Top Sustainability Themes in Ireland for 2024

Practical steps to consider

Introduction

As we enter a new year, the KPMG Sustainable Futures team has assessed the top 8 themes it expects will most impact the corporate sustainability landscape across Ireland in 2024. A snapshot of the key themes is outlined below:

- **Navigating a New Era of ESG Reporting:** 2024 is a landmark year for the corporate reporting landscape, with the Corporate Sustainability Reporting Directive (CSRD) set to impact more companies than any previous sustainability regulation to date.
- **Game Over for Greenwashing:** Forthcoming regulatory changes mean that the year ahead will significantly increase pressure on greenwashing as many businesses will now have to validate sustainability claims.
- **Clearing the Air on Scope 3 Transparency:** As businesses continue to navigate a changing landscape, transparency in Scope 3 emissions stands as a pivotal element for sustainability goals and a key trend for 2024.
- **Time to Adapt:** The requirements of the CSRD for companies to conduct climate scenario analysis will see a heightened focus from companies on climate adaptation over the coming year.
- **Business for Biodiversity:** Businesses are beginning to recognise that our relationship with nature is not one-directional and this year's commencement of the Taskforce on Nature-related Financial Disclosures (TNFD)'s reporting will redefine how the private sector engages with the natural world.
- **Closing the Loop:** Circular economy policy is gaining momentum across the world and 2024 will likely see the UN complete negotiations on a treaty targeting the end of plastic pollution.
- **Building a Green Future:** The demand for green professionals has never been greater and with ESG reporting requirements increasing, this growth is expected to continue.
- **European Green Deal takes significant strides in 'Fit for 55':** Last year saw the EU formally adopt its 'Fit for 55' legislative that will continue to play a pivotal role in 2024 and beyond towards the EU reducing its greenhouse gas emissions across its main sectors of the economy.

01. Navigating a New Era of ESG Reporting

No list of 2024 sustainability trends would be complete without reference to the now ubiquitous Corporate Sustainability Reporting Directive (CSRD), which comes into effect from 01 January 2024 for those entities already subject to the NFRD (reporting in 2025), and from 01 January 2025 for all other large companies (reporting in 2026).

Companies will be required to report across a diverse range of ESG issues, including climate change, biodiversity, and human rights. Companies are subject to the reporting obligation under the CSRD if they meet at least two of the following three criteria on two consecutive balance sheet dates:

- >250 employees
- Annual sales >50 million euros
- Total balance sheet >25 million euros

Underpinning the CSRD, the European Sustainability Reporting Standards (ESRSs) outline the mandatory reporting requirements. These twelve ESRSs require companies to provide information on:

- their governance and strategy to address material sustainability topics;
- the impacts, risks and opportunities arising from those topics; and
- quantitative metrics and targets.

The Double Materiality Assessment represents the starting point for a company's reporting obligation under the CSRD. Essentially, in-scope companies must consider their operations from the following two perspectives:

- Inside-out perspective: impact of their operations on people and the environment.
- Outside-in perspective: impact of sustainability issues on the company's financial position.

Despite this looming sea change for corporate sustainability reporting, there is mounting evidence that compliance with the CSRD will pose a significant challenge for many organisations. KPMG's most recent CEO Outlook found that only 57 percent of CEOs in ROI, and 43 percent in NI, say they have the capability and capacity required to meet new ESG reporting standards[1]. Evidently, businesses will need to urgently invest significant time and resources to achieve compliance with new regulatory obligations.

1 kpmg.com/ie/en/home/insights/2023/10/ceo-outlook-2023-firmwide

02. Game Over for Greenwashing

In recent years, companies have faced increased consumer and regulatory pressure to become sustainable. In response to this pressure, an increasing number of brands have made exaggerated, misleading, or unsubstantiated claims to be green by labelling products 'green' 'sustainable' or 'eco'. Consumer scepticism and forthcoming regulatory changes mean that businesses will now have to validate these green claims, however well-intended they might be.

A 2022 KPMG Next Gen Retail survey found that consumers have a very low level of trust (26%) in the environmental and sustainability claims made by brands[2]. This survey highlights the work brands have to do to get consumers on their side.

To tackle greenwashing, the Parliament and Council of the European Union recently reached a provisional agreement on new rules governing environmental claims[3]. The changes, due to come into force by 2026, will establish a range of requirements on environmental claims and prohibit generic environmental claims unless companies can prove the claims are based on demonstrated environmental performance. Assurance over environmental claims is important for corporates to not only build stakeholder trust and confidence but also mitigate the risk of litigation.

2 kpmg.com/ie_next-gen-retail-vol3
3 europarl.europa.eu/_eu-to-ban-greenwashing-and-improve-consumer-information-on-product-durability

03. Clearing the Air on Scope 3 Transparency

Scope 3 greenhouse gas (GHG) emissions encompass indirect GHG emissions along a company's entire value chain. In essence, they extend beyond a company's direct operations and encompass upstream and downstream activities. Achieving transparency in Scope 3 GHG emissions involves a comprehensive understanding and disclosure of these emissions. This often requires mapping the supply chain, identifying key emissions sources, and collaborating closely with suppliers to collect relevant data.

Collaboration will be crucial as organisations must work strategically with suppliers to achieve emission reduction targets. This not only mitigates environmental impact but also addresses potential reputational and operational risks.

Artificial Intelligence (AI) will continue to evolve to support the measurement of Scope 3 GHG emissions through advanced data analytics and automation. Leveraging AI machine learning algorithms to identify patterns, assess carbon footprints, and track emissions across the supply chain can enhance the transparency, accuracy, and efficiency of Scope 3 GHG emissions data.

Effective measurement and communication of Scope 3 GHG emissions is imperative in the transition towards more sustainable business practices. Companies that prioritise transparency in their supply chains are better equipped to meet stakeholder needs and achieve the 1.5-degree pathway set out by the Paris Agreement.

04. Time to Adapt

Global climate records were 'shattered' in 2023, according to the World Meteorological Organisation[4]. Similarly, at a national scale, Met Éireann's Provisional State of the Irish Climate Report 2023 showed that Ireland experienced its warmest year on record. In addition, 2023 saw the wettest March and the wettest July on record. Alarmingly, the 1.5°C 'safe' limit for global temperature rise was also breached last year[5].

As businesses accelerate their efforts to mitigate climate change by setting science-based GHG emissions reduction targets, and developing roadmaps to net-zero, many are overlooking an equally important aspect, climate change adaptation. Adaptation means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage they can cause, or taking advantage of opportunities that may arise.

It is apparent that climate change is impacting the frequency and intensity of extreme weather events such as heatwaves, droughts, and flooding. These events lead to significant adverse societal costs. Between 1980 and 2022, weather - and climate-related extremes - caused economic losses of assets estimated at €650 billion in the EU Member States, of which €59.4 billion and €52.3 billion occurred in 2021 and 2022, respectively[6].

Through the CSRD, companies will also be required to conduct climate scenario analysis. The aim is to determine how different climate scenarios could affect the company and to identify potential both physical and transition climate risks and opportunities.

4 wmo.int_hatters-climate-records-major-impacts
5 climate.copernicus.eu/tracking-breaches-150c-global-warming-threshold
6 www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related

05. Business for Biodiversity

The major nature and biodiversity milestone for the year is the 16th COP of the UN Convention on Biological Diversity which will take place in Colombia in October. COP 16 will be the first global biodiversity conference since the adoption of the Kunming-Montreal Global Biodiversity Framework in December 2022. At the meeting, countries will review the state of implementation of the 23 targets of the Global Biodiversity Framework and show how their national plans align with the Framework.

Meanwhile, the Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES) will continue its two-year assessment on Business & Biodiversity. The IPBES assessment, due for publication in 2025, aims to categorize how businesses depend on, and impact, biodiversity and nature's contributions to society and identify criteria and indicators for measuring this dependence and impact. The assessment will add to the growing body of research, including tools such as ENCORE, into how businesses interact with nature – and what they can do about it[7].

In Ireland, we recently saw the launch of the 4th National Biodiversity Action Plan (NBAP) – Ireland's contribution to the Global Biodiversity Framework, and the first NBAP since the National Parks and Wildlife Service had its much-needed injection of funding and organizational review. Many of the NBAP actions relate to government, local authorities, and communities, but businesses and financial institutions must also play their part in tackling nature loss. One simple action they can take is to join the Irish Business for Biodiversity Platform.

Indeed, nature and biodiversity topics will become more mainstream for businesses and financial institutions in 2024, as a result of evolving market and regulatory drivers. This year, the first cohort of companies will prepare their EU CSRD disclosures, with many identifying biodiversity as a material topic. Furthermore, more than 300 companies and financial institutions have pledged to report in line with the TNFD (Taskforce on Nature-related Financial Disclosures) recommendations by financial year 2024 or 2025[8].

Finally, we expect to see much more effort and activity from the financial sector to address nature and biodiversity loss. The European Central Bank recently released two landmark reports assessing eurozone exposure to nature-related risks, and KPMG's recent 'Nature of Finance' report, published in collaboration with Ireland's International Sustainable Finance Centre of Excellence (ISFCOE), found that 58% (€56 billion) of Irish lending to non-financial corporations is exposed to sectors that are highly dependent on one or more ecosystem services[9]. It also found that 94% (€92 billion) is exposed to sectors that have a high impact on one or more areas of nature. The report proposed a Nature Finance Roadmap to deliver on the report recommendations and kickstart the transformation of the Irish financial sector towards a nature-positive future.

7 www.encorenature.org/en
8 https://tnfd.global/engage/tnfd-adopters/
9 https://kpmg.com/ie/en/home/insights/2023/12/the-nature-of-finance-esg.html

06. Closing the Loop

It is now widely recognised that implementing circular economy principles in business operations can significantly contribute to net-zero targets by promoting sustainability, resource efficiency, and waste reduction.

Circular economy policy is gaining momentum across the world as countries aim to reduce their environmental impact and promote sustainable economic growth. In 2022, UN Member States agreed to develop a legally binding agreement to end plastic pollution[10]. UN negotiators aim to have signed an international treaty to tackle plastic pollution by the end of 2024. The agreement will prompt a major step towards reducing GHG emissions from plastic production, use and disposal. In addition, last year the EU struck an agreement to ensure the EU takes greater responsibility for its waste and does not export its plastic waste to non-OECD countries by 2026[11].

At a national scale, 2024 will also see the introduction of Ireland's Deposit Return Scheme. The initiative will involve a consumer paying a deposit on a plastic bottle or aluminium/ steel can and then receiving a refund of the deposit upon its return[12].

With ambitious waste reduction targets and the rollout of new schemes, businesses that operate in resource-intensive and waste-generating industries can expect significant changes to their operations over the coming years. Companies should evaluate all aspects of their supply chains to seek ways of improving circularity through novel methods of waste reduction or innovative product design. By incorporating circular practices into business models at an early stage, companies can stay one step ahead of forthcoming legislation, and act as leaders in the delivery of the climate commitments and creating additional value along supply chains.

10 unep.orghistoric-day-campaign-beat-plastic-pollution-nations-commit-develop
11 ec.europa.eu/commission/presscorner
12 re-turn.ie

07. Building a Green Future

Sustainability has moved from a "nice-to-have" part of operations, to a crucial component of a business strategy, resulting in an increasing demand for sustainability professionals. LinkedIn data shows that hiring figures for 'green jobs' in Ireland doubled between 2016 and 2021[13]. As ESG reporting requirements increase, this growth is expected to continue in the years ahead.

Sustainability is also increasingly important from a talent attraction and retention perspective. This is reflected in the recent growth in applications to third-level courses related to climate change and sustainability in Ireland. Central Applications Office (CAO) data shows that environment-related courses increased by 40% in 2022 to the previous year[14]. However, whilst new entrants to the workforce will fill some of the demand for green professionals, recent research suggests that Ireland is experiencing a major skills shortage. The EU-LIFE funded Build Up Skills Ireland 2030 research estimated that Ireland will require an additional 120,000 skilled construction workers and the re-skilling of 164,000 construction workers by 2030 to deliver on Ireland's housing and climate targets[15]. This research suggests that there is greater investment needed in training and upskilling initiatives to deliver on climate goals.

13 daireland.com/green-talent-is-on-the-rise-increased-focus-required-to-meet-climate-targets-labour-market-pulse
14 irishtimes.com/cao-2022-surge-in-applications-for-environment-architecture-and-arts
15 igbc.ie/research-reveals-critical-skills-shortages-threatening-irelands-climate-targets

08. European Green Deal takes significant strides in 'Fit for 55'

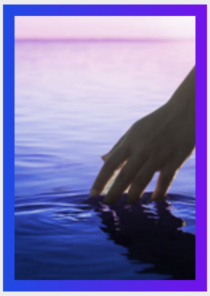
Last year the EU formally adopted five laws that will play a pivotal role in the EU reducing GHG emissions whilst making sure that the most vulnerable citizens and micro-enterprises, as well as the sectors exposed to carbon leakage, are effectively supported in the climate transition[16]. The laws are part of the 'Fit for 55' package, which has the primary objective to reduce net GHG emissions by at least 55% by 2030 compared to 1990 levels, and to achieve climate neutrality in 2050. The five laws adopted include:

- **Revision of the ETS Directive:** The EU Emissions Trading System (EU ETS) is a carbon market based on a system of cap-and-trade of emissions allowances for energy-intensive industries, the power generation sector, and the aviation sector. The EU ETS covers approximately 10,000 companies across these sectors. The reform increases the overall ambition of GHG emissions reductions by 2030 in the sectors covered by the EU ETS to 62% from 2005 levels, compared to a target of 43% under the previous rules.
- **Amendment of the Monitoring, Reporting and Verification (MRV) shipping regulation:** Emissions from shipping will be included within the scope of the EU ETS for the first time. Obligations for shipping companies to surrender allowances will be introduced gradually: 40% for verified emissions from 2024, 70% from 2025 and 100% from 2026.
- **Revision of the ETS Aviation Directive:** Free emission allowances for the aviation sector will be gradually phased out and full auctioning from 2026 will be implemented. To incentivize the transition of aircraft operators from fossil fuels to Sustainable Aviation Fuel (SAF), the reform reserves an allocation of 20 million allowances, with an estimated value of approximately €1.6 billion at current carbon prices.
- **Regulation establishing a Social Climate Fund:** The Social Climate Fund will be established to support and protect the vulnerable households, micro-enterprises, and transport users affected by the associated price impacts of an ETS.
- **Regulation establishing a Carbon Border Adjustment Mechanism (CBAM):** The Carbon Border Adjustment Mechanism (CBAM) is a mechanism which concerns imports of products from non-EU countries in carbon-intensive industries. The objective of CBAM is to prevent 'carbon leakage' by putting a fair price on the carbon emitted during the production of carbon-intensive goods entering the EU. The CBAM entered into application in its transitional period on 1 October 2023, with the first quarterly reports due by 31 January 2024.

16 consilium.europa.eu/23/04/25/fit-for-55-council-adopts-key-pieces-of-legislation-delivering-on-2030-climate-targets

Find out more

The Nature of Finance



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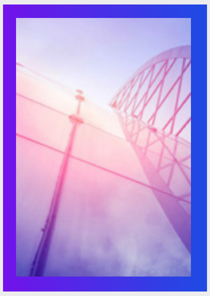
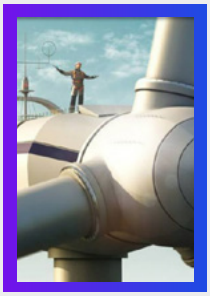
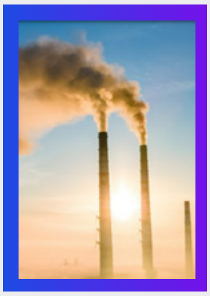


Climate and Environmental Risk Management

First set of ESRSs is now out!

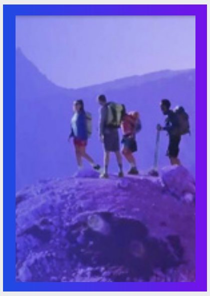


Deconstructing ESG



EU Carbon Border Adjustment Mechanism (CBAM)

Nature and biodiversity rising up the ESG agenda



A quick guide to the CSRD

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Our multidisciplinary team includes sustainability practitioners, economists, engineers, corporate strategists, accountants, and financiers, working together to help clients navigate the complex and fast-evolving climate change and sustainability agenda.

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