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Climate and the Financial Sector

This weekly newsletter highlights climate-related regulatory, litigation and enforcement developments relevant to the financial sector.

General

19 September 2023 [International] – **Taskforce on Nature-related Financial Disclosures publishes final version of disclosure framework**

The Taskforce on Nature-related Financial Disclosures (TNFD), a global industry-led initiative aiming to create a risk-management and disclosure framework for organisations to report and act on evolving nature-related issues, published its recommendations on nature-related financial disclosures ([here](#)). The recommendations, designed to be consistent with the language and structure of the TCFD recommendations and the ISSB's standards, recommend in total 14 disclosures, grouped around four pillars: governance; strategy; risk and impact management; and metrics and targets.

To support the adoption of the new framework, the TNFD also published a set of recommended indicators and metrics for assessment and to support disclosure, as well as a suite of additional guidance, including generic guidance on scenario analysis ([here](#)) and sector-specific guidance for financial institutions specifically ([here](#)).

Following the publication of its recommendations, the TNFD will now work to encourage (and scale) the voluntary market adoption of its recommended disclosures by increasing market awareness. The TNFD also plans to develop further sector- and

biome-specific guidance, and work towards further alignment with other standards (especially the ISSB standards).

19 September 2023 [International] – **GFANZ consults on transition finance and decarbonisation contribution**

The Glasgow Financial Alliance for Net Zero (GFANZ) launched a consultation on “Defining Transition Finance and Considerations for Decarbonization Contribution Methodologies” ([here](#)).

The consultation is underpinned by the rationale that, in order to finance transition opportunities and mitigate transition risks, financial institutions must have clarity on what constitutes transition finance. The consultation itself contains a proposed definition of transition finance as “*investment, financing, insurance, and related products and services that are necessary to support an orderly real-economy transition to net zero*”, and GFANZ has defined as “key financing strategies” strategies that finance or enable one or more of the following: climate solutions, entities that are already Paris-Agreement aligned, entities that are committed aligning with the Paris-Agreement target, and accelerated managed phase-outs of high-emitting assets. The consultation also seeks feedback on a number of considerations regarding “decarbonisation contribution methodologies” (that is, approaches to calculating forward-looking real-economy emissions impacts of capital allocation decisions).

Feedback on the consultation may be provided ([here](#)) until 2 November 2023.

19 September 2023 [UK] – **Draft amendments to UK ETS laid before Parliament**

The draft Greenhouse Gas Emissions Trading Scheme (Amendment) (No 2) Order 2023 ([here](#)) was laid before Parliament and will come into force on 1 January 2024 (provided the order will be formally made by then).

The draft Order would make various amendments to the UK’s Emissions Trading Scheme (the “UK ETS”) (i) to provide for the capping of aviation free allocation at 100% of emissions, (ii) to clarify the treatment of Carbon Capture and Storage (CCS) plants and (iii) to amend to free allocation rules for electricity generation.

For further information, please refer to the explanatory memorandum accompanying the draft order, [here](#).

22 September 2023 [France] – **French government announces CSRD implementation in December 2023**

The French government, through the Ministry of Justice, has announced that the ordinance (*ordonnance*) transposing the Corporate Sustainability Reporting Directive (CSRD) into French law will be published in early December 2023, ahead of the July 2024 deadline set by the CSRD. This announcement was made during a conference organized by the French National Company of Accountants (CNCC) and the High Committee of Accountants (H3C). During this conference, the French government unveiled the first provisions for the implementation of the CSRD, in particular that

auditors will not be the only professionals responsible for auditing sustainability information. [\[link\]](#) – [\[link\]](#) – [\[link\]](#)



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