

Decarbonization Policy Global Outlook



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The
Deciding
Factor

**IN 2022, INDUSTRIAL
PROCESSES EMITTED**

9.15
GTONNE
OF CO₂

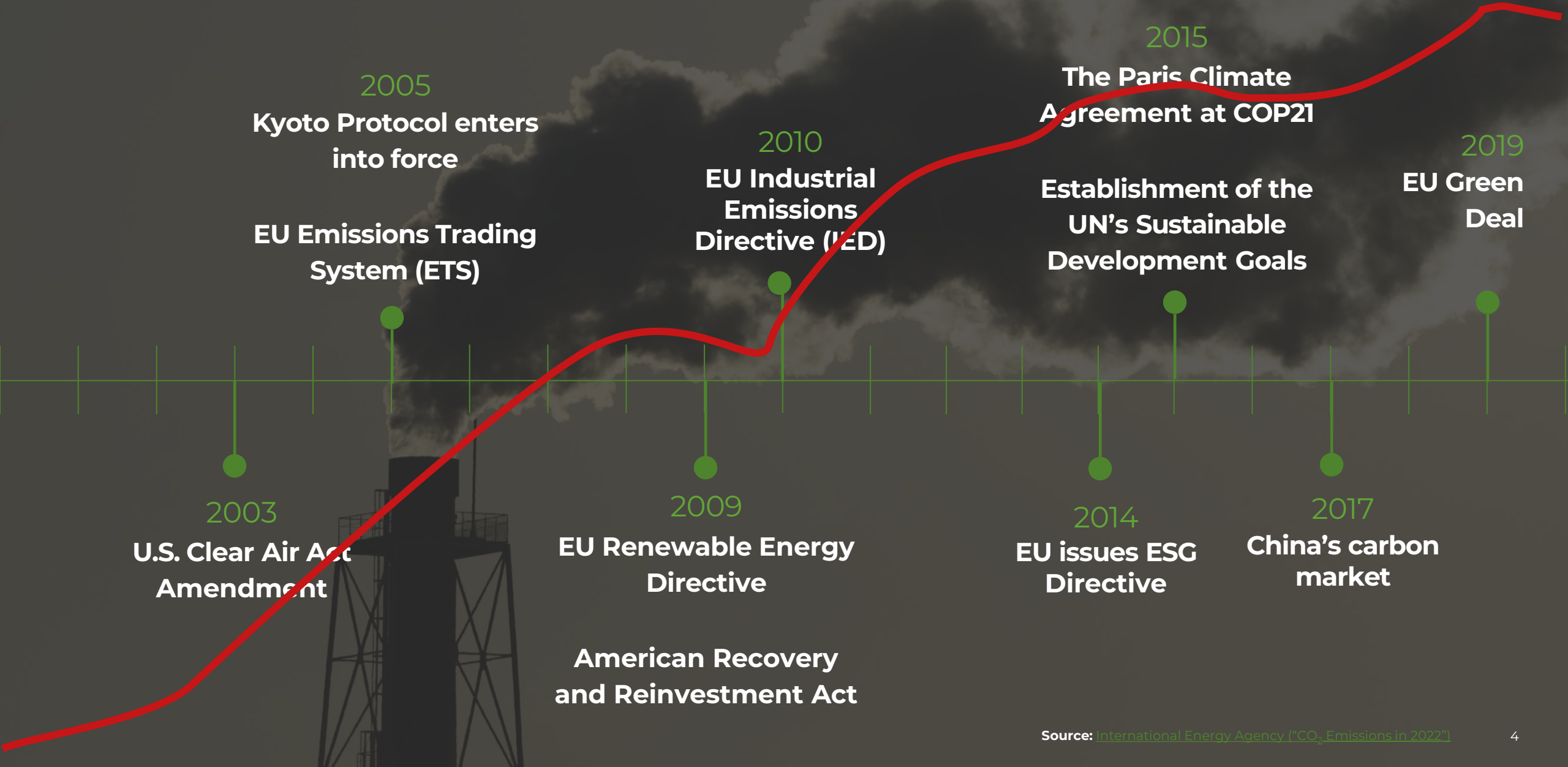
9,150,000,000 TONNE

IN 2022, INDUSTRIAL PROCESSES EMITTED



21%
**OF TOTAL
EMISSIONS**

Emissions climbed in the past 2 decades



Navigating the next decade of decarbonization policy



THE LUX POLICY COMPASS

EVOLVING

POLICY LIKELIHOOD: LOW
BUSINESS IMPACT: HIGH

DISRUPTIVE

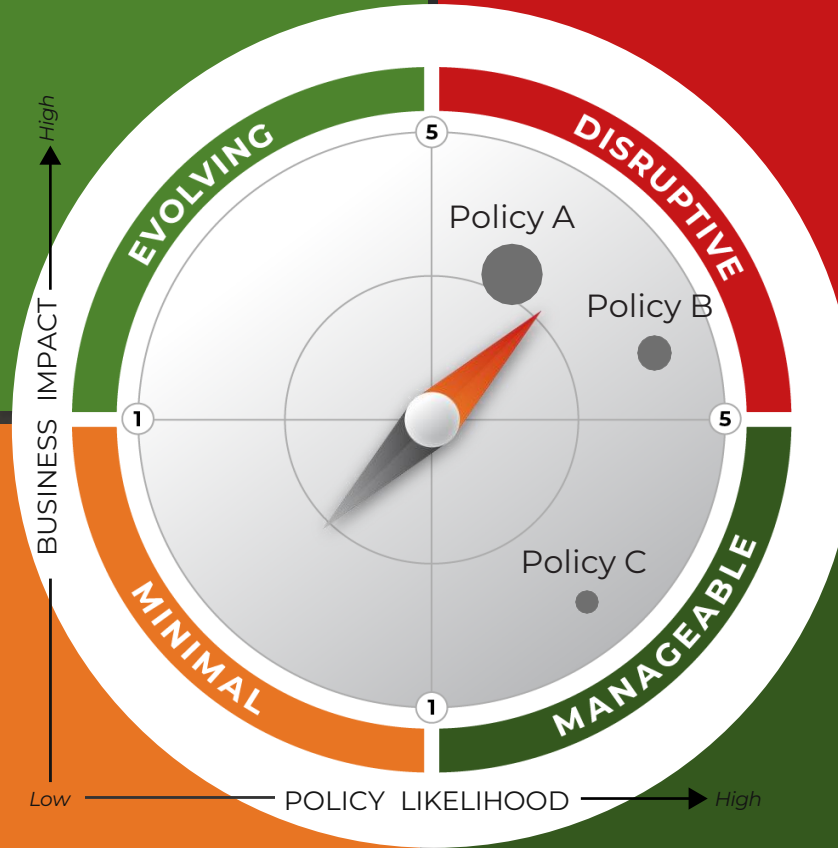
POLICY LIKELIHOOD: HIGH
BUSINESS IMPACT: HIGH

MINIMAL

POLICY LIKELIHOOD: LOW
BUSINESS IMPACT: LOW

MANAGEABLE

POLICY LIKELIHOOD: HIGH
BUSINESS IMPACT: LOW



THE LUX POLICY COMPASS



BUSINESS IMPACT

The business impact score represents how a policy affects the six major aspects of the industrial sector and its value chains, including:

- Input
- Process
- End of life
- Product and service
- Transparency
- Demand



POLICY LIKELIHOOD

The likelihood of a policy or regulation to materialize, from ideation to implementation. Key considerations include:

- Policy's current status
- Governmental approval
- External approval
- Political volatility
- Policy instruments

THE LUX POLICY COMPASS

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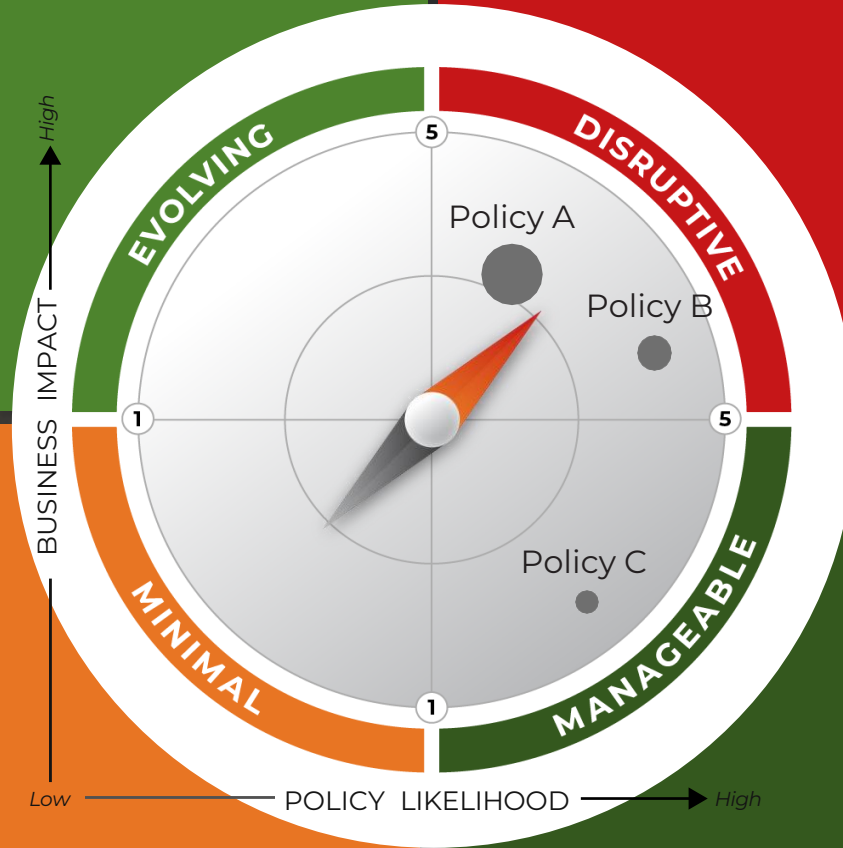
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Let's look at decarbonization policy through 3 key mechanisms:

**Emissions
Restrictions**

**Fostering
Innovation**

**Reporting and
Disclosures**





Emissions Restrictions



Fostering Innovation



Reporting and Disclosures





Emissions Restrictions

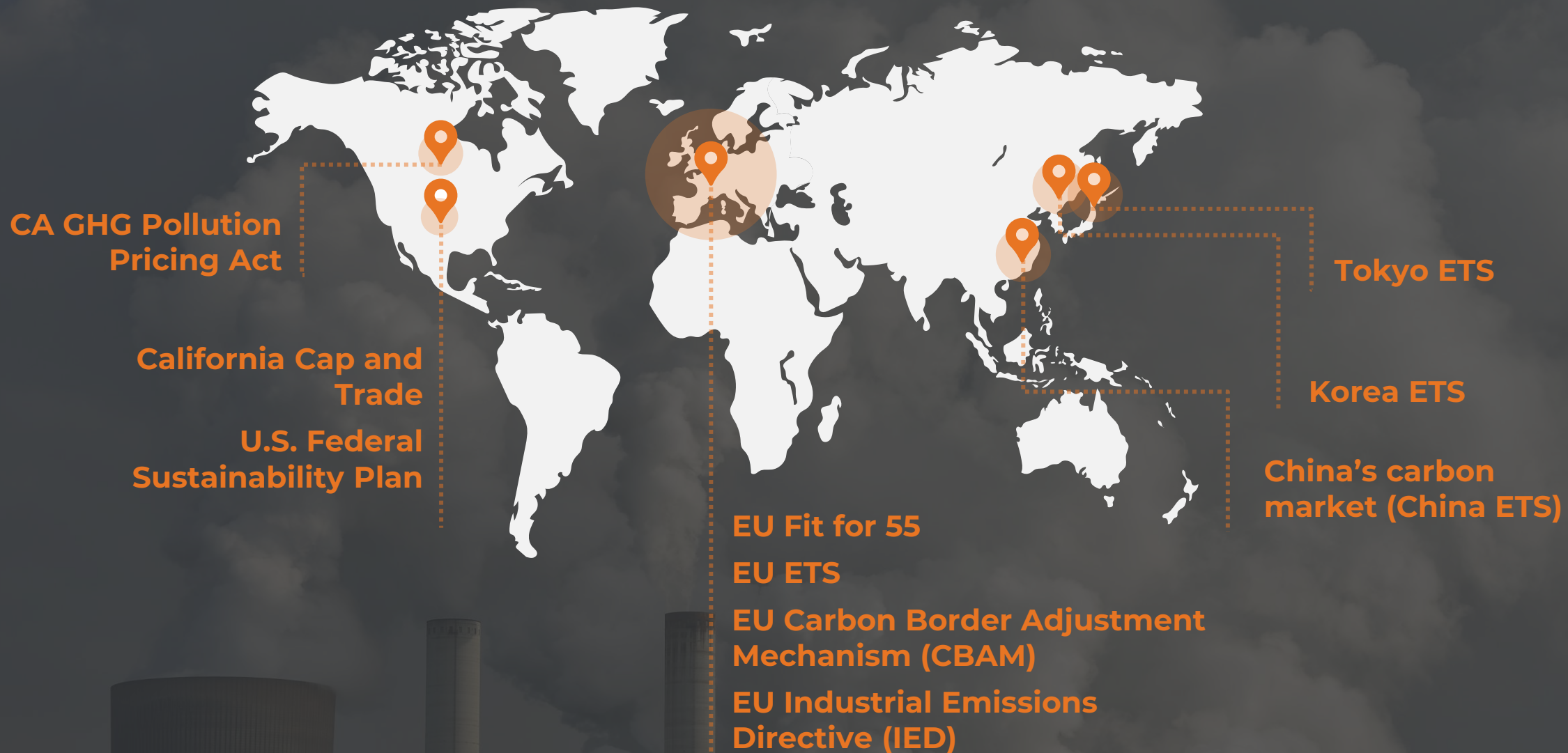


Fostering Innovation

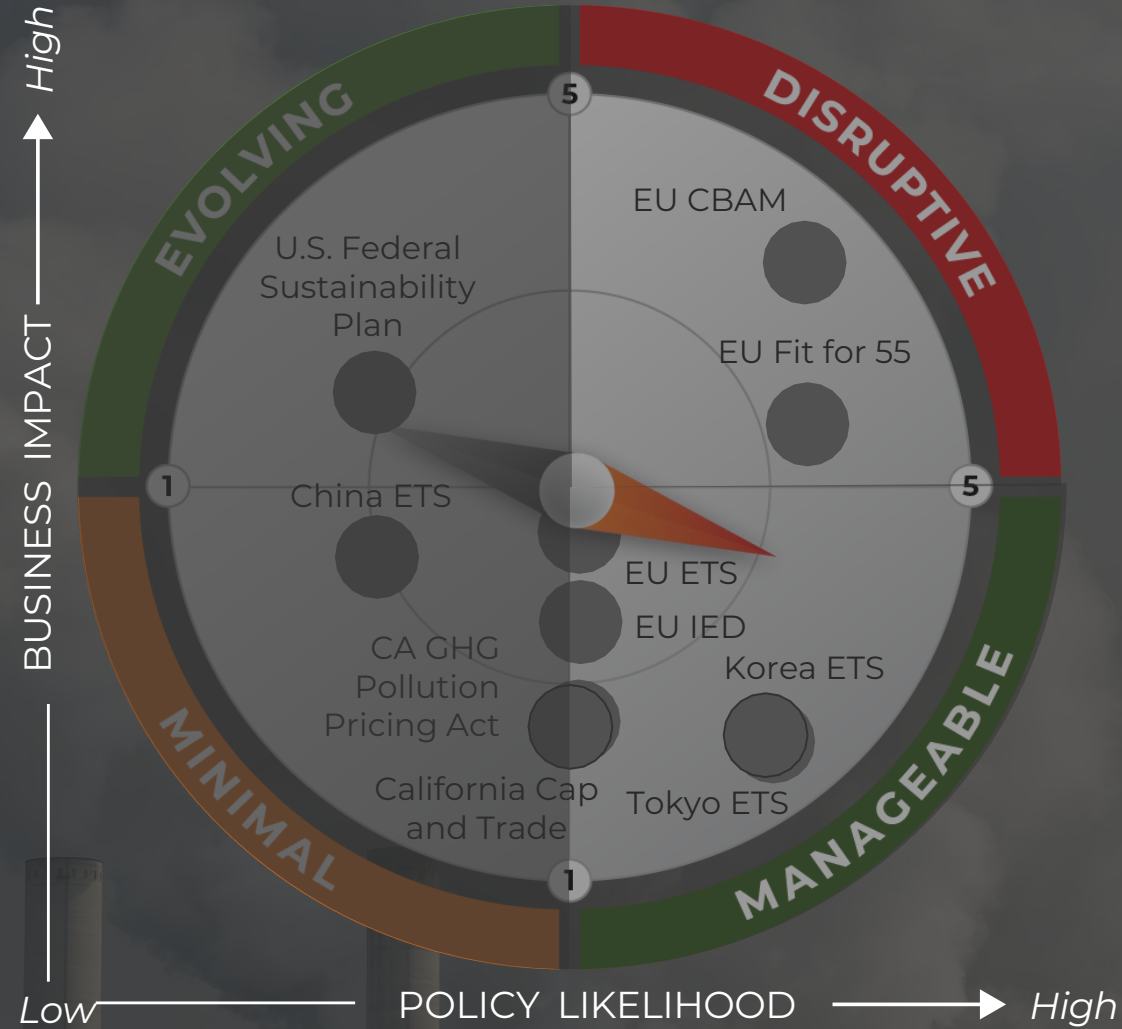


Reporting and Disclosures

Policies on Emissions Restrictions



Policies on Emissions Restrictions



The EU CBAM

CBAM entered into force in October 2023. The mechanism was initially proposed in July 2021.

The mechanism exists to address the carbon leakage of ETS.

CBAM levies an import tax that is directly related to the carbon emissions associated with the production of imported goods.

Its implementation will be seen in the next several years as the mechanism and the existing ETS are harmonized.

The goal is to level the playing field and equalize the emission costs of goods and services in the EU despite their origins.



CBAM will force the industrial sector to pay attention to carbon usage, which will be disruptive if companies aren't prepared. Industry must be ready to monitor CBAM's implementation.



**Emissions
Restrictions**



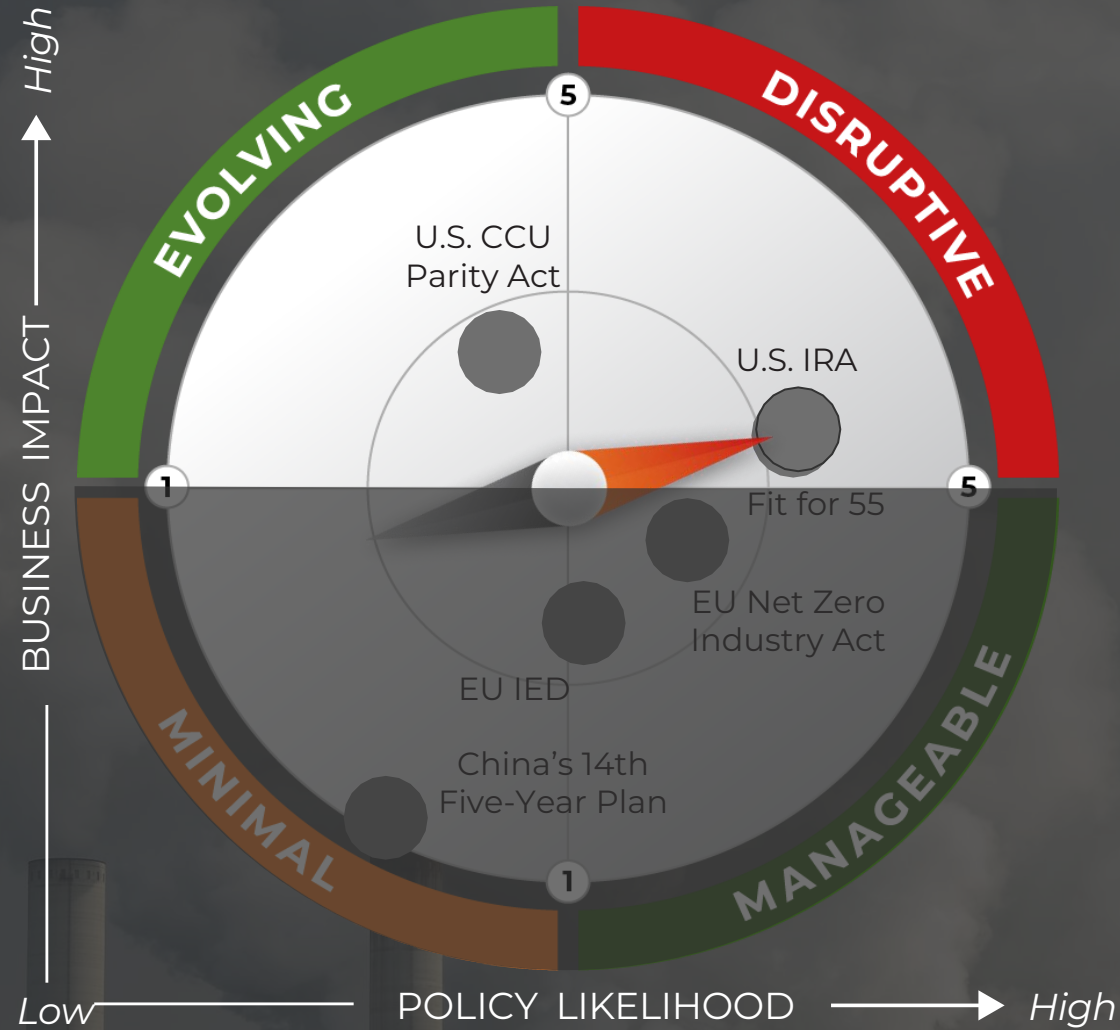
**Reporting and
Disclosures**



Policies Fostering Innovation



Policies Fostering Innovation



U.S. CCU Parity Act

The CCU Parity Act was introduced in late February 2023 to the U.S. Congress.

The bill aims to increase tax credits for CCU incentives that support carbon capture and sequestration in the power and industrial sectors.

Specifically, the legislation establishes parity between the 45Q carbon capture tax credit for utilization and sequestration, further incentivizing a wider breadth of CCUS* in the U.S.



While the bill has only recently been introduced, it's likely to pass given its bipartisan support. Clients should incorporate this policy into innovation activities to understand opportunities.





Emissions Restrictions



Fostering Innovation



Reporting and Disclosures

Policies on Reporting and Disclosures



**California State Bill 253:
Corporate Accountability
on Climate Data**

**U.S. SEC Rule on Climate
Disclosures**

**EU Corporate
Sustainability Reporting
Directive (CSRD)**

**U.K.'s Streamlined
Energy and Carbon
Reporting (SECR) policy**

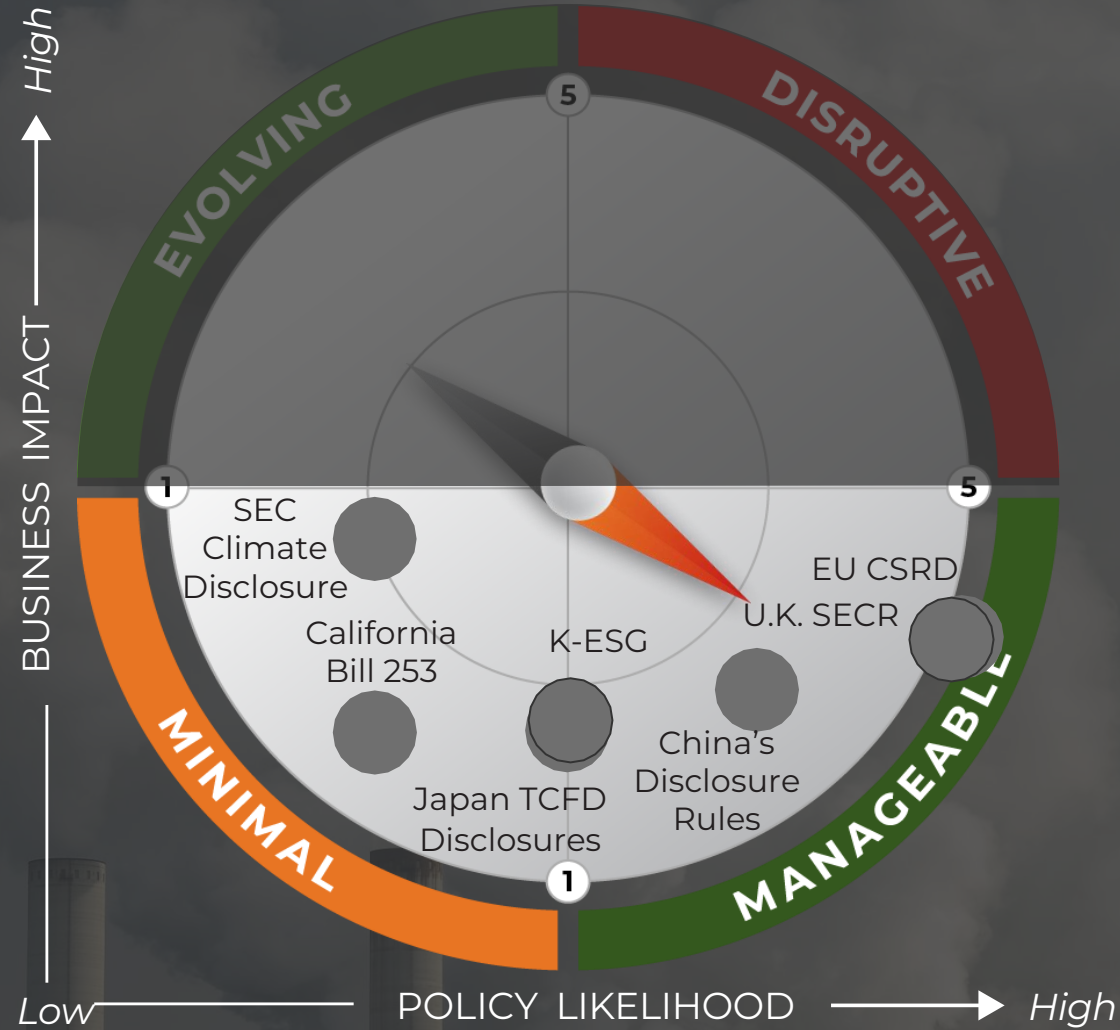
K-ESG*

**China's
Environmental
Information
Disclosure Rules**

**Japan Task Force
on Climate-related
Financial
Disclosures (TCFD)**

**Sustainability
Standards Board
of Japan (SSBJ)**

Policies on Reporting and Disclosures



EU Corporate Sustainable Reporting Directive

In 2023, the CSRD entered into force. Proposed in 2021, the CSRD amends the 2014 EU Non-Financial Reporting Directive.

Companies listed in the EU market must report on emissions including Scope 1, Scope 2, and, where relevant, Scope 3.

The reporting requirements will also cover other ESG factors.

The directive applies to more than 50,000 EU-based companies.

The new reporting requirements will apply in 2024 for report publication in 2025.



It's critical to review the CSRD and prepare, especially for those with business in the EU. The CSRD is worth closely monitoring to see how mandated disclosures and standards play out and what lessons and innovations result.





Emissions Restrictions



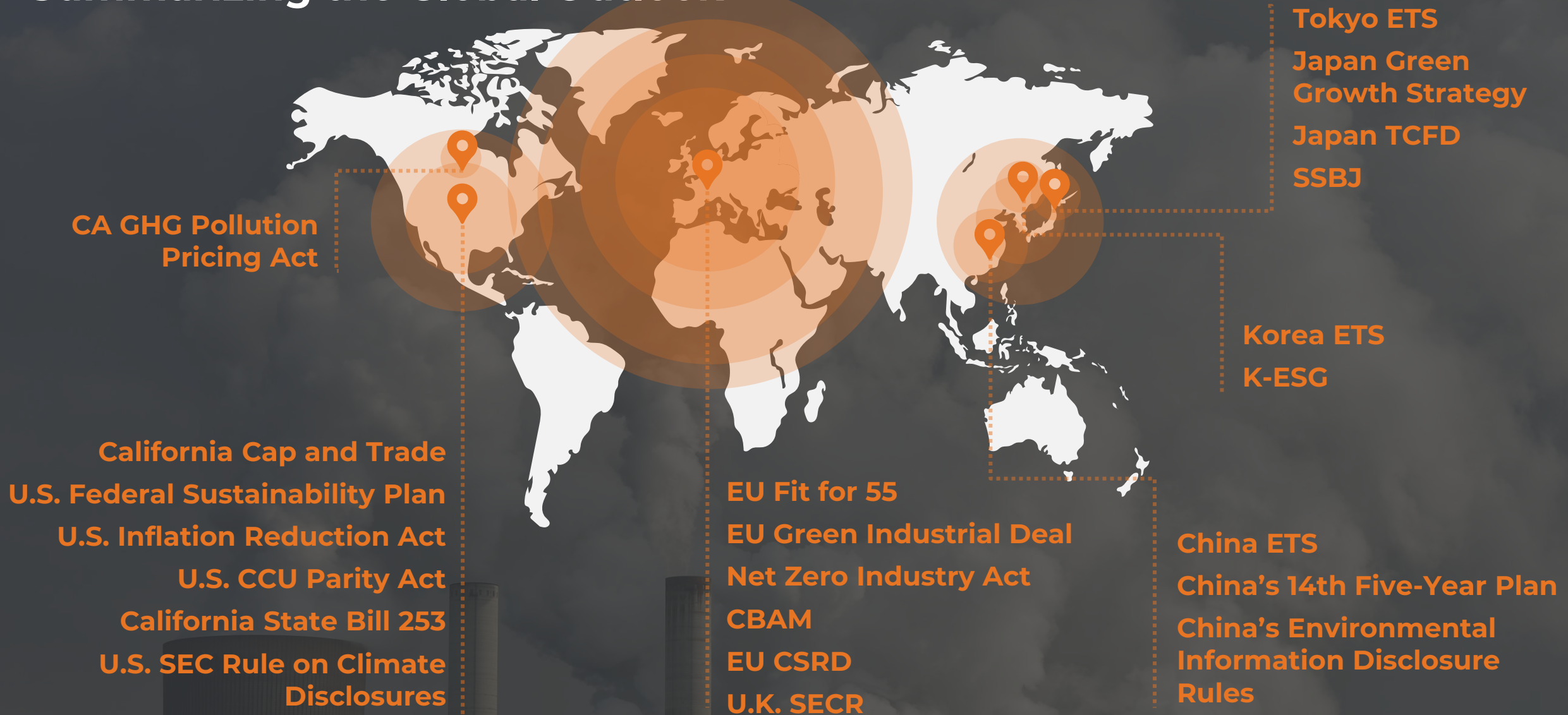
Fostering Innovation



Reporting and Disclosures



Summarizing the Global Outlook



2023

What makes this decade different?

1. Cohesion of policy mechanisms
2. Global cross-pollination of policy
3. Exposure and availability of data

Key Takeaways

- 1** | **The EU is the standard for its cohesive policy approach**
The EU's decarbonization plan includes all three policy mechanisms and is setting the tone for the global landscape to follow, as we have seen previously.
- 2** | **Decarbonization policy mechanisms are diffusing globally**
Expect more cross-pollination of policy ideals from Europe as discussions of counters to CBAM are signs that more aggressive and cohesive policies are coming globally.
- 3** | **Exposed emissions reporting will force solutions**
Clients need to engage in carbon accounting, if not doing so already. Furthermore, clients must proactively investigate tools and innovations to bring forth in response.

Thank you

A link of the webinar recording will be emailed within 24–48 hours.

UPCOMING WEBINARS

NOVEMBER 30

[Making Sustainability Irresistible: Unlocking the Desirability Formula](#)

DECEMBER 12

[Ideathons 2023 Recap: Highlights from Innovator Showcases](#)

DECEMBER 19

[Putting Sustainable Manufacturing Into Practice](#)



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