


Climate, sustainability & ESG: what's in store for 2024?

It has been a busy start to the year for climate, sustainability & ESG, building on the huge range of developments in 2023. In this short publication, we distil the key themes that have emerged amongst the many developments and analyses, providing an overview of the top trends our experts will have their eye on as 2024 progresses.

1. ESG by any other name: the changing face of climate regulation



Climate-related policy is shifting in New Zealand under the National-led Government. While the Zero Carbon Act with its emissions budgets and 2050 target remains, demand-side initiatives such as the Clean Car Discount have been repealed and there is a stronger reliance on the emissions trading scheme to manage emissions, as well as wider market led action – e.g., to encourage investment in renewable energy. More detail [here](#).




The EU is marching ahead with its Green New Deal, including the Carbon Border Adjustment Mechanism, anti-deforestation supply chain regulation, circular economy initiatives, product labelling requirements and the Corporate Sustainability Reporting Directive (CSRD). All have real impacts for New Zealand companies exporting to, or operating within, the EU. More detail [here](#).



The 'ESG backlash' in parts of the US continues. Whether it represents a wider pivot point may be clearer by the end of this year with more than two billion people across 50 countries scheduled to go to the polls within the next 12 months. According to the World Economic Forum's [Global Risk Report 2024](#), environmental risks continue to dominate the risk landscape, suggesting that they will remain a key focus for investors, boards and management – whether with an 'ESG' label or not.


2. Mandatory climate and sustainability reporting



With the first reports under our mandatory climate-related disclosures regime due by the end of April, mandatory reporting in other jurisdictions, including Australia, is proceeding at pace. More detail [here](#).



We expect a shift in focus over 2024 from implementation to benchmarking, and to more detailed disclosures. This will include transition planning – assisted by the 2023 UK Transition Plan Taskforce framework and, in New Zealand's case, by impending guidance from the XRB.



Broader sustainability disclosures will gain more prominence with more than 320 companies representing over US\$4 trillion in market capitalisation due to report this year under the Taskforce on Nature-related Financial Disclosures, and as the CSRD and the UK Sustainability Reporting Directive take effect.

3. The age of accountability: greater transparency and scrutiny



'Greenwashing' will continue to be a risk globally and in New Zealand, where the Financial Markets Authority (FMA) has served warning of increased scrutiny and will be encouraged by the example of the Australian Securities and Investment Commission, which last year issued its first civil proceedings on the issue. Business should therefore expect increased attention on whether their walk matches their talk. More detail on greenwashing [here](#).



Increased recourse to litigation has been signalled by climate activists, including a threatened judicial review against the Climate Change Minister for Emissions Trading Scheme changes and new powers to challenge Resource Management Act decisions on climate grounds. The spotlight on climate litigation will also intensify with the landmark *Smith* Supreme Court judgment allowing the case against seven New Zealand corporates to proceed to full trial. See our article on the *Smith* decision [here](#).



Supply chain dynamics will also be under the spotlight as a result of the Scope 3 data required for climate reporting purposes and the modern slavery legislation, which is widely expected to be progressed this term. Kiwi exporters of commodities captured by the EU's anti-deforestation regulation (most notably beef) will also need to prove that their production has not contributed to deforestation.

4. New frontiers in sustainable finance



The New Zealand sustainable finance sector underwent significant diversification in 2023, on both the lending and the borrowing side. We expect this to continue in 2024, with private credit and non-traditional lenders forcing their way into the market and the mainstream banks continuing to develop more standardised sustainable products for SME borrowers. More detail [here](#).



The EU Green Bond standard is slowly being digested by European investors and we expect will transition into international best practice over the next few years. Common market standards such as the Green Bond Principles have also recently been updated. Projections are that global markets in nature-related instruments, including biodiversity and voluntary carbon credits derived from nature-based projects, will grow to US\$25 billion by 2025 – up from US\$16 billion now (see [here](#)).



A global industry guide is due out soon on how to apply the Sustainability Linked-Loan Principles to fund finance and the Guidance for Green, Social & Sustainability-Linked Loans is being updated. Locally, the FMA has signalled an intention to remove long-standing regulatory pressure points and to investigate the provision of a class exemption for retail bond issuers looking to shift to a sustainable bond format.

Chapman Tripp has the leading climate change and ESG practice in New Zealand. Our team includes climate change experts in a range of practice areas including litigation, finance, corporate disclosures, regulatory compliance and reform. More information about our work in this area is available [here](#).



Nicola Swan
Partner
D +64 4 498 6389
M +64 27 308 6000
nicola.swan@chapmantripp.com



Alana Lampitt
Partner
D +64 9 357 9891
M +64 27 390 5890
alana.lampitt@chapmantripp.com



Kate Wilson Butler
Director - Climate, Sustainability & ESG
D +64 4 460 6907
M +64 21 632 050
kate.wilsonbutler@chapmantripp.com