

Sustainability Bulletin

September 2023

JCR Eurasia Rating

Economic and Analytical Research



European Commission Announced the Transition Period for CBAM

The European Commission has published the reporting rule set for the transition period of the Carbon Border Adjustment Mechanism (CBAM). The transition period will start on October 1, 2023 and will end on December 31, 2025. During the transition period, importers or indirect customs representatives will be obliged to report:

- Amounts of goods imported,
- Direct and indirect carbon emissions in goods imported,
- Carbon prices for the emissions of products, including carbon prices from these products and precursor products.

With the implementation coming into force, reporting on products imported in the 4th quarter of 2023 must be completed till January 31, 2024. The final report date during the transition period was determined as January 31, 2026.



Reporting will initially cover products from the **cement, iron and steel, aluminum, fertilizer, electricity and hydrogen** sectors.

The document published by the Commission also stated that member countries that do not take the necessary steps for reporting or do not take any action to make the necessary corrections despite incomplete/incorrect declarations will be fined between **EUR 10** and **EUR 50** for each ton of unreported emissions.

IFRS Published its Sustainability Standards.

The International Sustainability Standards Board (ISSB), which published its first regulation on sustainability reporting in June, published the Request for Information Letter for Consultation on Agenda Priorities for the next two years. Accordingly, feedback on four potential projects aimed to meet investors' information needs will form the Board's work schedule for the next two years.



The first three projects cover biodiversity, ecosystem and ecosystem services, human capital and human rights to identify sustainability-related opportunities and risks. As the fourth project proposal, the Board suggested conducting a research on the integration of issues beyond the requirements of IFRS S1 and IFRS S2 into financial reporting.

According to Environmental Finance, the European Sustainable Investment Fund (Eurosif) called for regulations to be made in all areas of sustainability. Eurosif also stated that additional standards covering biodiversity and social issues were required.

Cooperation Between EFRAG and GRI

The European Financial Reporting Advisory Group (EFRAG) and the Global Reporting Initiative (GRI) published a joint statement stating that the European Sustainability Reporting Standards (ESRS) and GRI Standards have a high level of interoperability.

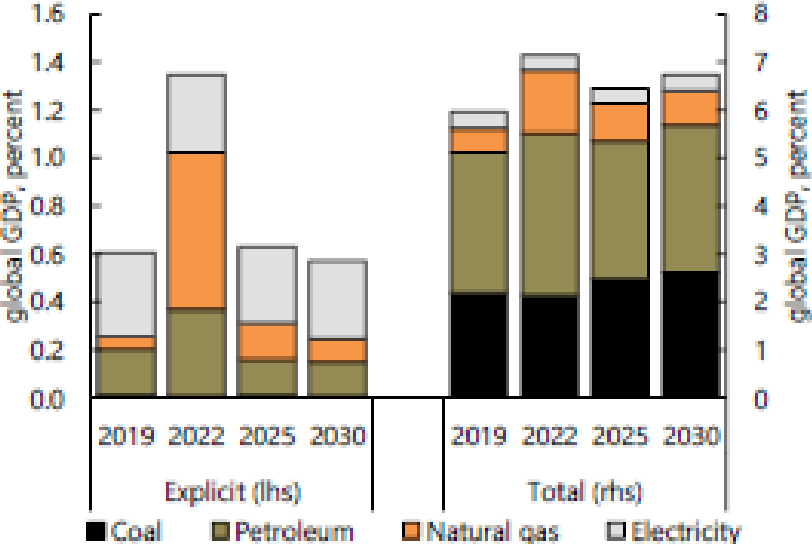


It was reported that reporting organizations will not need to make double reporting, and reporting made within the scope of ESRS will be considered to have met GRI Standards.

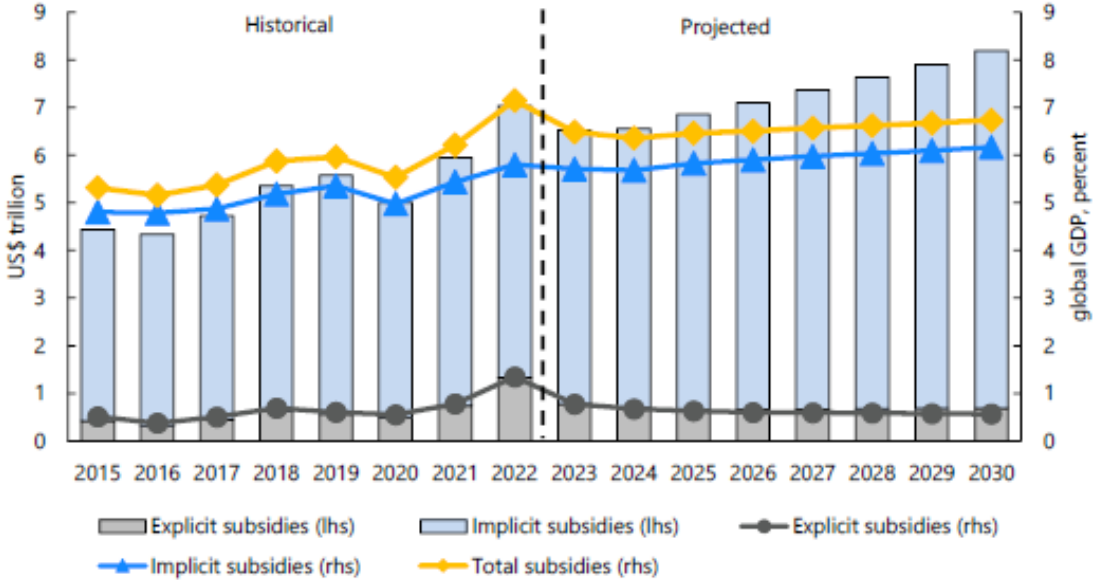
USD 7 trillion Subsidy for Fossil Fuels in 2022

Analysis by the IMF shows that subsidies worth USD 7 trillion, equivalent to 7.1% of global GDP in 2022, have been transferred to fossil fuels. It was stated that with the incentives, consumers did not pay more than USD 5 trillion in environmental costs. In addition to this subsidy, called implicit cost, the size of explicit subsidies reached USD 1.3 trillion. The study predicts that incentives will continue to increase in the coming period.

Subsidies by Resource Type



Global Fossil Fuel Subsidies



In the distribution of incentives by fossil fuel type, petroleum products took the highest share, while coal ranked second and natural gas ranked third. Electricity was in last place. The share of petroleum products in the total incentive is 47%, while the share of coal is 30%.

Source: IMF JCR-ER

IMO Announces Its Climate Strategy

After the United Nations International Maritime Organization (IMO) announced its climate strategy regarding greenhouse gas emissions, the fact that the carbon intensity of maritime vessels will be rated has brought transporters and companies into conflict.



Transportation sector representatives think that especially the transportation of fossil fuels and high-emission products will reduce the ratings of marine vehicles and cause them financial losses. It demands that the financial losses incurred be covered by the companies renting the ships.

Türkiye Withdrew from Hosting the Biodiversity Summit

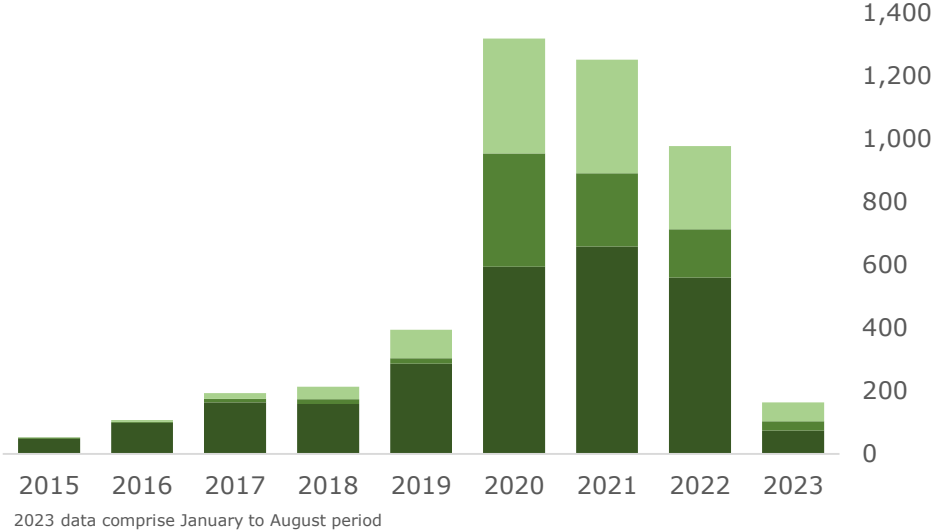
Türkiye, which was to host the 16th conference of the Parties (COP16) to the United Nations (UN) Convention on Biodiversity, withdrew from hosting due to the earthquake in February. The new host of the conference, which is held every two years, has not yet been announced. Candidate countries include France, England, Switzerland and Spain.



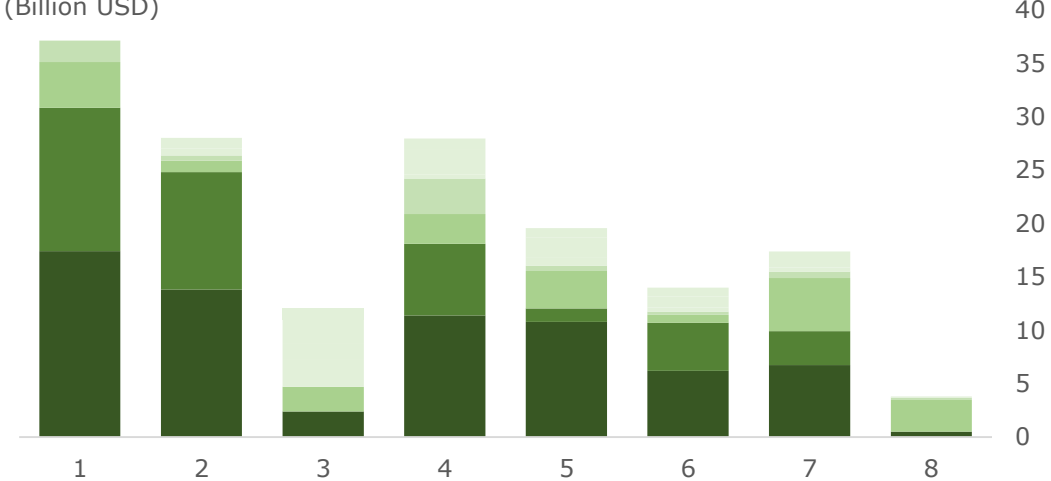
It is expected that an agreement will be reached at this year's conference on the protection of seas and land areas and ensuring the continuity of the ecosystem.

Sustainable Bond Market

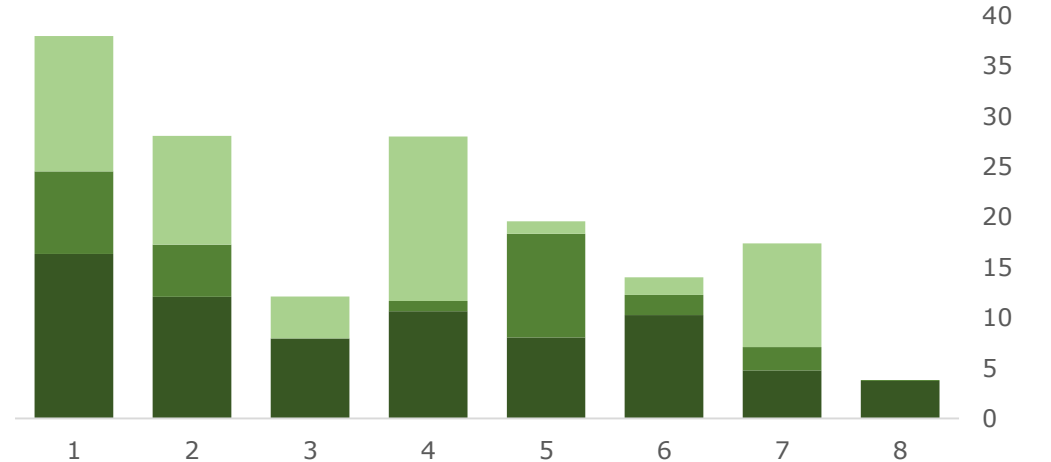
Sustainable Bond Issues
Green Social Sustainability (Billion USD)



Sectoral Breakdown of Monthly Sustainable Bond Issues in 2023
Financials Government Activity Technology Industrials Others
 (Billion USD)



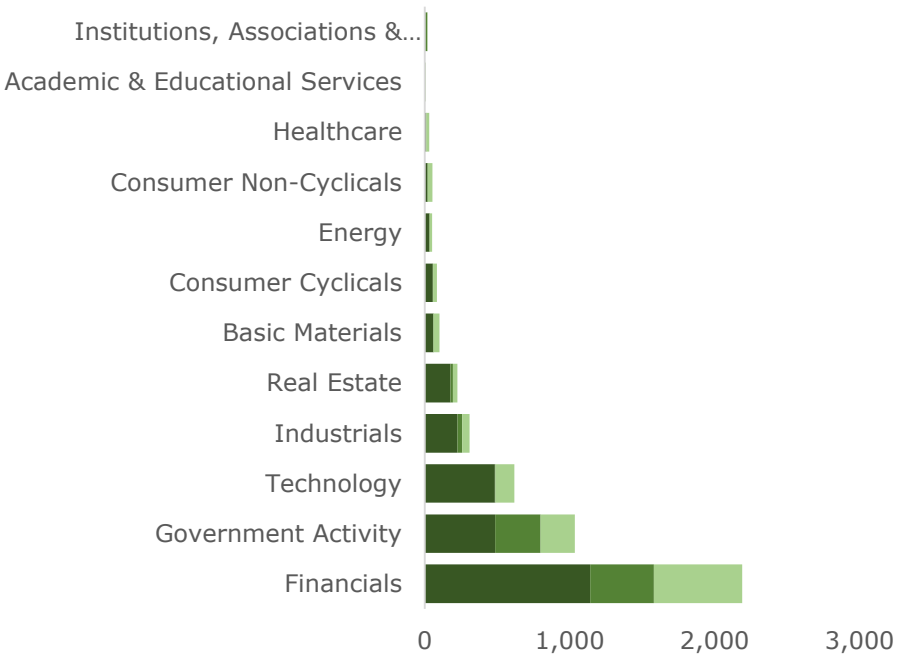
Monthly Sustainable Bond Issues in 2023
Green Social Sustainability (Billion USD)



Source: JCR-ER, Refinitiv

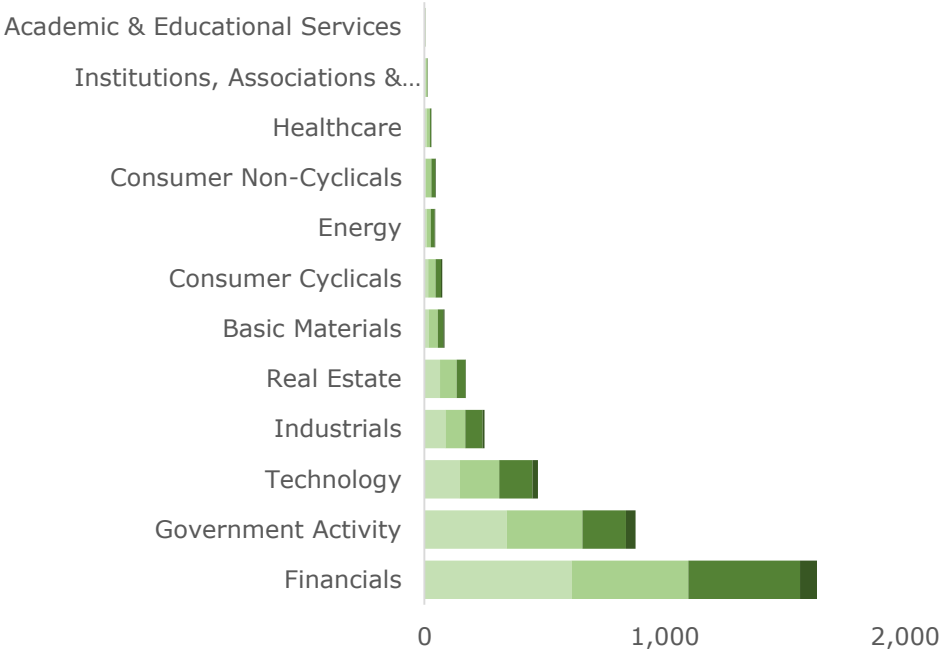
Sustainable Bond Market

Sustainable Bond Issuance Sector-Bond Breakdown in 2006-2023 Period
Green Social Sustainability (Billion USD)



2023 data comprise January to August period

Sustainable Bond Issue Sector-Year Breakdown in 2020-2023 Period
2023 2022 2021 2020 (Billion USD)

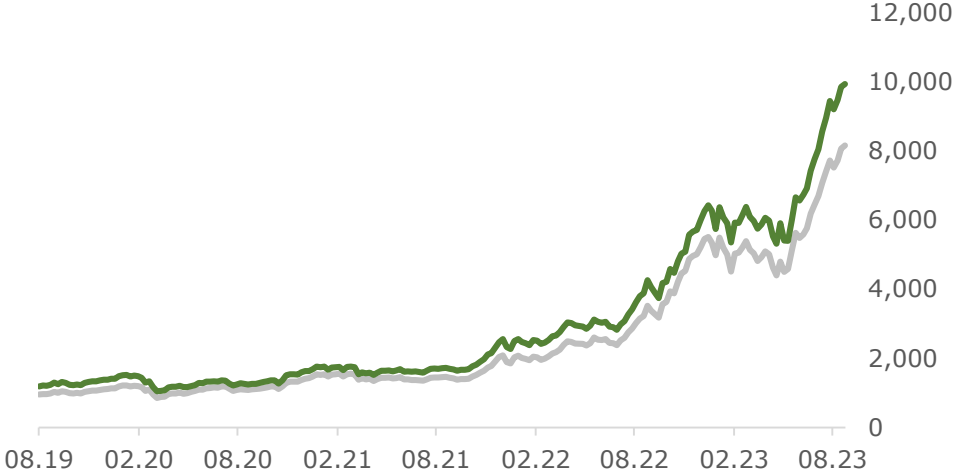


2023 data comprise January to August period

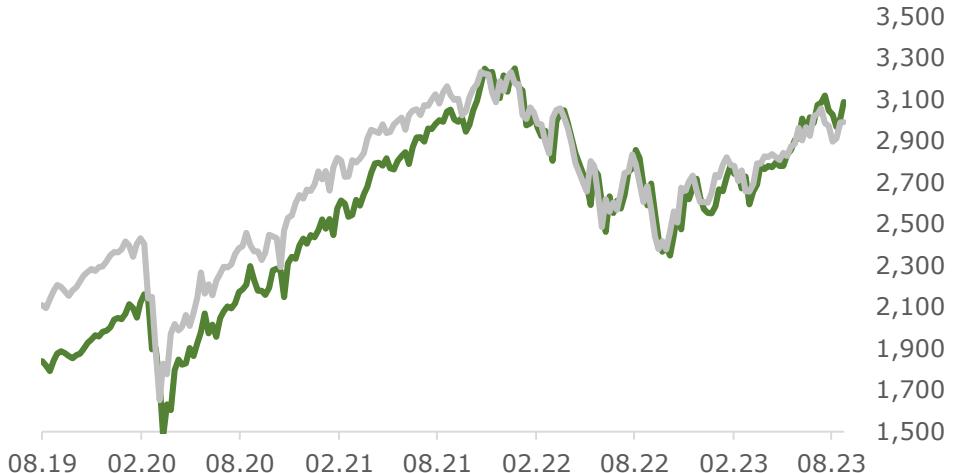
Source: JCR-ER, Refinitiv

Sustainability Indices

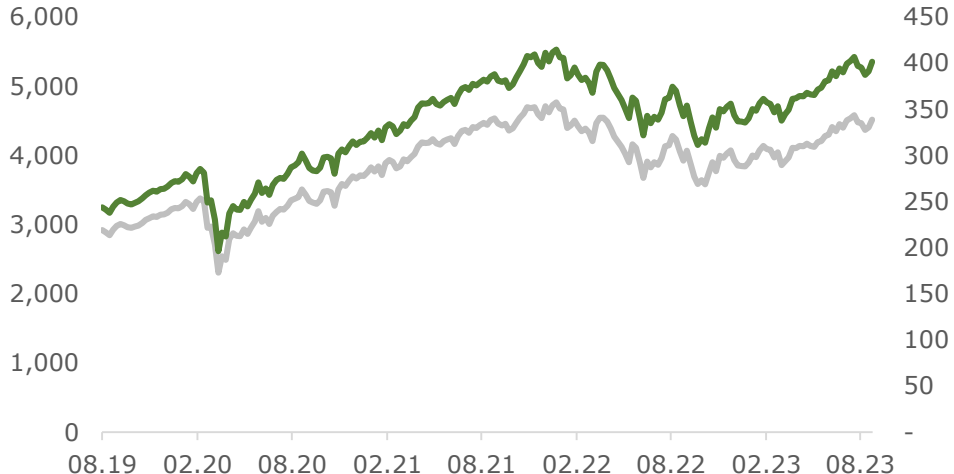
BIST Sustainability Index
BIST100



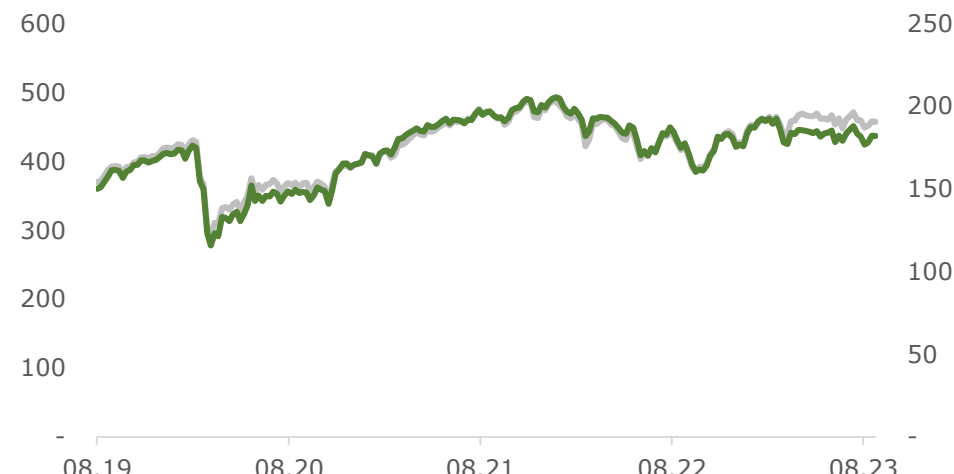
KLD400 Social Index
MSCI Global Index



SP500 Sustainability Index (Right Axis)
SP500 Index (Left Axis)



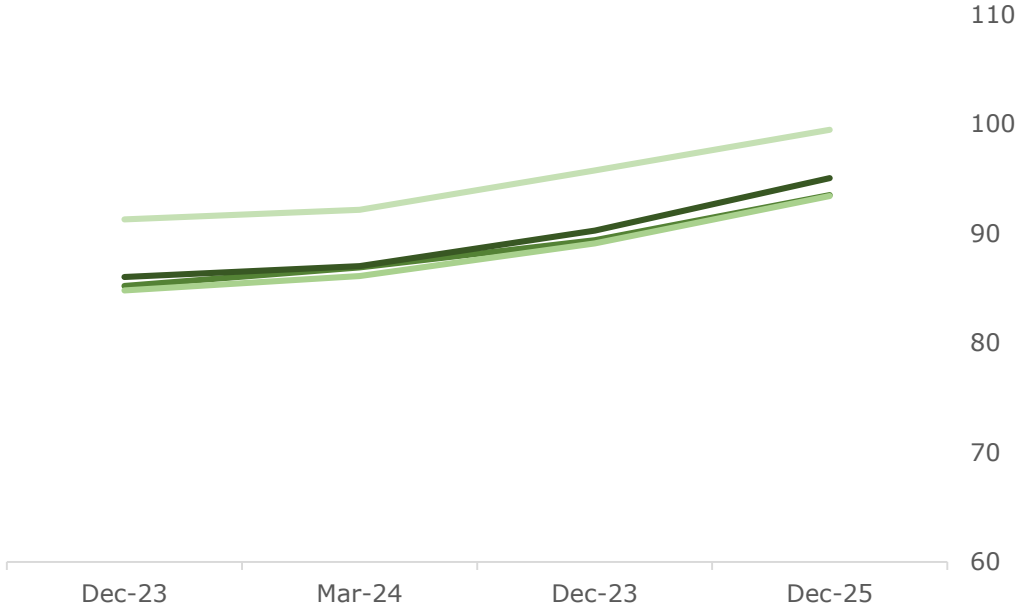
Stoxx Global ESG Leader Index (Right Axis)
STOXX600 Index (Left Axis)



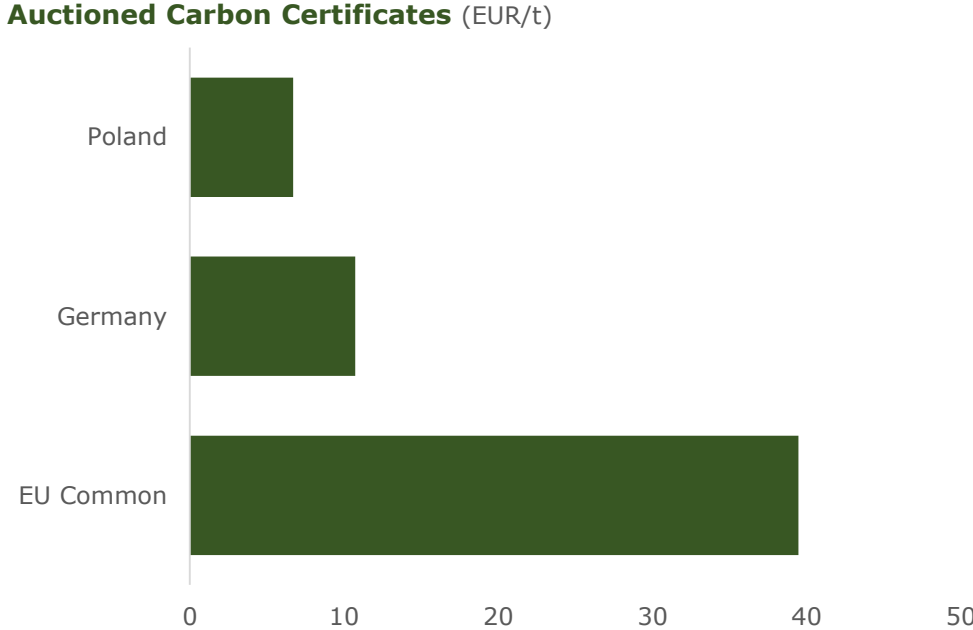
Source: JCR-ER, Refinitiv

Carbon Market

Carbon certificate prices hover above 85 EUR/t.
31 August 2023 24 August 2023 24 July 2023 24 May 2023



The amount of carbon certificates to be auctioned in the next month is 57 million tons.



Source: JCR-ER, Refinitiv



Economic and Analytical Research

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