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# COP29

# Key regulatory policy developments

December 2024

# COP29

## Key regulatory policy developments

COP 29 - the 29th session of the Conference of the Parties to the UN Framework Convention on Climate Change - was held in Baku from 11 – 22 November 2024. Developed countries agreed to support developing countries with at least USD 300bn of public finance per year by 2035. This New Collective Quantified Goal (NCQG) tripled the previous finance goal but fell short of what developing countries had been calling for. In terms of keeping the 1.5 degree Celsius target alive, the UK Government announced an ambitious target to cut emissions by 81% by 2035, ahead of new Nationally Determined Contributions (NDCs) for 2035 that nations are expected to submit by February 2025. NDCs are likely to be a focus of next year's COP30, as will the key win from COP28 to transition away from fossil fuels, on which there was little progress at COP29.

Compared to some previous COPs, there were fewer policy announcements relevant for regulatory strategy. Nevertheless, this slidepack rounds up what stood out to us as the most noteworthy announcements and publications from a regulatory strategy perspective, the most significant of which concern carbon markets.

### Overview of key regulatory policy updates

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|---|---|
| **Carbon markets**<br>Meaningful progress on standards and integrity initiatives for carbon markets | • In an important step towards regulating future global carbon markets, an agreement was reached on the rules governing country-to-country trading under Article 6.2 and international carbon markets under Article 6.4 of the Paris Agreement.<br>• In addition, to promote financial integrity and orderly functioning of voluntary carbon markets (VCM), the International Organization of Securities Commissions (IOSCO) published good practice considerations for regulators and the UK Government published principles for credit users. |
| **Financing the transition**<br>Transition planning increasingly seen as a tool to address climate finance gaps | • On transition planning, policymakers are turning their attention to where additional guidance is needed e.g. on adaptation, nature, or for certain sectors. The Transition Plan Taskforce (TPT) Disclosure Framework is increasingly being viewed as a global standard.<br>• The International Platform on Sustainable Finance (IPSF) published best practices on stewardship which institutional investors can follow. It sees stewardship and engagement strategies as a core element of transition planning. |
| **Corporate sustainability reporting**<br>Supporting implementation of sustainability reporting frameworks | • Standard setters are continuing to make progress in supporting companies as they navigate the various sustainability reporting frameworks. This includes providing guidance and committing to greater collaboration and alignment between these frameworks.<br>• Simultaneously, taxonomies are being developed worldwide, with standard setters aiming to improve their future interoperability on a global scale. |

# Carbon markets

## Meaningful progress on standards and integrity initiatives for carbon markets

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### Carbon market standards

*COP29 agrees international carbon market standards – 12 Nov*

Parties to the Paris Agreement (CMA) reached a long-awaited agreement on carbon trading under Article 6, which enables a UN-backed mechanism for parties to cooperate internationally to achieve their climate targets.

Article 6.2 sets out a structure for country-to-country bilateral carbon credit trading. The agreement includes provision for transparency/more upfront information from countries.

Article 6.4 provides a structure for international carbon credit markets by establishing a Paris Agreement Crediting Mechanism (PACM), supervised by a designated supervisory body fully accountable to CMA. PACM defines increased transparency and reporting requirements, strict quality requirements and responsibility throughout the entire life cycle.

UK | Financial services

### Voluntary carbon and nature markets (VCNMs)

*Integrity principles for VCNMs – 15 Nov*

The UK Government issued six voluntary principles for credit users: prioritise internal emission reductions; use high-integrity credits; disclose credit usage; plan ahead with science-aligned targets; make accurate green claims; and collaborate to support market integrity.

The Government plans to consult in early 2025 to clarify standards for high-integrity credits and provide further detail on the six principles and how they could be implemented through guidance, standards and regulatory oversight.

In the EU, the forthcoming Green Claims Directive is expected to introduce requirements in relation to climate-related claims involving carbon credits.

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### VCM integrity and orderly functioning

*IOSCO final report on promoting financial integrity and orderly functioning of VCMs – 14 Nov*

The report set out 21 good practice considerations for regulators and other authorities across areas such as regulatory treatment and scope, primary market issuance, secondary market trading, and disclosure, aimed at ensuring financial integrity of VCMs. The practices have three main objectives: (1) to support the establishment of sound market structures and appropriate architecture for custody, trading, and settlement of carbon credits; (2) to promote transparency and ensure orderly and fair trading; and (3) to advocate for adequate market conduct and behaviour.

IOSCO and the World Bank also announced a new partnership and published a policy note outlining high-level elements for promoting financial integrity in carbon markets.

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### Three REDD+ methodologies

*The Integrity Council for the Voluntary Carbon Market (ICVCM) approved three new methodologies – 15 Nov*

The ICVCM approved three methodologies for issuing high integrity carbon credits for reducing emissions from deforestation and forest degradation in developing countries (REDD+).

No credits have yet been issued under the approved methodologies, but there is a "large volume of credits" in development. With the approved methodologies due to start issuing soon, REDD+ credits are expected to be labelled with the Core Carbon Principles (CCP) label from early 2025.

Jurisdiction | Industry

### Actions for firms

- Firms looking to participate in international carbon markets need to familiarise themselves with Article 6.4 expectations. Although these will not be binding for VCMs we expect voluntary markets to align to these standards.
- While the 21 good practices in the IOSCO report are not legally binding, regulators across jurisdictions may in the future act based on the good practices, so it is an important report for trading venues interested in listing and trading carbon credit products and other market participants to read and consider.
- Firms in the UK that want to participate in UK VCNMs should prepare to apply the integrity principles following the consultation on implementation on the principles expected in early 2025.
- We can expect an increase in carbon credits labelled with the CCP label in 2025, which will be important for issuers and users of carbon credits for reducing emissions from deforestation and forest degradation.

### EMEA Sustainability Regulation Hub Insights

- Developments in the Voluntary Carbon Market: Key Implications, Dec 2023

# Financing the transition

## Transition planning seen as a tool to address significant climate finance gaps

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### United Nations Environment Programme Forum for Insurance Transition to Net Zero (UNEP FIT)

*Global guide on transition plans for insurance companies – 14 Nov*

UNEP FIT published a report identifying the need for insurance-specific transition plan guidance and summarising the regulatory landscape. It assessed key features of insurers' underwriting portfolios that should be considered in insurance-specific transition plan guidance. It also outlined the elements of the Transition Plan Taskforce Disclosure Framework that require insurance-specific guidance and set out "initial narratives" for them.

FIT plans to publish two more transition plan reports: deep-dive guidance in relation to underwriting activities; and guidance covering underwriting and investment activities.

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### IOSCO report on transition plans

*Investors see transition plans as a material business imperative – 14 Nov*

The report summarised how investors and other stakeholders use transition plans, finding that investors "increasingly see the development and disclosure of transition plans as a material business imperative for entities to maintain access to capital".

IOSCO will engage with other international bodies on interoperability and sustainability assurance. It will encourage relevant standard setters to consider providing markers on what would constitute forward-looking climate-related information, and, in future, could work with its members to understand supervisory and enforcement approaches relating to disclosures.

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### NGFS reports on adaptation and greening the financial system

*Adaptation finance increasingly critical for financial stability – 14 Nov*

The Network for Greening the Financial System (NGFS) published a Conceptual Note highlighting the importance of incorporating adaptation into risk management practices, scaling up adaptation finance, and promoting affordable insurance. The report finds that there is a significant adaptation finance gap. Natural hazards resulted in insured losses of USD 108 bn in 2023, but 60% of losses were uninsured. The NGFS plans to take forward further work on adaptation e.g. on metrics and tools and explore the need to enhance regulatory frameworks.

The NGFS also published a report on progress in greening the financial system, finding that there is a "significant climate finance gap". Global climate finance needs are expected to be between USD 5.9 and 12 trn annually by 2030. Existing finance is heavily skewed towards advanced economies and China, and there are sectoral imbalances.

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### International Platform on Sustainable Finance (IPSF)

*Recommendations on stewardship and transition finance – 14 Nov*

Alongside its annual report, the IPSF published a report on stewardship and engagement in transition finance, which concluded that stewardship and engagement strategies are expected to become a core element of transition planning and transition plan disclosures. It sets out best practices in stewardship which institutional investors can follow, such as encouraging stewardship policies to cover asset classes beyond equity, including bonds and sovereign debt, and voting out directors who fail to address important sustainability concerns.

### Actions for firms

- Financial services firms can consider their strategy, products and services, and risk management in light of the opportunities and risks presented by the significant gap in climate mitigation and adaptation finance and insurance protection.
- Insurers can review the UNEP FIT transition plan report to help them as they develop and disclose their transition plans. For insurers looking to develop TPT-aligned transition plans, there is some useful guidance in the report. Insurers should look out for the upcoming reports from UNEP FIT, particularly the deep-dive guidance.
- Institutional investors can look at the best practices set out in the IPSF report on stewardship and consider how they might update their stewardship policies and strategy, and governance and monitoring on stewardship, as well as how they might disclose their stewardship and engagement strategy in their transition plan.

### EMEA Sustainability Regulation Hub Insights

- Financing the UK net zero transition, Oct 2024

### Deloitte at COP29

- Financing the Green Energy Transition, May 2024


Jurisdiction | Industry

# Corporate sustainability reporting

## Supporting implementation of sustainability reporting frameworks

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### International Financial Reporting Standards (IFRS)

***Guide to help companies implement IFRS Sustainability Disclosure Standards (IFRS S1) – 19 Nov***

The guide seeks to help companies identify and disclose material information about sustainability-related risks and opportunities that could reasonably be expected to affect their prospects over the short, medium, or long term. Integrated thinking is at the heart of the ISSB's approach is – considering the inextricable link between a company and its stakeholders, society, the economy and the natural environment throughout its value chain.

The report highlighted how companies applying ISSB Standards can leverage their existing processes for making materiality judgments, particularly those used with IFRS Accounting Standards. It also offered considerations for companies aiming to apply these standards alongside the ESRS or Global Reporting Initiative (GRI) Standards.

The IFRS Foundation also published its 2024 progress report on corporate climate-related disclosures, which looked at the alignment of disclosures with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, alongside a report on jurisdictional progress on ISSB adoption.

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### Memorandum of Understanding between CDP and GRI

***Boosting access to comparable data – 14 Nov***

Under the new agreement, CDP and the GRI will aim to enhance technical alignment to streamline corporate disclosure and improve access to comparable, high-ambition environmental data. The collaboration includes mapping CDP's questionnaire to GRI's Topic Standards on climate, water, and biodiversity to boost interoperability.

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### Interoperability of CDP questionnaire and ESRS

***Deepened cooperation between CDP and EFRAG – 12 Nov***

CDP and EFRAG announced extensive commonality and interoperability between CDP's questionnaire and the European Sustainability Reporting Standard (ESRS) climate standard (ESRS E1).

Preliminary mapping by both organisations indicates that this strong alignment offers mutual benefits: companies reporting under ESRS E1 will find it simpler to complete CDP disclosures, while those already disclosing to CDP will be well-equipped to meet ESRS E1 requirements. A comprehensive mapping will be published in early 2025, ahead of the 2025 CDP disclosure cycle.

The ESRS-ISSB Standards Interoperability Guidance published in May is also an important resource for companies.

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### International Platform on Sustainable Finance

***Reports on state of development of global taxonomies – 14 Nov***

The IPSF released three Common Ground Taxonomy (CGT) reports —an instruction report, activity tables, and multi-jurisdiction activity tables. These provided an updated comparison of the EU, China, and Singapore's sustainable finance taxonomies under a new multi-jurisdiction CGT. The IPSF plans to include more jurisdictions in future analyses and enhance global taxonomy interoperability.

The IPSF also published a high-level overview of member taxonomies and sustainable finance. Six jurisdictions have an established taxonomy (EU, China, Hong Kong, Indonesia, Malaysia, Singapore), while nine are developing or considering one. The EU and China are the only jurisdictions with mandatory taxonomies, while others are voluntary.

Jurisdiction | Industry

### Actions for firms

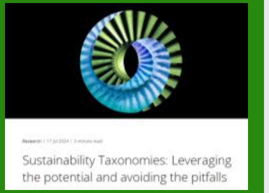
- Multinationals can rely on the IFRS Foundation guidance to report on material matters effectively and anticipate that jurisdictions committed to adopting or already implementing the ISSB Standards will integrate this guidance into their frameworks. Additionally, companies can use this resource to align their reporting with ESRS or GRI standards.
- The alignment of the CDP questionnaire with ESRS will enable companies to streamline their reporting processes. Companies will be able leverage the CDP environmental disclosure platform to access ESRS-aligned data.
- Companies can expect further alignment between the CDP questionnaire and GRI's upcoming standards, including the climate and energy standards (expected Q1 2025) and GRI 101: Biodiversity 2024, reinforcing interoperability across frameworks.
- Companies can expect more jurisdictions to develop sustainable finance taxonomies, but interoperability remains uncertain without a global baseline or guidance.

### EMEA Sustainability Regulation Hub Insights

- Episode 46: The Corporate Sustainability Reporting Directive (CSRD) – key priorities for FS firms, Jul 2024

### Deloitte Insights

- Adoption of IFRS Sustainability Disclosure Standards by jurisdiction, Nov 2024
- Global Sustainability Taxonomies, Jul 2024



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## Deloitte at COP29 Baku | 2024 United Nations Climate Change Conference

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## Deloitte EMEA Sustainability Regulation Hub

The EMEA Sustainability Hub is a source of critical regulatory strategy insight and advice, designed to help business leaders understand and assess how sustainability regulation will drive the evolution of business strategies and operating models. As sustainability regulatory requirements and standards expand, it is essential to adopt a strategic approach to navigate the complexity, and to engage with regulators proactively. We develop early insights across industries on emerging EU sustainability regulations, policies, industry standards and codes of conduct to help you assess how best to transform strategies and operating models.

https://www2.deloitte.com/uk/en/pages/financial-services/topics/emea-sustainability-regulation-hub.html

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