct/COP28_IRENA_GRA_Tripling_renewables_doubling_efficiency_2023.pdf?rev=9831037db9e44aa5976b582af19a90da)

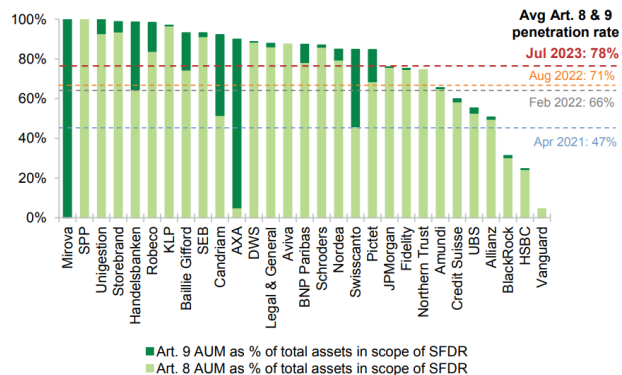


# Green investments are starting to outpace brown

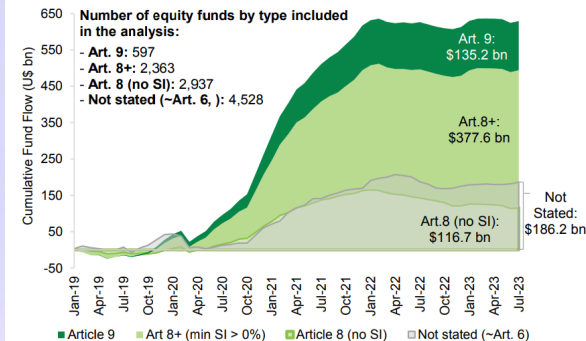
## SFDR Article 8 and 9 funds

- Article 8 and 9 AUM as % total assets have increased across large asset managers
- Cumulative fund flows to Article 8 and 9 equity funds grew 3x faster than non-ESG funds
- Article 9 outflows slowing

**Exhibit 1: Penetration of Article 8 and 9 funds amongst select managers rose to 78% v. 47% when SFDR kicked in**  
Article 8 and 9 Fund Assets as a percentage of total assets in scope of SFDR for select asset managers, Jul '23



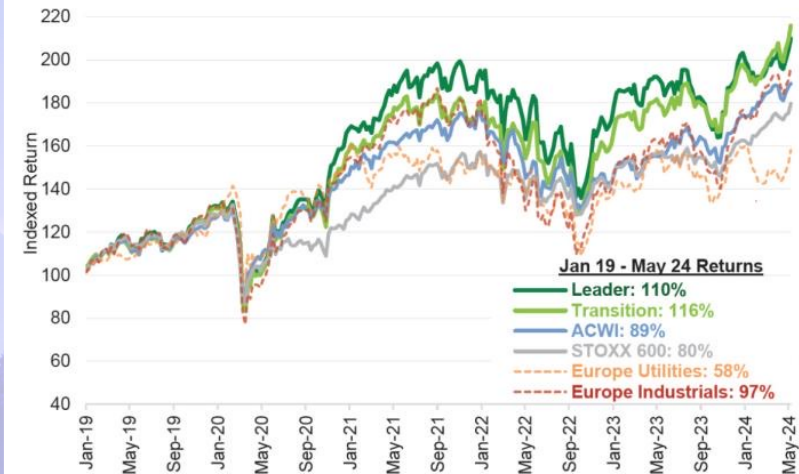
**Exhibit 2: Cumulative fund flow of Article 8 & 9 Equity funds have outgrown non-ESG counterparts by 3.4x**  
Cumulative fund flow of European Equity funds by type (US\$bn), Jan '19 - Jul '23



Article 8 and 9 funds are stacked, while not stated funds are charted on a second axis

## Taxonomy alignment

- Companies disclosing higher Taxonomy figures have outperformed the market
- Mortgages and other loans linked to the Taxonomy objectives represent 50% on average of the assets of large EU banks



Goldman Sachs (2023) [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities/eu-taxonomys-uptake-ground\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities/eu-taxonomys-uptake-ground_en)

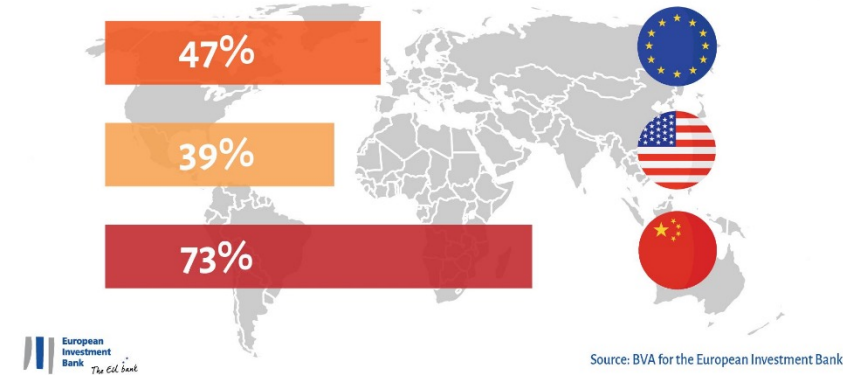
EC (2024) [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities/eu-taxonomys-uptake-ground\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities/eu-taxonomys-uptake-ground_en)



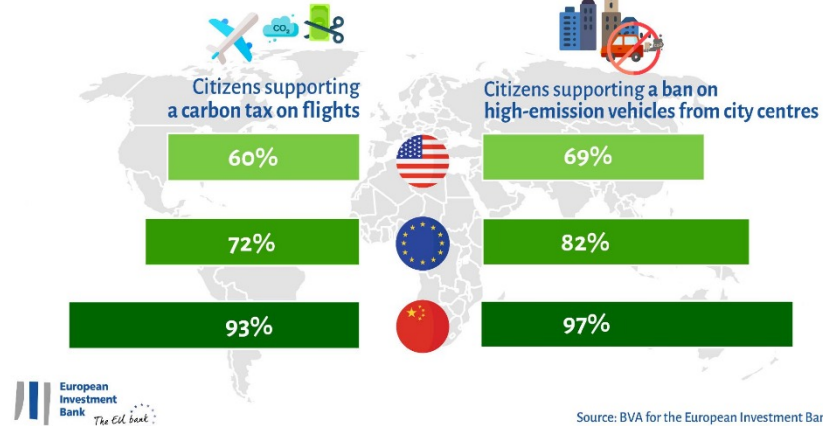
# Social norms in key markets may reach a tipping point

## EIB Climate Survey

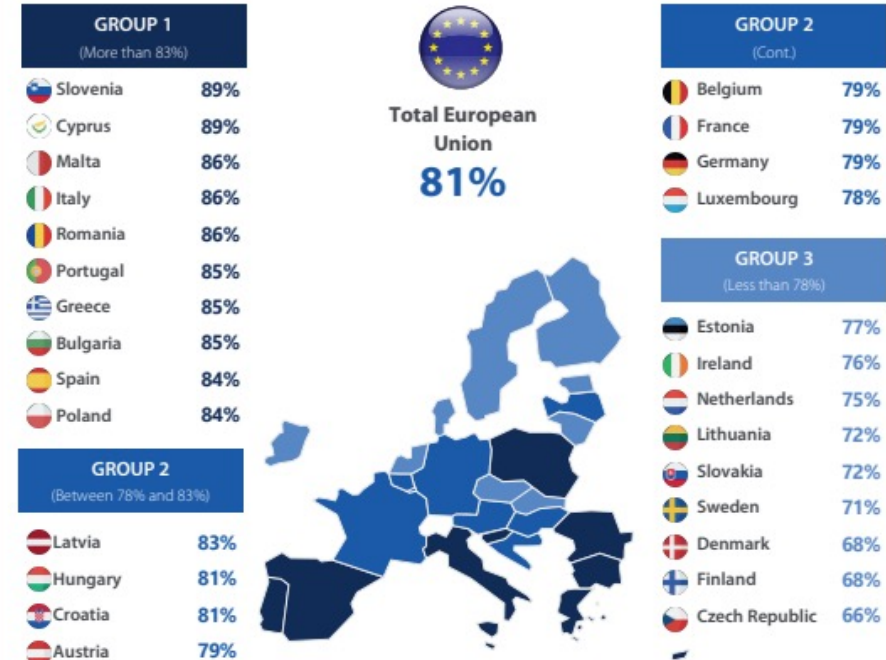
Share of citizens who consider climate change a major threat to society



## EIB Climate Survey



% who say the priority an employer gives to sustainability is important or is a priority when looking for a job



EIB (various) <https://www.eib.org/en/surveys/climate-survey/all-resources.htm>

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# Technological disruption in energy and mobility is underway

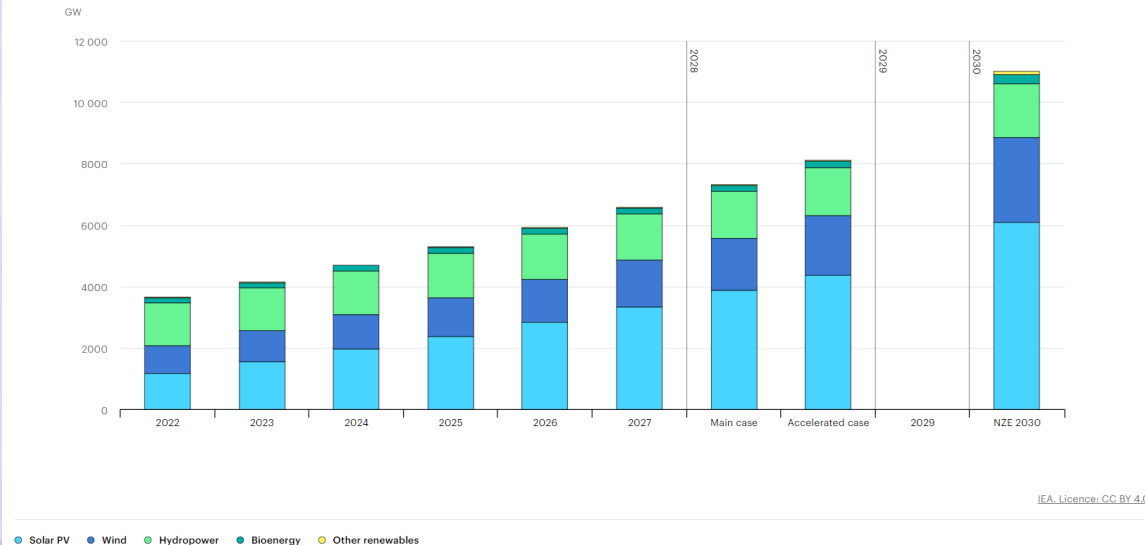
Technology

## Renewable energy deployment

- In 2025, renewables are set to surpass coal as largest source of energy generation – driven by a solar PV explosion
- One third of growth in China

Cumulative renewable electricity capacity in the main and accelerated cases and Net Zero Scenario

Open



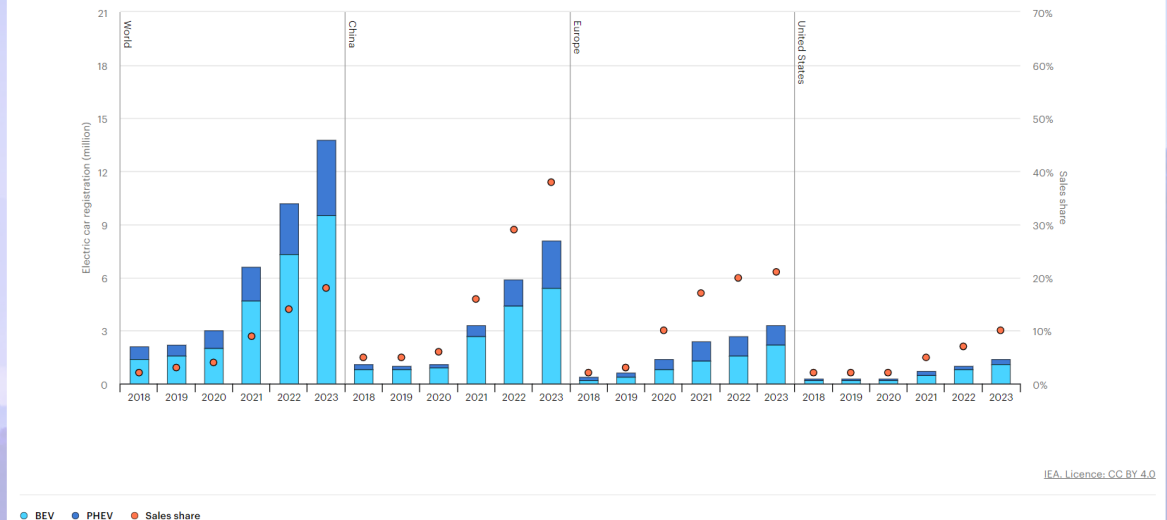
IEA (2023) <https://www.iea.org/reports/renewables-2023/executive-summary>

## Electric car deployment

- In 2023, nearly 1 in 5 cars sold was electric – (1 in 2 by 2035)
- 95% electric car sales in EU, USA and China

Electric car registrations and sales share in China, United States and Europe, 2018-2023

Open



IEA (2024) <https://www.iea.org/reports/global-ev-outlook-2024/trends-in-electric-cars#abstract>

# Is the green transition now inevitable and irreversible?

## Politics

### Political pivot moment in EU, USA and China



**EU elections & new EC**



**US Presidential election**



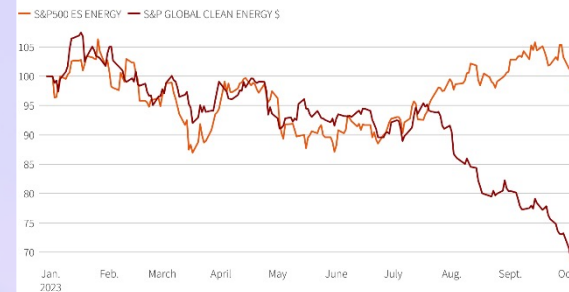
**New NDC\* & 15th FYP**

\* Nationally Determined Contribution to the Paris Agreement, due early 2025

## Economics

### High interest rates hit investments in renewables

**Global clean energy stocks have declined sharply in the past three months**



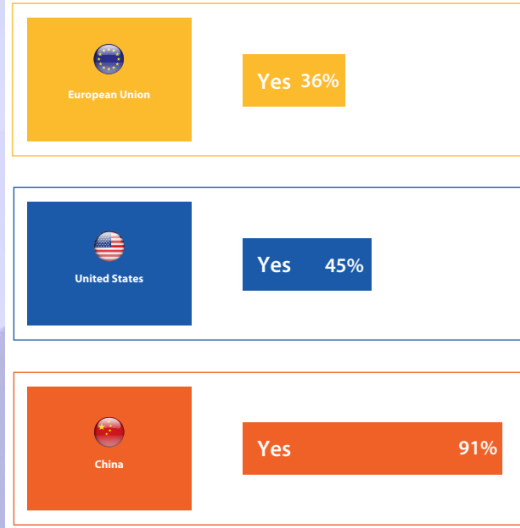
Reuters (2023)

<https://www.reuters.com/sustainability/climate-energy/renewables-funds-see-record-outflows-rising-rates-costs-hit-shares-2023-10-09/>

## Society

### Expectation of policy failure / fatalism?

Your country has pledged to substantially reduce its carbon emissions by 2030. Do you think it will succeed?

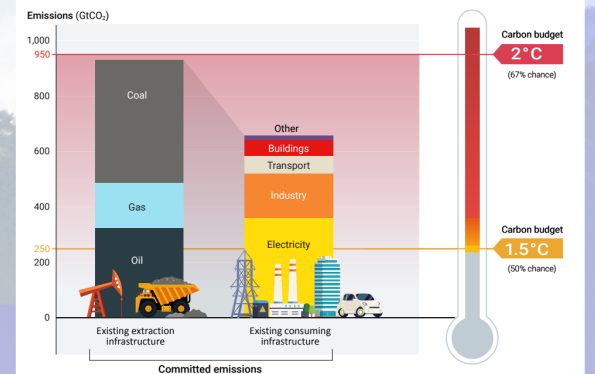


EIB op. cit.

## Technology

### Existing infrastructure emissions exceed 1.5C limit

Figure ES.5 Committed CO<sub>2</sub> emissions from existing fossil fuel infrastructure, compared with carbon budgets reflecting the long-term temperature goal of the Paris Agreement



UNEP op. cit.



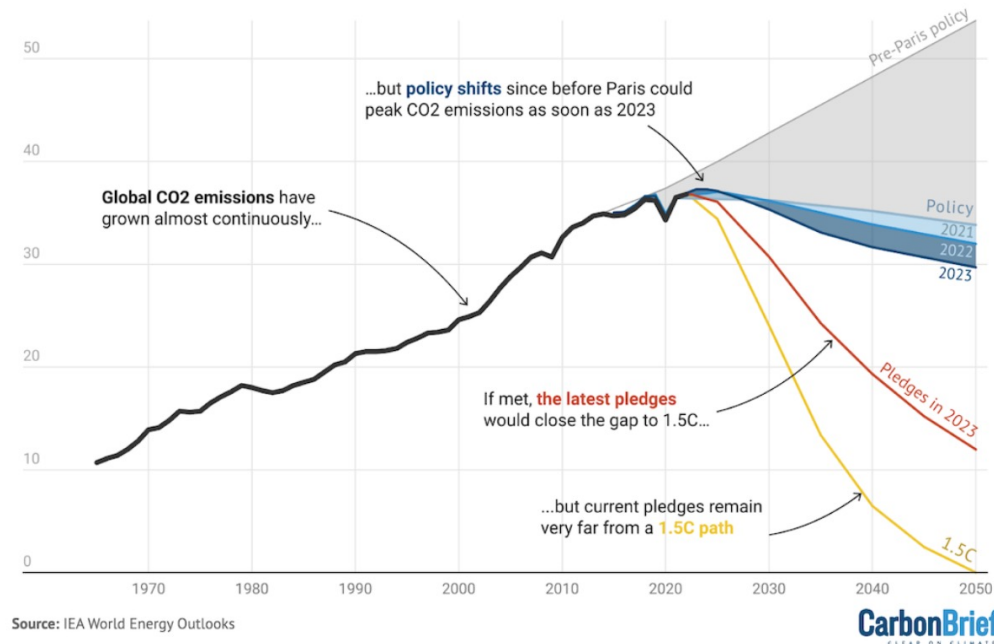
# Climate optimism

## The Paris effect

- The curve of global emissions has bent significantly since the Paris Agreement (see grey wedge)

### Global CO2 emissions could peak as soon as 2023, IEA reveals

Global energy-related CO2 emissions, billion tonnes



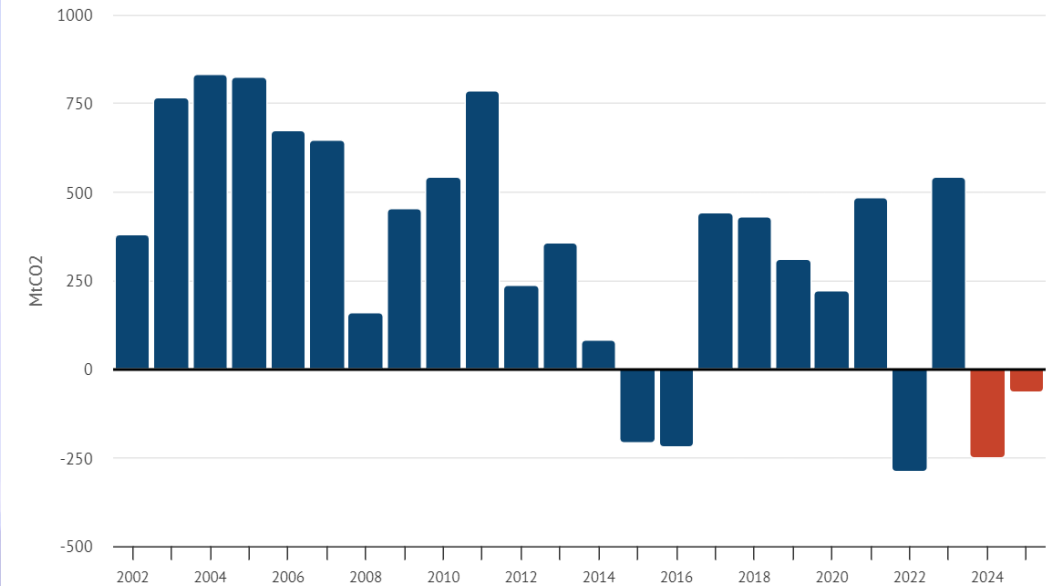
Carbon Brief (2023) <https://www.carbonbrief.org/analysis-global-co2-emissions-could-peak-as-soon-as-2023-iea-data-reveals/>

## Global emissions may have peaked

- China's emissions appear to have peaked, after the COVID-19 rebound – driving a peak in global emissions

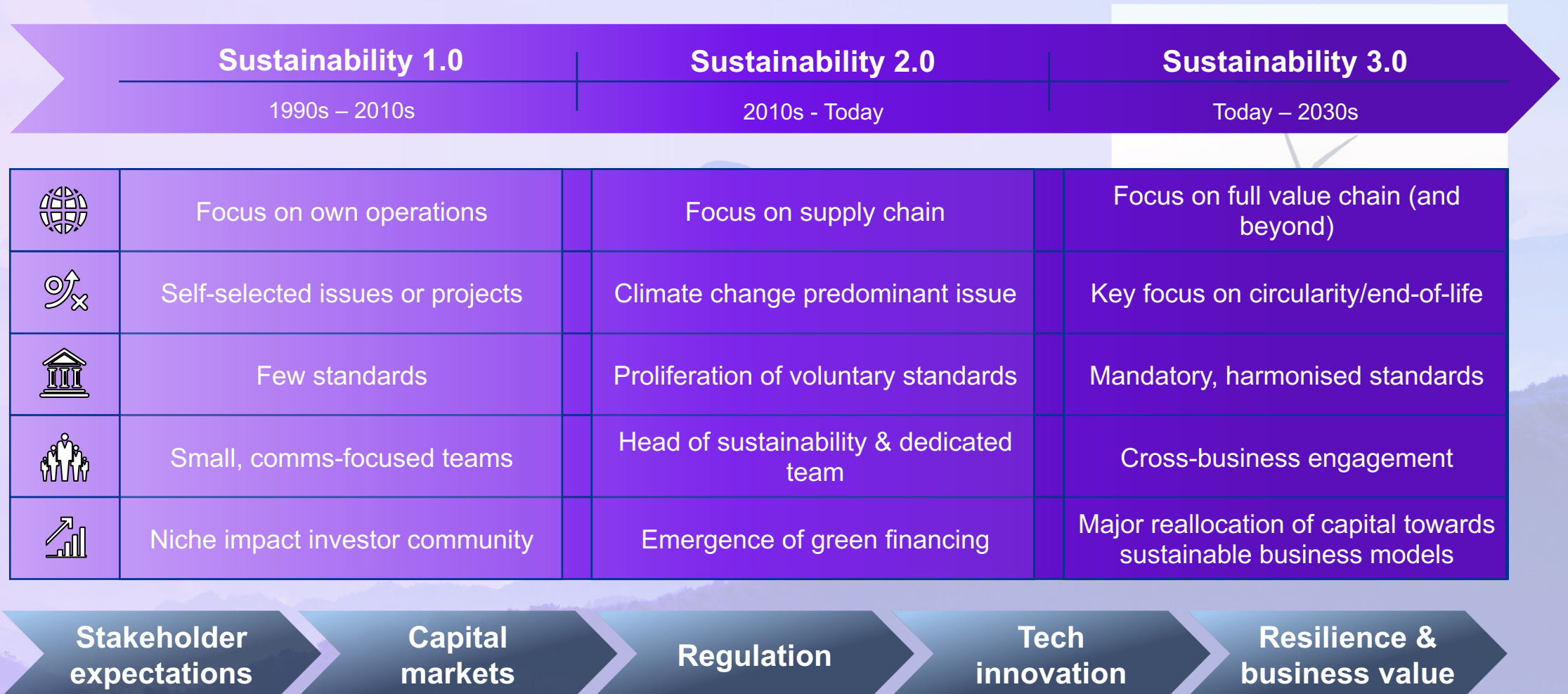
### China's CO2 emissions could enter structural decline from 2024

Annual change in emissions from fossil fuels and cement, million tonnes of CO2



Carbon Brief (2024) <https://www.carbonbrief.org/analysis-monthly-drop-hints-that-chinas-co2-emissions-may-have-peaked-in-2023/>






# The corporate sustainability agenda is entering a third phase



# Key challenges for corporate sustainability 3.0

## Sustainability 3.0

Today – 2030s

	Focus on full value chain (and beyond)	Driving radical transparency in the value chain
	Key focus on circularity/end-of-life	Innovating new business models
	Mandatory, harmonised standards	Enhancing controls for sustainability reporting
	Cross-business engagement	Establishing new forms of sustainability leadership
	Major reallocation of capital towards sustainable business models	Financing for the future





# Thankyou

[timothy.gore@kpmg.se](mailto:timothy.gore@kpmg.se)

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