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# Ecofin Editorial:

## From the desk of Ecofin's Sustainability Strategist

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### Top Stories this week:

**Russian & Ukraine conflict**

The events unfolding in Ukraine are clearly a human tragedy and first and foremost our concern lies with the people impacted.

Some of our thoughts:

- More pressure on EU energy market: recent events over the last couple of years highlighted the importance of U.S. oil and especially natural gas supply, in our view, both will remain our primary energy source for decades to come. Europe has experienced the challenge of depending on Russian energy many times, but the unfolding events may be the biggest challenge yet.
- Positive for renewables: going forward, we expect Europe to continue increasing its supply of renewable energy and U.S. LNG while shrinking dependence on Russian gas. "We are doubling down on renewables. This will increase Europe's strategic independence on energy." European Commission President, Ursula von der Leyen has recently stated at a conference with European policymakers.
- Will ESG investors blacklist Russia and divest from companies with exposure to it? The fund flows in the next weeks will tell us more about the reactions from sustainability-focused investors.

**EU carbon market**

Carbon markets are gaining traction given the general consensus that it could help to reduce emissions. The EU carbon price soared by around 150% last year and hit a record high of over 98 euro per tonne this month.

However, Europe has been discussing **excessive carbon price growth** after four governments put forward measures to reform current control mechanisms. Poland is leading the coalition urging the EU commission to limit the speculators, even if last November the securities watchdog found no proof of speculation.

In the UK, the carbon voluntary market seems to be more favoured, in line with the UK's ambition to promote London as a green finance centre

### Sustainable Finance Roadmap 2022-2024 is released

The European Securities and Markets Authority (ESMA) published its Sustainable Finance Roadmap last week and it contains its plan to achieve the following objectives:

- Integrating sustainability in the development of the single rulebook
- Building common approaches for incorporating ESG factors in the supervisory practices of National Competent Authorities
- Monitoring market developments and identifying risks related to sustainable finance
- Improving transparency on the role of ESG factors in the credit rating process

The main areas of focus are:

- Tackling greenwashing and promoting transparency
- Building national authorities and ESMA's capacities
- Monitoring, assessing and analysing ESG markets and risks

Source: ESMA

**Social Taxonomy Draft from EU Sustainable Finance might be published next week**

Responsible Investor has reported on a leaked document from the EU Sustainable Finance Platform working group in charge of drafting the EU Social Taxonomy and the final one should be published on the 28th of February. The structure is likely to be close to the Climate Taxonomy with focus on three objectives across three stakeholders' groups.

This follows the recent publication the Corporate Sustainability Due Diligence Directive proposal by the European Commission. Besides the environmental impact, it also requires companies to identify and mitigate any adverse social issues based on the UN's Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises and responsible business conduct.

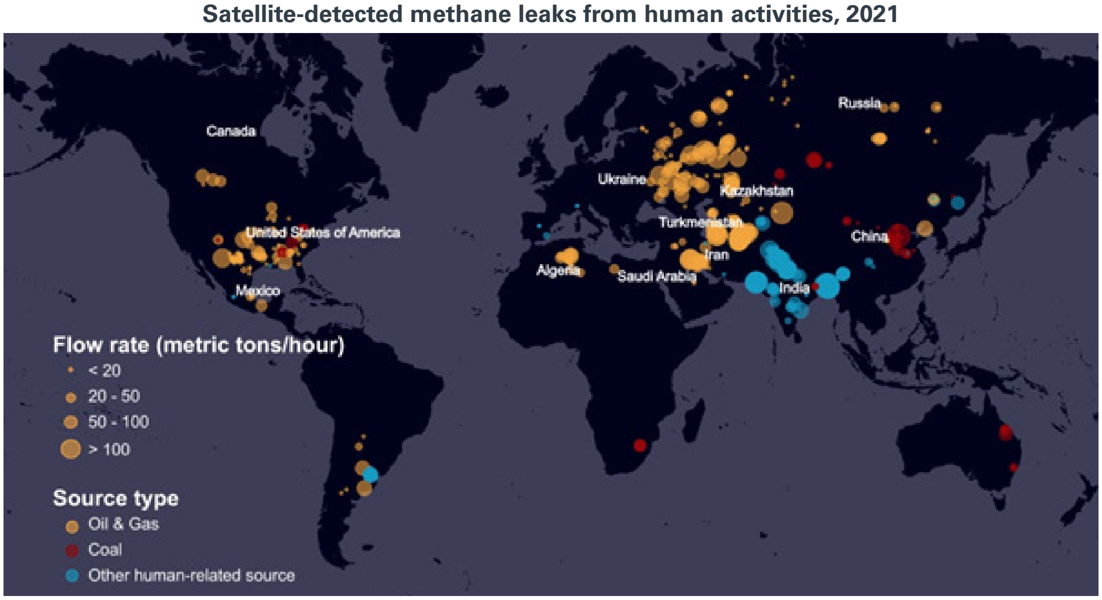
They represent a major progress for the social dimension in the European regulation on sustainable activities and should provide more guidance on how to measure and classify social factors and therefore incorporate into investment analysis.

## Interesting Charts and tables of the week

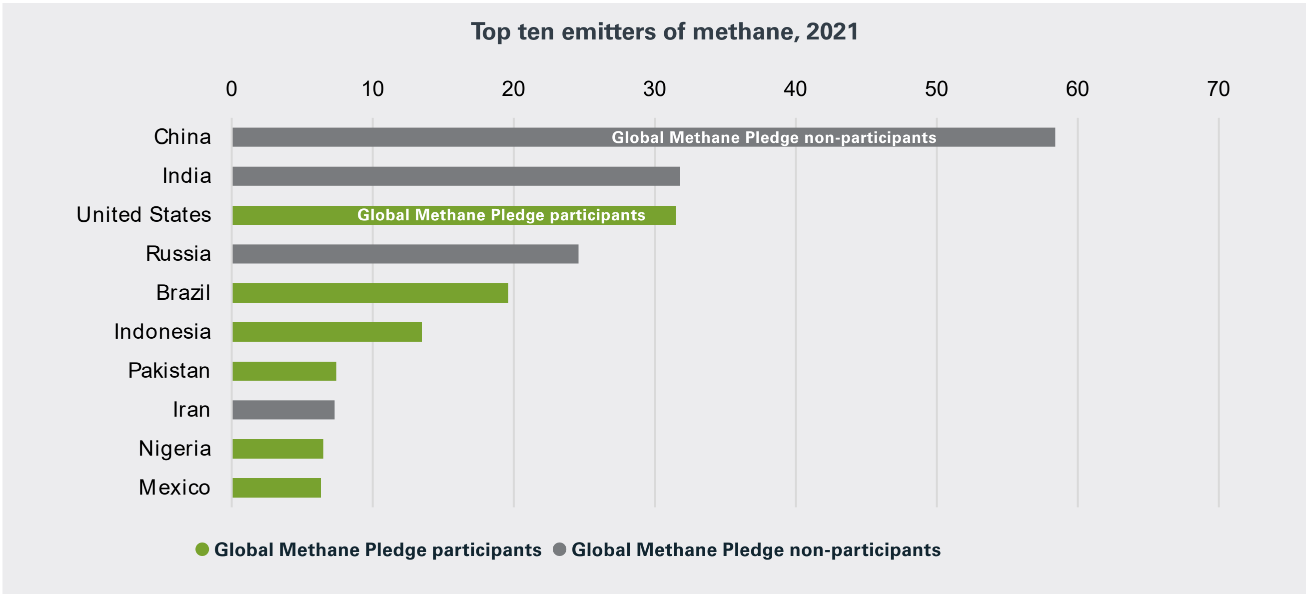
From "Global Methane Tracker 2022" released by the IEA last week:

- Today satellites represent an important tool to track emission sources and big leaks.
- IEA's findings suggest that methane emissions from the energy sector are about 70% greater than the sum of estimates submitted by national governments.

**Satellite-detected methane leaks from human activities, 2021**



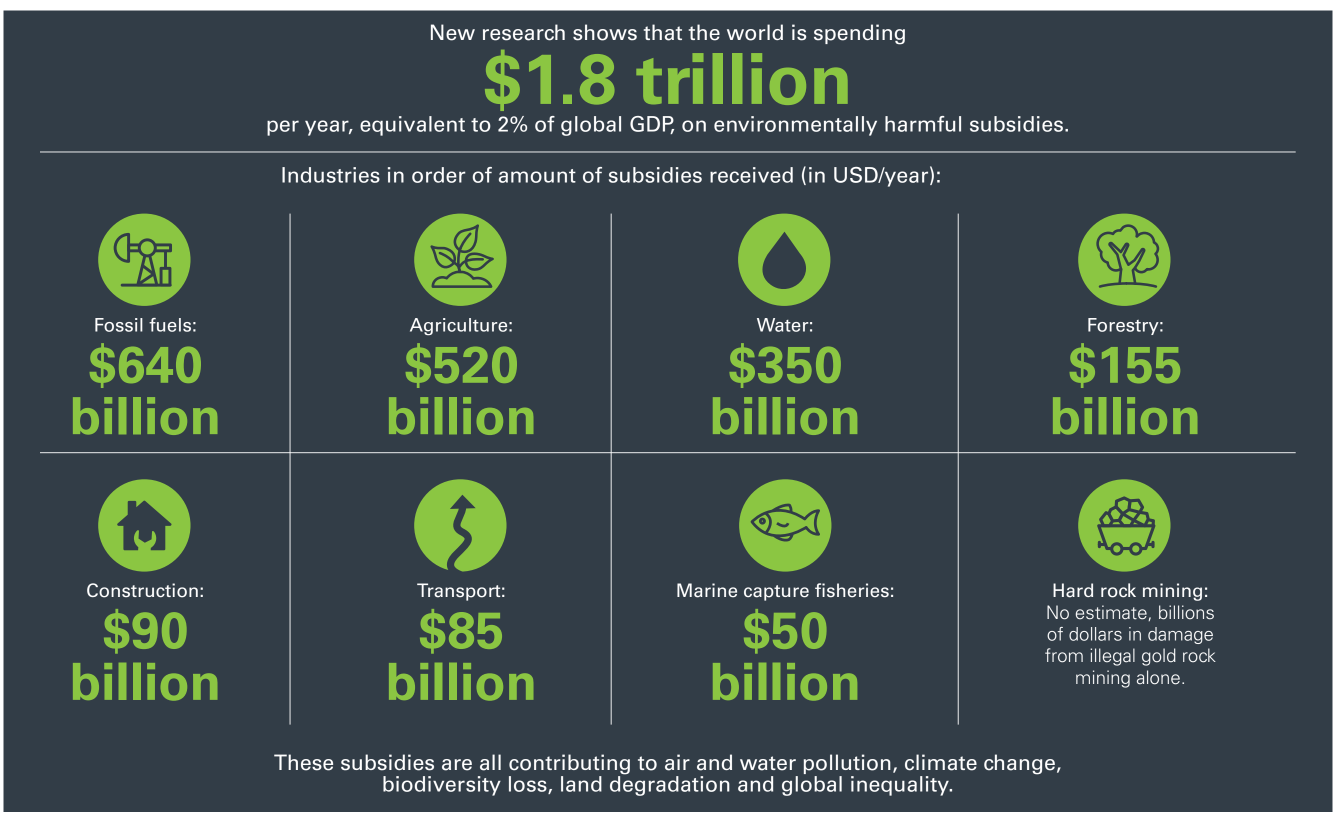

Source: IEA




Source: IEA, Top ten emitters of methane, 2021, IEA, Paris https://www.iea.org/data-and-statistics/charts/top-ten-emitters-of-methane-2021

From "Financing Our Survival: Building a Nature-Positive Economy through Subsidy Reform" by Business for Nature:

- The world is spending at least $1.8 trillion a year, equivalent to 2% of global GDP, on subsidies that are driving the destruction of ecosystems and species extinction: public money is financing our own extinction




Source: business for nature