



TCB Digest for Executives: EU supply chain rules finally approved; Unilever dials back ESG; solar investments for Earth Week

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Welcome to the 19th edition of our Digest for Executives – a summary of key climate-related events, publications, and insights for cross-functional corporate leaders.

Unilever hit the headlines for reasons that are increasingly familiar in 2024: the “poster child for ESG” stepped back from some pledges amid greenwashing concerns. ([We invite you to revisit our thoughts on navigating the ESG issues that matter most to your firm in this environment](#) – as well as potential flashpoints.)

The European Parliament finally got the Corporate Sustainability Due Diligence Directive over the line. The CSDDD was delayed and watered down but nevertheless introduces a legal liability perspective for environmental impacts and human rights, imposes tough penalties and applies to supply chains. The next challenge will be implementation.

Professor Robert Eccles [noted the contrast with the U.S.](#): “Business and finance like certainty, and the passing of CSDDD removes the ‘will they won’t they?’ question; the same cannot be said for [the SEC’s climate disclosure rule](#).” Regulatory whiplash Stateside was also noted by the New York Times, which said “zig-zag” policies between administrations make it difficult for companies to invest; President Biden’s move to limit pollution from coal-fired power plants might be a major policy shift, but could also be a [“hairpin turn.”](#)

Finally, an article about [“litigation doom loops”](#) caught our eye. U.S. renewables projects are getting caught up in repeat cycles of agency review, environmental lawsuits and injunctions – threatening the execution of the investments intended by the Inflation Reduction Act. It’s a reminder that obstructions are not always driven by the usual “ESG backlash” quarters.

(Another reminder: if you missed our thoughts on engaging with the IRA, [access our insights here](#).)

Corporate & Disclosure Updates

- [EU Parliament Approves New Business Supply Chain Audit Law](#) (Reuters, April 24) - The European Council had approved the CSDDD after political wrangling, as we wrote in our [March 27 edition of the Digest](#); the final step was approval by the European Parliament, which passed the law by 374 votes to 235 against. The CSDDD will require certain large companies to conduct due diligence on their supply chains for environmental and social issues, starting in 2028. While it applies to fewer

companies than originally envisioned, potential penalties under the directive can amount to 5% of turnover. As the academic Robert Eccles and his colleagues noted, [the next steps in implementation and enforcement will be crucial](#), including the role EU governments will play in fostering an enabling environment for companies. (Eccles et al. also note the extraterritorial spillover effect to the U.S. and elsewhere.)

- [ESG Poster Child Unilever Waters Down Green Pledges](#) (Bloomberg, April 19) - Unilever, one of the world's biggest users of plastic packaging, dialed back some of its commitments (e.g., the goal of 50% reduction of virgin plastics by 2025 is now 30% by 2026) and scrapped others altogether (e.g. having 100% biodegradable ingredients by 2030). Unilever championed ESG policies for over a decade, especially under former CEO Paul Polman; the UK antitrust regulator announced it was investigating the company over its green claims in December.
- [BlackRock Extends Its Dominance in Fast-Growing Corner of ESG](#) (Bloomberg, April 22) - The fund-management giant and its CEO, Larry Fink, might be in the crosshairs of "ESG backlash" politicians. But according to Morningstar data, "climate transition" funds grew 25% last year, and BlackRock attracted the most investor capital to this category of any asset manager. This fund category seeks out stocks seen as key in shifting to a low-carbon economy.
- [Following Climate Risk Disclosure, Work Begins on Nature-Related Standards for Companies](#) (Forbes, April 24) - The International Sustainability Standards Board (ISSB) announced that it is developing corporate reporting standards for biodiversity risks and opportunities, as well as human capital. These new standards will build upon the ISSB's 2023 sustainability reporting standards - which went into effect at the start of this year - and will take about two years to develop.

Government & Regulatory Updates

- [Biden Marks Earth Day with \\$7 Billion 'Solar for All' Investment](#) (The Guardian, April 22) - Funded by the Inflation Reduction Act, the EPA chose 60 recipients for \$7 billion in grants. This sum will be distributed through states, tribes, non-profits and other channels, aiming to benefit communities suffering disproportionately from pollution and creating 200,000 jobs. The [EPA estimates](#) that Solar for All grants will allow over 900,000 households to benefit from solar energy and save over \$350 million per year on electric bills. A complete list of the 60 selected applicants can be found [here](#).
- [Biden-Harris Administration Finalizes Suite of Standards to Reduce Pollution from Fossil Fuel-Fired Power Plants](#) (EPA, April 25) - New, finalized rules for coal-fired power plants will force such facilities to control their emissions or shut down. All coal-fired plants planning to run long-term, and new baseload gas-fired plants, must control 90% of their carbon pollution. The rules also call for tighter standards on toxic metals and mercury emissions; reduce pollutants discharged through wastewater from coal-fired power plants; and require safe management of coal ash in areas that were previously unregulated at the federal level.

- [How Abrupt U-Turns Are Defining U.S. Environmental Regulations](#) (The New York Times, April 26) - The NYT called President Biden's new rules on coal plants an example of an extreme "erase and replace" cycle, which has characterized the U.S. approach to environmental regulation through several administrations. (Another example cited was U.S. participation in the Paris Agreement). Such "zig-zags" make it difficult for industries to plan for the future and limit the capacity of regulations to protect the environment the way they are supposed to, according to the NYT's analysis. Should a Republican win the White House and roll back many of Biden's regulations, the cycle could repeat itself.

Climate Updates

- [U.S. Seeing Rise in Climate-Related Power Outages](#) (The Guardian, April 24) - In the past ten years, severe storm power outages increased 74% compared to the previous decade. Incidents including heavy winds and hurricanes accounted for 80% of power interruptions during the last 20 years, according to research group Climate Central. Texas takes the brunt of these outages, with disadvantaged communities often hit hardest. An academic suggested that local "microgrid" projects could be a solution.
- [Florida's Home Insurance Industry May Be Worse Than Anyone Realizes](#) (Bloomberg April 24) - Florida's home insurance industry is facing severe challenges, exacerbated by climate risk and lack of regulatory oversight. The state's mortgage markets may be far more exposed to climate risk than widely perceived due to lax regulation and monitoring of property insurers, Bloomberg reported; seven Florida property insurers went out of business in 2021 and 2022, all of which had been rated "exceptional" or higher by insurance ratings firms.

More Must-Reads

- Harvard Law School Forum on Corporate Governance, April 15 - [Comparing the SEC Climate Rules to California, EU and ISSB Disclosure Frameworks](#)
- The New York Times, April 20 - [A Planetary Crisis Awaits the Next President](#)
- Bloomberg, April 22 - [What is ESG Investing and Why is it Under Fire?](#)
- Google, April 22 - Earth Week 2024: [How We're Working with Climate Startups on Sustainability](#)
- Copernicus, April 22 - [European State of the Climate Report 2023](#)
- Forbes, April 23 - [The Rise and Fall of ESG](#)
- Reuters, April 23 - [California, 21 Other States Back EPA Vehicle Emissions Rules](#)
- Endpoints News, April 23 - [Pharma Companies Tone Down ESG Mentions, but Not Ambitions](#)
- Harvard Law School Forum on Corporate Governance, April 26 - [The CSDDD: How the Phoenix Can Rise from the Ashes](#)

- Slow Boring, April 28 - [We Must End the Litigation Doom Loop](#)

Thank you,

The TCB Team