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## Sustainability Watch

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Monthly Regulatory Highlights

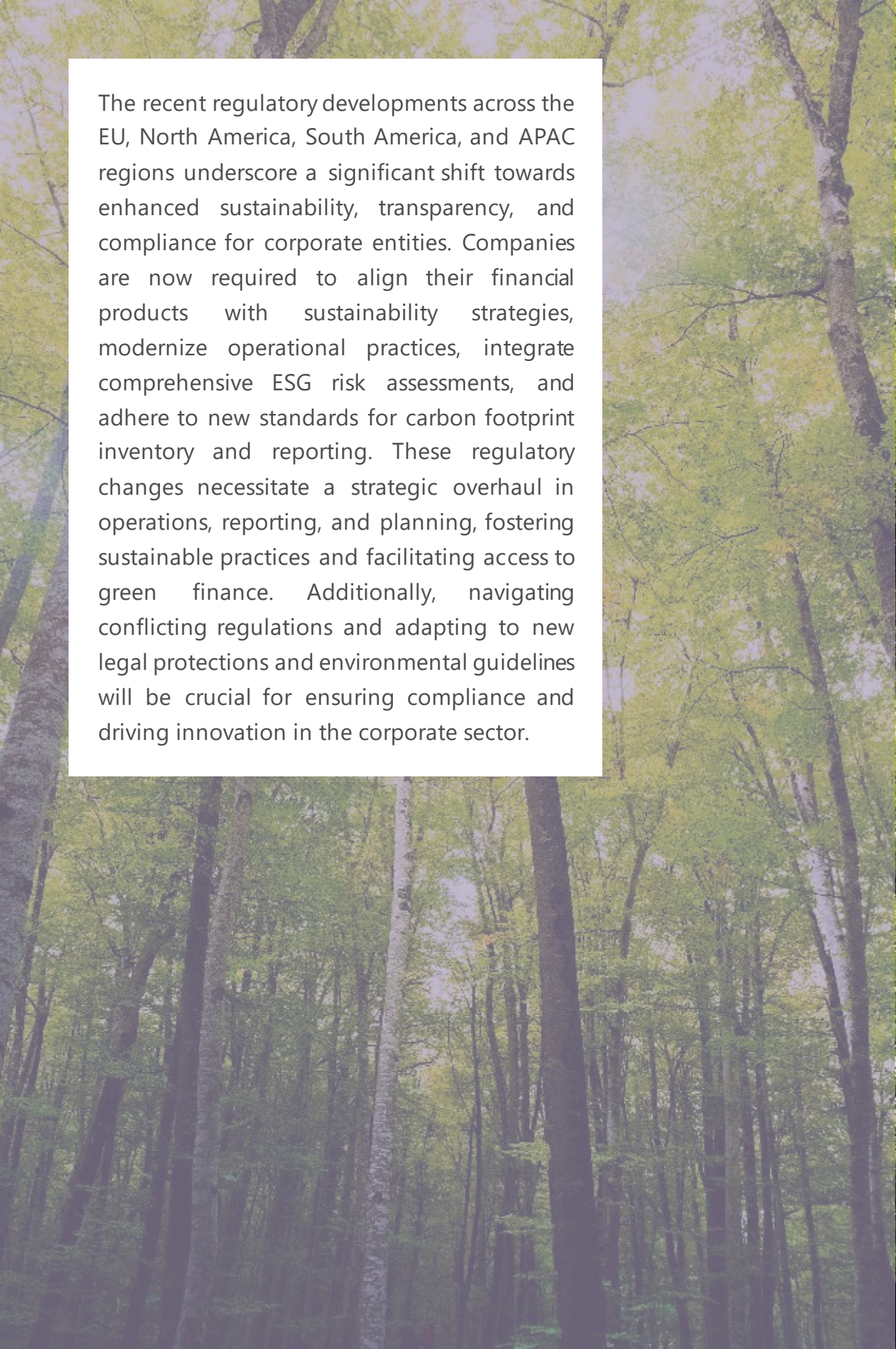
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January 2025

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The recent regulatory developments across the EU, North America, South America, and APAC regions underscore a significant shift towards enhanced sustainability, transparency, and compliance for corporate entities. Companies are now required to align their financial products with sustainability strategies, modernize operational practices, integrate comprehensive ESG risk assessments, and adhere to new standards for carbon footprint inventory and reporting. These regulatory changes necessitate a strategic overhaul in operations, reporting, and planning, fostering sustainable practices and facilitating access to green finance. Additionally, navigating conflicting regulations and adapting to new legal protections and environmental guidelines will be crucial for ensuring compliance and driving innovation in the corporate sector.





The EU's Platform on Sustainable Finance published a report titled "Categorization of Products under the SFDR," proposing a categorization scheme based on financial products' sustainability strategies and alignment with investors' values or impact objectives. This report has recommended a comprehensive definition of sustainable investment and suggested that the Commission develop a common understanding of impact investing within the EU's sustainable finance framework. Also, EU's new Construction Products Regulation, evolving from the previous regulation (No 305/2011), modernizes the real estate industry by enhancing sustainability, safety, and competitiveness. European Banking Authority (EBA) issued final Guidelines on managing ESG risks, establishing criteria for institutions to identify, assess, manage, and oversee these risks over various timeframes. Additionally, the Swiss Financial Market Supervisory Authority (FINMA) published a circular on managing climate- and nature-related financial risks, with phased implementation starting from 1 January 2026 for category 1 and 2 banks, and full implementation by 1 January 2028.

#### European banking authority calls for comprehensive ESG risk assessment

Europe's EBA has issued guidelines for banks to measure and mitigate ESG risks, focusing on environmental risks. Banks must set quantitative targets for financed emissions, assess clients' net zero transition plans, and prepare for potential litigation. This highlights a growing divide between US and European banks on climate change approaches.

#### EU competitiveness compass and packaging regulation

On January 29, the European Commission unveiled the Competitiveness Compass, focusing on innovation, decarbonization, and security. Key initiatives include AI Gigafactories, a Clean Industrial Deal, and Clean Trade Partnerships. Additionally, the Packaging and Packaging Waste Regulation, effective August 12, 2026, mandates re-use targets and labeling to minimize packaging waste.

#### EFRAG introduces voluntary sustainability reporting standard

EFRAG launched a voluntary EU sustainability reporting standard for non-listed SMEs. This standard, featuring basic and comprehensive modules, helps SMEs provide standardized sustainability information, promoting their participation in the sustainable economy and access to sustainable finance. Additional tools and guidance will be available in 2025.

#### Carbon removals and carbon farming regulation

The Carbon Removals and Carbon Farming Regulation published in the Official Journal. The Regulation will establish an EU certification framework for permanent carbon removal, carbon farming and carbon storage in products. This will be applicable in all member states from December 26, 2024, and secondary legislation will follow from the Commission to bring this scheme into operation.





## North America

The spotlight of January's articles is on United States since President Trump has halted all federal aid and withdrawn the U.S. from the Paris climate agreement, reversing Biden's re-entry. He declared a "national energy emergency" to increase fossil fuel production and signed an executive order to exploit Alaska's natural resources. Trump also ended the Green New Deal, which aimed to boost green jobs and regulate the fossil fuel industry. In contrast, the US Climate Alliance, comprising 24 state governors, remains committed to the Paris Agreement goals, pledging to reduce GHG emissions by 50%-52% by 2030 and 61%-66% by 2035. They plan to continue climate action through statewide carbon markets, clean energy standards, and methane reduction programs. Furthermore, the Prime Minister of Canada announced his resignation at the beginning of this month, potentially ushering in significant changes for the country.

### Putting America first in international environmental agreements

The order mandates the withdrawal of the United States from the Paris Agreement and other climate-related commitments, prioritizing American economic interests. It revokes the U.S. International Climate Finance Plan and requires reports on actions taken to rescind related policies, emphasizing economic efficiency in international energy agreements.

### Declaring a National Energy Emergency

The document declares a national emergency due to inadequate energy resources in the U.S., particularly in the Northeast and West Coast. It mandates various federal agencies to identify and expedite actions to enhance energy supply, with regular reporting and assessments to ensure national security and economic stability.

### Withdrawing the United States from the World Health Organization

The United States is withdrawing from the World Health Organization (WHO) due to its mishandling of the COVID-19 pandemic and other issues. The withdrawal process includes revoking previous retraction letters, pausing funding, and ceasing negotiations on WHO agreements. The Secretary of State will notify relevant parties.





### Unleashing American Energy

The document outlines U.S. policies to promote energy exploration, eliminate regulatory barriers, ensure consumer choice, and safeguard national security. It mandates agency reviews to reduce burdens on domestic energy development and terminates the American Climate Corps Memorandum. Agencies must report on alignment with these policies within specified timeframes.

### Reevaluating and Realigning United States Foreign Aid

The executive order mandates a 90-day pause on U.S. foreign development assistance to assess program efficiency and alignment with U.S. foreign policy, with reviews and determinations by relevant departments and the Secretary of State, allowing resumption or modification of programs based on these assessments.

### Fact Sheet: President Donald J. Trump Protects Civil Rights and Merit-Based Opportunity by Ending Illegal DEI

President Trump signed an Executive Order ending DEI preferencing in federal contracting and workforce, promoting merit-based opportunities, and enforcing civil rights laws. The order aims to eliminate DEI-related discrimination, streamline federal contracting, and ensure compliance with the Supreme Court's decision on fair admissions.

### Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government

The document outlines a Presidential order defining sex-based terms, mandating federal agencies to align their policies and documents accordingly, and rescinding previous executive orders related to gender ideology. It includes directives for updating identification documents and submitting implementation reports within specified timeframes.

### U.S. Climate Alliance to the International Community: "We Will Continue America's Work to Achieve the Goals of the Paris Agreement" | U.S. Climate Alliance

The U.S. Climate Alliance, led by Governors Hochul and Lujan Grisham, reaffirmed their commitment to the Paris Agreement despite the federal withdrawal. They emphasized ongoing state-level climate actions, significant emission reductions, and economic growth, pledging continued progress and reporting at COP30 in Brazil later this year.





## South America

Brazil is advancing its sustainability efforts with the proposed sustainable taxonomy framework, aiming to establish clear guidelines for sustainable activities and combat greenwashing by 2026. The framework includes both environmental and social objectives tailored to Brazil's unique circumstances. Concurrently, the governor of Mato Grosso vetoed a bill that would weaken protections for endangered biomes, reflecting a commitment to environmental preservation. However, Brazil's agribusiness sector has opposed the EU's new anti-deforestation regulation, highlighting internal conflicts between economic interests and environmental protection. Despite this, Brazil's federal environmental agency supports the regulation to enhance sustainability and transparency in agribusiness.

Additionally, Ecuador's Constitutional Court has granted legal rights to marine ecosystems, mandating government protection against industrial activities. Meanwhile, Chile received \$5.1 million from the World Bank's Forest Carbon Partnership Facility to reduce carbon emissions through sustainable forest management, benefiting vulnerable communities and promoting climate resilience.

### [Brazil Publishes Draft Sustainable Taxonomy Framework for Public Consultation](#)

In late 2024, Brazil proposed a sustainable taxonomy framework to be mandatory by 2026, focusing on environmental and social objectives tailored to its unique circumstances. The framework aims to combat greenwashing and support sustainable capital formation, with public consultation phases to refine its criteria and implementation.

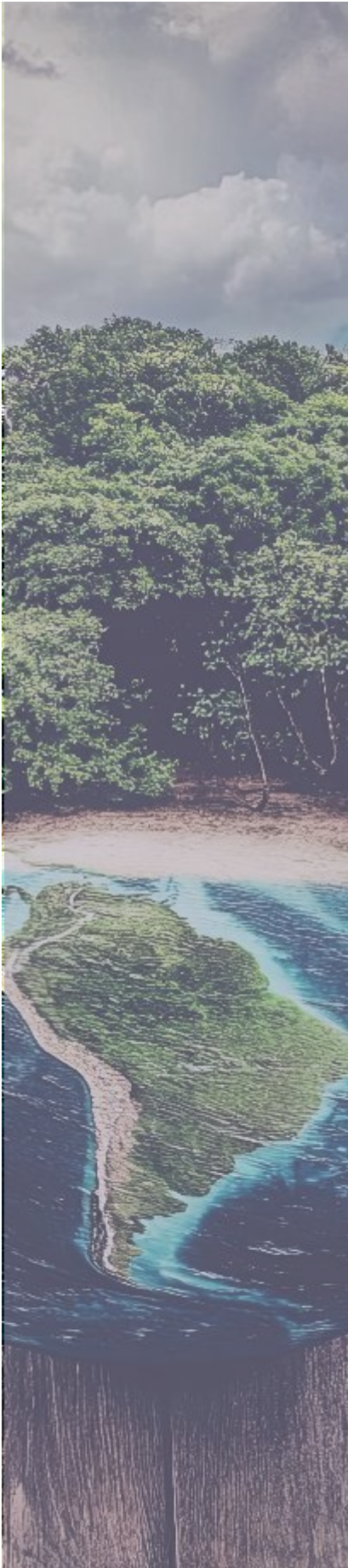
### [Governor of Brazil's top farm state to veto law that sought to weaken environmental protections](#)

Governor Mauro Mendes of Mato Grosso, Brazil, will veto a bill that would weaken protections for endangered biomes, following criticism from climate activists. The bill would have allowed Amazon biome areas to be converted to Cerrado, reducing required vegetation protection. Mendes plans to propose a new, compliant bill within 90 days.

### [EUDR divides Brazil's environmental and agribusiness authorities](#)

The EUDR, the EU's new anti-deforestation regulation effective December 2025, has sparked opposing views in Brazil. The Ministry of Agriculture criticizes it, while IBAMA supports it for promoting transparency and sustainability. The regulation targets products linked to deforestation, including soy, cattle, and timber.





### Chile presents draft of the Taxonomy of Environmentally Sustainable Economic Activities

The Chilean Ministry of Finance has introduced the Draft Taxonomy of Environmentally Sustainable Economic Activities (T-MAS) to standardize and identify sustainable economic activities, guiding investments and facilitating financial resource mobilization. The draft is open for public consultation from December 31, 2024, to January 31, 2025.

### Landmark ruling gives Ecuador's marine ecosystems legal rights

Ecuador's Constitutional Court has granted legal rights to marine ecosystems, requiring the government to limit harmful activities like industrial fishing. This landmark ruling extends protections to aquatic environments, emphasizing their intrinsic value and the need for robust regulations to preserve their natural processes and biodiversity.

### New Regulation for the Importation and Exportation of Recycled Waste in Argentina

The Decree 1/2025, effective January 3, 2025, regulates the import and export of non-hazardous waste in Argentina, requiring health and environmental safety certificates for imports and prohibiting waste for energy recovery or disposal. Exports need sworn declarations and are supervised by relevant authorities.





## APAC

In the APAC region, significant strides are being made in sustainability and green finance. Japan released a Labelling Guide on Carbon Footprint of Product to enhance enterprise-consumer communication. The Shanghai Stock Exchange issued new ESG reporting guidance to improve sustainability disclosures. China's first energy law, effective January 1, 2025, integrates hydrogen into the energy system and promotes renewable energy. Additionally, China released group standards for carbon footprint inventory for industrial products. Malaysia's Securities Commission introduced a guide to help companies adopt the National Sustainability Reporting Framework. Indonesia launched its International Carbon Trading and ESG Reporting to support its Nationally Determined Contribution. Thailand will start a carbon credit trading market in 2025 to boost green finance. These initiatives reflect a regional commitment to sustainability, carbon neutrality, and enhanced transparency in environmental practices.

### China's First Energy Law Takes Effect

China's first energy law took effect on January 1, 2025. The law gives the energy planning a legal structure for the first time and formally integrates hydrogen into the energy management system. The law also aims to support the development and utilization of renewable energy and increase the proportion of non-fossil energy consumption.

### China Releases the 1st List of Carbon Footprint Inventory Group Standards for Industrial Products

The Ministry of Industry and Information Technology (MIIT) and the other three ministries released the first list of group standards for carbon footprint inventory that apply to 15 industrial products including lithium cells.

### Shanghai Stock Exchange Issues New Guidance on ESG Reporting

The Shanghai Stock Exchange released two sets of documents of sustainability reporting guidance. The documents aim to promote company-issued high-quality ESG reports. The guidance states the basic rule of voluntary reporting while providing detailed procedures for companies to formulate the structure for sustainable growth including carbon emission calculation and scenario analysis methods.



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### Japan Releases the Labelling Guide on Carbon Footprint of Product

The Ministry of the Environment released the *Labelling Guide on Carbon Footprint of Product (CFP)* based on relevant international regulations. The guide aims to promote communication between enterprises and consumers through the product labelling of carbon footprint, striking a balance on pragmaticism of practices and validity of labelling.

### Indonesia Launches International Carbon Trading and ESG Reporting, Boosting Sustainability Efforts

Indonesia inaugurated its International Carbon Trading through IDXCARBON, marking a milestone in carbon trading and supporting its Nationally Determined Contribution. Additionally, ESG Reporting was launched to enhance transparency in sustainability disclosures. PT Sinar Mas Multiartha Tbk listed a bond worth IDR800 billion. IDX trading data showed positive changes in trading value and volume.

### SC Release NSRF Guidance to Help Companies' Board of Directors Drive Sustainability Reporting - Media Releases | Securities Commission Malaysia

The Securities Commission Malaysia (SC) has released a guide, 'Navigating the Transition: A Guide for Boards,' to help companies' boards adopt the National Sustainability Reporting Framework (NSRF). The NSRF, launched in September, mandates phased compliance for large companies, ensuring consistent sustainability-related financial disclosures using IFRS standards.

### Thailand will launch carbon credit trading market this year

Thailand will launch a carbon credit trading market in 2025, supported by the Stock Exchange of Thailand. This initiative aims to boost green finance and address the oversupply issue in the domestic carbon offsets market, enhancing Thailand's role in global carbon credit trading.



## Additional news:

[Regulation on preventing plastic pellet losses to reduce microplastic pollution](#)

[Uncertainty abounds over German government's backtracking on EU's sustainability reporting rules | Clean Energy Wire](#)

[Japan Revises Regulations on Supporting Investment in Offshore Wind Power](#)

[Japanese Government Plans to Incentivize Industries to Relocate Near Carbon-Neutral Energy Hubs](#)

[China to Further Support Green Construction via Government Procurement](#)

[Low-Carbon Hydrogen to Get More Support in 2025 from Beijing's New Policy Push](#)

[South Korea Gov't pledges \\$88.6 million to drive carbon neutrality and energy stability](#)

[Thailand's Minimum Wage 2025: What Businesses Need to Know](#)

[Mexico publishes results and recommendations of its Sustainable Taxonomy Pilot Program](#)

[Chile Receives \\$5.1 Million for Reducing 1.03 million Tons of Carbon Emissions](#)

[UAE and Uruguay Forge Energy Cooperation Agreement at Sustainability Week](#)





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