

**Integrating Sustainability Considerations
and Standards for a Just Green
Transition**

October 2024

Agenda

- 1. Introduction to Green Transition** **03**
- 2. Regulatory developments driving green transition** **06**
- 3. Implications of the evolving green regulatory landscape for businesses** **12**

Introduction to Green Transition

Introduction to Green Transition

- Process towards a **new development model that ensures environmentally sustainable and fairer societies.**
- It is a **necessity to address the human-induced climate change emergency, environmental degradation and the loss of biodiversity.**



<https://www.orfonline.org/expert-speak/enabling-the-green-transition-to-be-a-just-transition>



Implies a transformation of all economic activities and sectors to significantly limit CO₂ and other GHG emissions, protect the environment and shift to a circular economy that uses resources efficiently and is decoupled from carbon.



Requires a whole-of-government approach to align policies and actions across sectors to reduce GHG emissions and promote circular low emissions industries.



A regional approach is essential to ensure a simultaneous transition across the region and prevent more ambitious countries from replacing domestic high-carbon electricity with other carbon-intensive imports from neighbours.



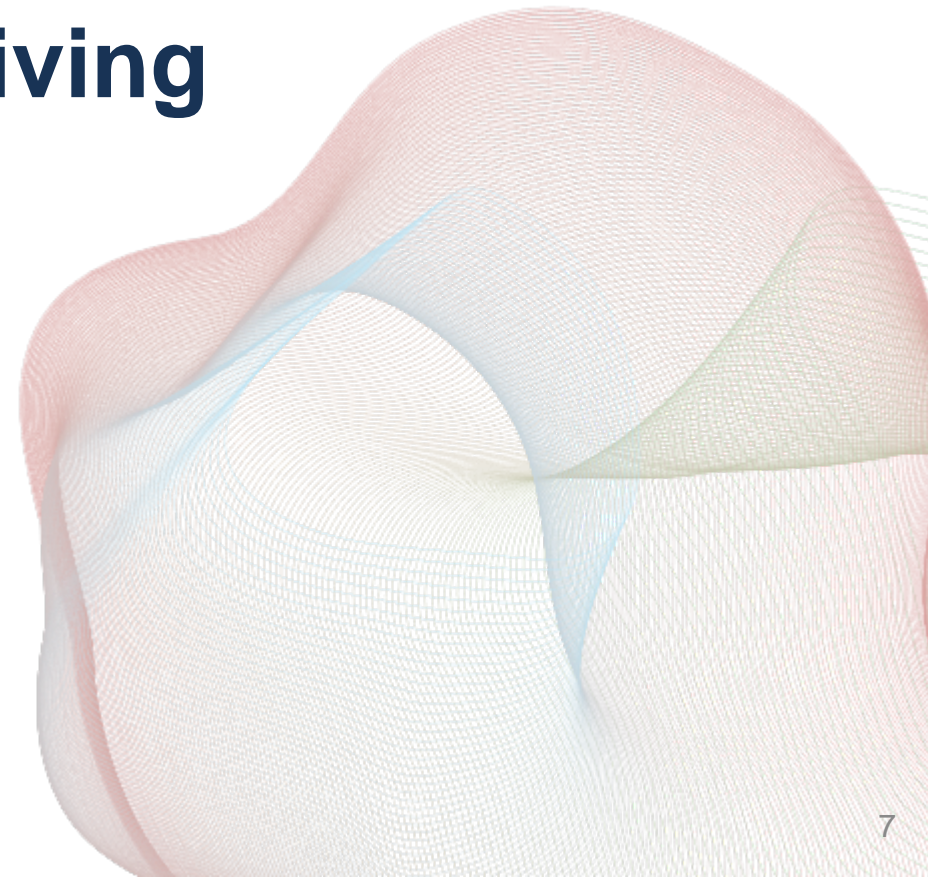
The green transition has effectively been launched in most countries in and around Europe by means of international agreements → A climate-neutral continent requires cooperation between the EU, and neighboring countries.

https://www.ef.europa.eu/sites/default/files/2022-11/Edited%20green%20transition%20policy%20brief_EN.pdf?trk=public_post_comment-text

POLL 1



Regulatory developments driving Green Transition



Four pillars of the Green Deal Industrial Plan



Corporate Sustainability Reporting Directive (CSRD)



EU law requires all large companies and all listed companies (except listed micro-enterprises) to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.



This helps investors, civil society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies, as part of the European green deal.



The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.



Companies subject to the CSRD will have to report according to European Sustainability Reporting Standards (ESRS).

Carbon Border Adjustment Mechanism (CBAM)

- CBAM is the EU's tool to put a **fair price on the carbon emitted** during the production of carbon intensive goods that are entering the EU, and to encourage cleaner industrial production in non-EU countries.
- On **1 October 2023**, the **CBAM entered into application in its transitional phase**, with the first reporting period for importers ending 31 January 2024.
- Sectors covered in the first phase of the CBAM:
 - ✓ Cement
 - ✓ Iron and steel
 - ✓ Aluminium
 - ✓ Fertilisers
 - ✓ Electricity
 - ✓ Hydrogen
- The Commission has developed the CBAM transitional registry to **help importers perform and report as part of their CBAM obligations**.
- Access to the registry should be requested through the **National Competent Authority (NCA)** of the Member State in which the importer is established.

CBAM definitive regime (from 2026)



EU importers of goods covered by CBAM will register with national authorities where they can also buy **CBAM certificates**. The price of the certificates will be calculated depending on the **weekly average auction price of EU ETS allowances** expressed in €/tonne of CO₂ emitted.



EU importers will **declare the emissions** embedded in their imports and **surrender** the corresponding number of certificates each year.



If importers can prove that a **carbon price has already been paid** during the production of the imported goods, the corresponding amount **can be deducted**.

Environment Management Systems

Integrative interaction of different standardised management systems



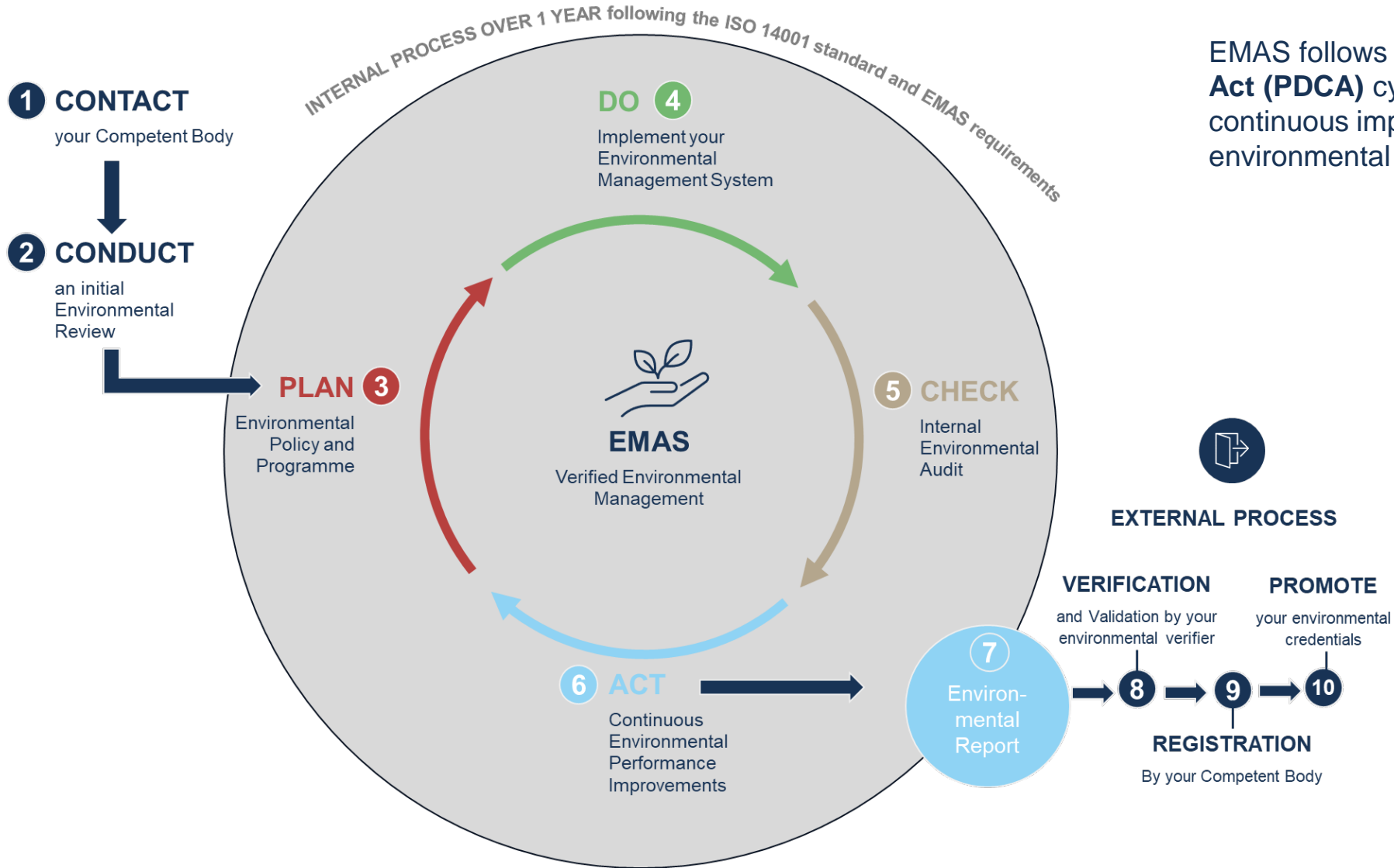
- Eco-Management and Audit Scheme (EMAS) is an **ambitious environmental management and reporting system** that has been established and constantly developed **since 1993**
- It **incorporates the international environmental management system ISO 14001 and adds additional requirements** resulting in higher credibility, effectiveness and transparency
 - ✓ EMAS **requires the implementation of a management system**, which comprises policies, targets and actions, the processes necessary for their effective implementation and covers the breadth of environmental topics
 - ✓ Its **focus is on reducing the environmental impacts of an organization** but also contains requirements to assess associated risks and opportunities.
- Currently, **about 4,000 European organizations** with almost 13,000 sites have implemented EMAS



EMAS and CSRD/ESRS

- Although EMAS and CSRD/ESRS share many elements and concepts that generally align well, the **reporting requirements of EMAS alone do not suffice to fulfill the CSRD/ESRS requirements.**
- However, the general procedures match to a great extent and **the environmental management system forms an excellent foundation to substantiate reporting under the CSRD/ESRS.**
- Furthermore, **EMAS** – because of its management system requirements – **is in many instances more ambitious than the mere transparency requirements of the CSRD/ESRS.**

EMAS – Plan-Do-Check-Act (PDCA)



EMAS follows the **Plan-Do-Check-Act (PDCA)** cycle which facilitates continuous improvement of environmental performance

Implications of the Evolving Green Regulatory Landscape for Businesses

Poll 2



Green Transition: Challenges for businesses and supply chains



High compliance costs

- Investments in green technologies and practices often entail significant upfront costs.
- Ongoing certification and auditing are necessary but can be financially burdensome.



Operational disruptions

- Adopting green supply chains and production adjustments can cause operational delays and increased expenses.



Technical and knowledge barriers

- SMEs may face a lack of expertise and struggle with the information overload necessary for implementing sustainable technologies.



Regulatory complexity

- Differing regulations across the EU add to confusion and complicate compliance and strategic planning.



Bureaucratic hurdles

- Lengthy permit processes and complex documentation requirements divert resources from core business activities.

Green Transition: Opportunities for businesses and supply chains



Access to new markets

- Going green can open doors to new markets and sectors that prioritize or mandate environmentally friendly products and services.



Innovation and technology adoption

- Regulatory changes often drive innovation, allowing SMEs to develop and adopt new technologies, which can improve efficiency and product offerings.



Energy savings

- Investments in energy-efficient technologies reduce long-term operational costs through decreased utility bills.



Government incentives

- Many EU nations provide financial incentives such as grants, low-interest loans, and tax credits to support SMEs in the green transition.



Enhanced brand reputation

- By aligning with green initiatives, SMEs can improve their public image, boosting customer loyalty and attracting quality employees.

