



Understanding the UAE's Climate Change Reduction Law

A turning point for business sustainability

March 2025

KPMG Middle East



Foreword



Governments worldwide are taking increasing responsibility for implementing legislation and policy frameworks to mitigate the impacts of climate change. This underscores the crucial role of nations in managing greenhouse gas (GHG) emissions in line with the Paris Agreement. These regulatory measures are often extended to industries and sectors, mandating both public and private companies, particularly in critical sectors, to track and reduce their emissions. The recently concluded COP29 in Baku, Azerbaijan, reinforced this global commitment, urging nations and stakeholders to take decisive action in reducing GHG emissions and safeguarding communities from the escalating effects of climate change.

Building on international momentum, the UAE has positioned itself as a regional and global leader in sustainability and climate action. A prime example is the Federal Decree-Law No. (11) of 2024 On the Reduction of Climate Change Effects, which mandates all entities, including those in Freezones, to measure, track, and manage their carbon emissions. This law aligns with the UAE's Net Zero 2050 strategy, Nationally Determined Contributions (NDCs), and the Paris Agreement, demonstrating the nation's steadfast commitment to climate action.

By proactively aligning with the law, companies can unlock multiple benefits. Implementing robust emissions tracking and reduction strategies can lead to cost savings through energy efficiency, access to green financing and sustainability-linked investments, and strengthened brand reputation. Furthermore, organizations that integrate climate considerations into their business models will be better positioned to navigate future regulatory shifts, reduce transition risks, and drive innovation in sustainable practices.

Driving national sustainability goals

Enacted on 28 August 2024, the law mandates businesses across the UAE to measure, track, and manage their greenhouse gas (GHG) emissions. It is designed to support national sustainability objectives by enforcing compliance with carbon neutrality targets. Companies will be required to implement emission reduction strategies while adhering to periodically updated national and sectoral goals.



Mitigation

Reducing emissions to limit climate change impact.



Innovation

Encouraging research, technological advancements, and private-sector involvement in climate solutions.



Adaptation

Strengthening the resilience of businesses, infrastructure, and ecosystems.



Data sharing

Facilitating transparency in emissions tracking at national and international levels.

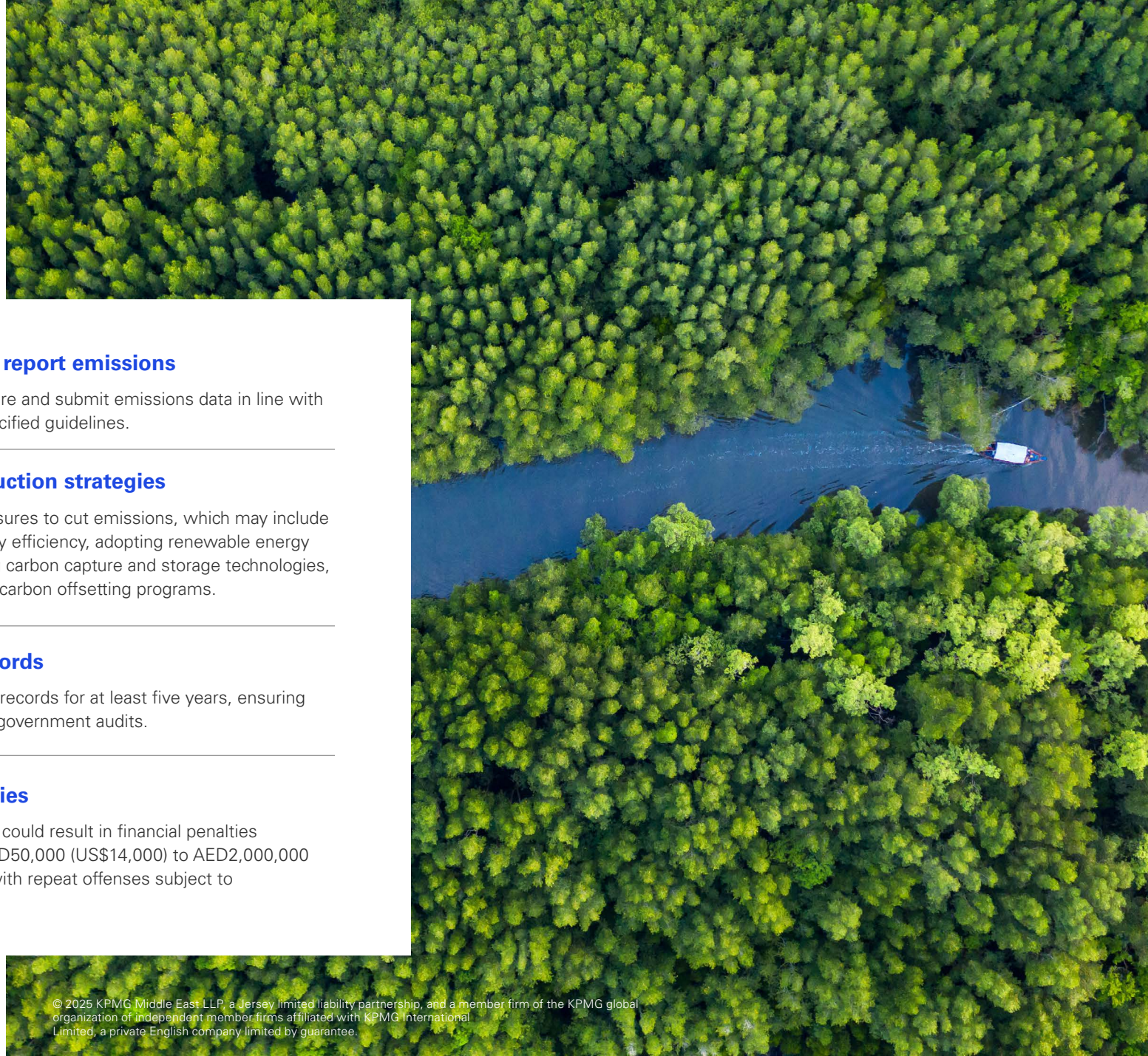


Sustainable development

Aligning the UAE's climate strategy with economic diversification and global competitiveness initiatives.



Key requirements for businesses



The legislation applies to all public and private sector entities operating within the UAE, including individual enterprises whose activities contribute to GHG emissions. Compliance will be mandatory from 30 May 2025. Under the decree, organizations must:



Monitor and report emissions

Regularly measure and submit emissions data in line with government-specified guidelines.



Develop reduction strategies

Implement measures to cut emissions, which may include improving energy efficiency, adopting renewable energy sources, utilizing carbon capture and storage technologies, and engaging in carbon offsetting programs.



Maintain records

Keep emissions records for at least five years, ensuring accessibility for government audits.



Avoid penalties

Non-compliance could result in financial penalties ranging from AED50,000 (US\$14,000) to AED2,000,000 (US\$544,000), with repeat offenses subject to higher fines.

How can companies prepare for the law?

Companies must comply with the law from 30 May 2025; however, they can begin aligning their organization today with several preparatory steps. Below we outline recommended action points for companies preparing for the Federal Decree-Law No. (11) on the Reduction of Climate Change Effects:



Develop a comprehensive GHG inventory

Companies should develop comprehensive GHG inventories (Scopes 1, 2, and 3) using global best practices to ensure comparability. They should establish a framework aligned with UAE NDCs to measure and reduce carbon emissions.



Conduct a climate risk assessment

Companies should develop a heat map to identify exposure to physical and transition climate risks. Implementing climate scenarios and stress testing provides a strategic view of risks across time horizons, supporting decision-making. A climate risk appetite framework with sector-specific, measurable metrics helps define the level of climate risk a company is willing to take to achieve its strategic objectives.



Set decarbonization targets and strategy

Companies should establish a framework for science-based targets aligned with SBTi to guide carbon offsetting and reduction efforts. Setting clear GHG reduction goals demonstrates commitment to decarbonization, while a strategy with metrics and KPIs ensures ongoing compliance with UAE Net Zero 2050 and other relevant initiatives.



Invest in training and capacity building

Companies should train senior management and employees on the new law, its business impact, and opportunities. This includes capacity-building on carbon neutrality using sector-specific case studies and sessions on the UAE's net-zero commitments, such as UAE Net Zero 2050, the third NDCs, and key national climate strategies. Training should also cover financial and regulatory expectations, including CBUAE (Central Bank of the UAE) climate risk principles and carbon emissions reporting requirements from Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX).

About KPMG Middle East

KPMG Middle East LLP is a part of the KPMG global organization of independent member firms that operate in 143 countries and territories and are affiliated with KPMG International Limited. We provide audit, tax and advisory services to public and private sector clients across Saudi Arabia, United Arab Emirates, Jordan, Lebanon, Oman, and Iraq, contracting through separate legal entities. We have a strong legacy in the region, where we have been established for over 50 years. KPMG Middle East LLP is well-connected with its global member network and combines its local knowledge with international expertise.

KPMG serves the diverse needs of businesses, governments, public-sector agencies, not-for-profit organizations, and the capital markets.

Our commitment to quality and service excellence underpins everything we do. We strive to deliver to the highest standards for our stakeholders, building trust through our actions and behaviors, both professionally and personally.

Our values guide our day-to-day behavior, informing how we act, the decisions we make, and how we work with each other, our clients, and all our stakeholders.



Integrity:

We do what is right



Excellence:

We never stop learning and improving



Courage:

We think and act boldly



Together:

We respect each other and draw strength from our differences



For Better:

We do what matters.

Our purpose is to inspire confidence and empower change. By inspiring confidence in our people, clients and society, we help empower the change needed to solve the toughest challenges and lead the way forward.

KPMG's Our Impact Plan guides our commitments to serving our clients, people and communities across four categories: Planet, People, Prosperity, and Governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future. We aim to deliver growth with purpose. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the United Nations Sustainable Development Goals, so all our communities can thrive and prosper.

We are dedicated to delivering growth with purpose, helping our clients achieve their goals, and advancing sustainable progress to ensure that all our communities thrive. Empowered by our values, and committed to our purpose, our people are our greatest strength. Together, we are building a values-led organization of the future. For better.



Fadi Alshihabi

Partner

Sustainability Solutions Lead

KPMG Middle East

E: falshihabi@kpmg.com

T: +971 52 653 6377

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG Middle East LLP, a Jersey limited liability partnership, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Publication name: Understanding the UAE's Climate Change Reduction Law

Publication number: 5472

Publication date: March 2025