



**Corporate
Sustainability
Reporting Directive**

implications for renewable energy markets

Understanding the Corporate Sustainability Reporting Directive (CSRD): Implications for Renewable Energy Markets

What is CSRD?

In January 2023, the Corporate Sustainability Reporting Directive (CSRD) came into effect for many companies operating within the EU, and this year will be another landmark year for its full implementation.

The CSRD will require companies in its scope to report on a range of ESG issues and disclose related policies, targets and performance. As the quantity of companies in its scope is increasing further in the coming years, mitigating compliance risk will require a considered approach across multiple industries.

As the world seeks to move away from traditional energy sources that are driving increases in both greenhouse gas emissions and the global average temperature, renewable energies are an increasingly attractive option as they generate power from sources that are natural and self-replenishing, while generating low emissions. As many will expect to see significant progress and development in the sector, it's paramount that activities are subject to regulation in order for the transition to low-carbon energy be sustainable for communities, the environment and the economy.

What is the CSRD?

As an outcome of revisions to its predecessor, the Non-Financial Reporting Directive (NFRD), the CSRD sits within a suite of measures in the European Green Deal and Sustainable Finance Agenda. Its overarching goal is to successfully channel finance into supporting the transition to a fairer, low-carbon economy, and to do so the CSRD mandates reporting that is



reliable and comparable, creating an environment for more informed decision-making for investors. The CSRD will therefore act as a catalyst to bring sustainability reporting on par with financial reporting.

Significant changes from the NFRD to the CSRD include the scope of sustainability reporting requirements, clarity on the content of sustainability reporting, standardisation of the framework, as well as the requirement of third-party assurance to demonstrate validity and transparency in reporting.

The CSRD relies on the new European Sustainability Reporting Standards (ESRS). The ESRS encompasses two cross-cutting themes and 10 topical standards. These include (E1) climate change, (E2) pollution, (E3) water and

marine resources, (E4) biodiversity and ecosystems, (E5) resource use and circular economy, (S1) own workforce, (S2) workers in the value chain, (S3) affected communities, (S4) consumers and end-users, and (G1) business conduct. As the CSRD tries to mitigate instances of greenwashing throughout reporting, companies will have to be well-versed in the material risks and opportunities present across the ESRS themes.

Growth in demand for renewables

The share of energy consumed in the EU over 2022 generated from renewable sources was 23%, an increase from the previous year owed to the growth in solar power, however, there has been a notably slow growth rate of renewables since

2020. Despite this, recent analysis from Ecohz demonstrates how the application of the CSRD, when coupled with new policy instrument the Carbon Border Adjustment Mechanism (CBAM), can have the potential to drive demand for renewable energy through the requirement of International Renewable Energy Certificates (I-RECS). I-RECS represent transferrable proof that renewable energy has been purchased, a key requirement of energy reporting under the CSRD, ultimately leading to more organisations adopting renewable energy.

Supply chain transparency

With increased globalisation across all sectors, supply chains have become increasingly complex, geographically diverse and involve multiple manufacturers, suppliers and distributors.

Many countries are looking to expand their utilisation of technologies for wind power, solar power, tidal energy, and geothermal energy amongst others, to ensure an energy mix that is increasingly comprised of renewables. These technologies are set to drive demand for metals and minerals including lithium, nickel, cobalt, graphite, copper, aluminium and rare earth elements, the production of which is highly concentrated geographically. For example, the Democratic Republic of Congo supplies 70% of the world's cobalt, China holds 60% rare earth elements, Indonesia 40% of nickel, while the majority of lithium derives from Australia and Chile (55% and 25% respectively). If poorly managed or mitigated, these activities can harm the local environment and its communities, ultimately disrupting the scale-up of

vital clean energy technologies.

As sourcing for metals and minerals is limited, companies need to be proactive and diligent in also addressing associated human rights issues. ESRS S2 'Workers in the value chain' requires companies to understand the material impacts on workers, reporting on both positive and negative impacts alongside actions taken to prevent, mitigate, or remediate actual or potential risks. This is of particular concern in the solar power value chain, as around 40-45% of the world's

solar-grade polysilicon supply is manufactured in the Uyghur Region of China, where forced labour is documented. Concerns around modern slavery risks require serious addressing by companies, with the recent enforcement of the Corporate Sustainability Due Diligence Directive (CSDDD) also putting value chain transparency under the spotlight.

Decarbonisation

Data accessibility and accuracy are key to succeeding with CSRD and helping to drive environmental and societal improvement.

Via the introduction of **double materiality** CSRD influences how businesses should operate, linking sustainability to business strategy. Though this approach helps standardise corporate reporting, it also unearths opportunities for positive impact, future resilience, competitive advantage and improved engagement through reductions in greenwashing and enhanced granularity of reportable data. For renewable energy this presents an additional view with which to drive decarbonisation. With the sector driving innovation and low-carbon technology, CSRD pro-

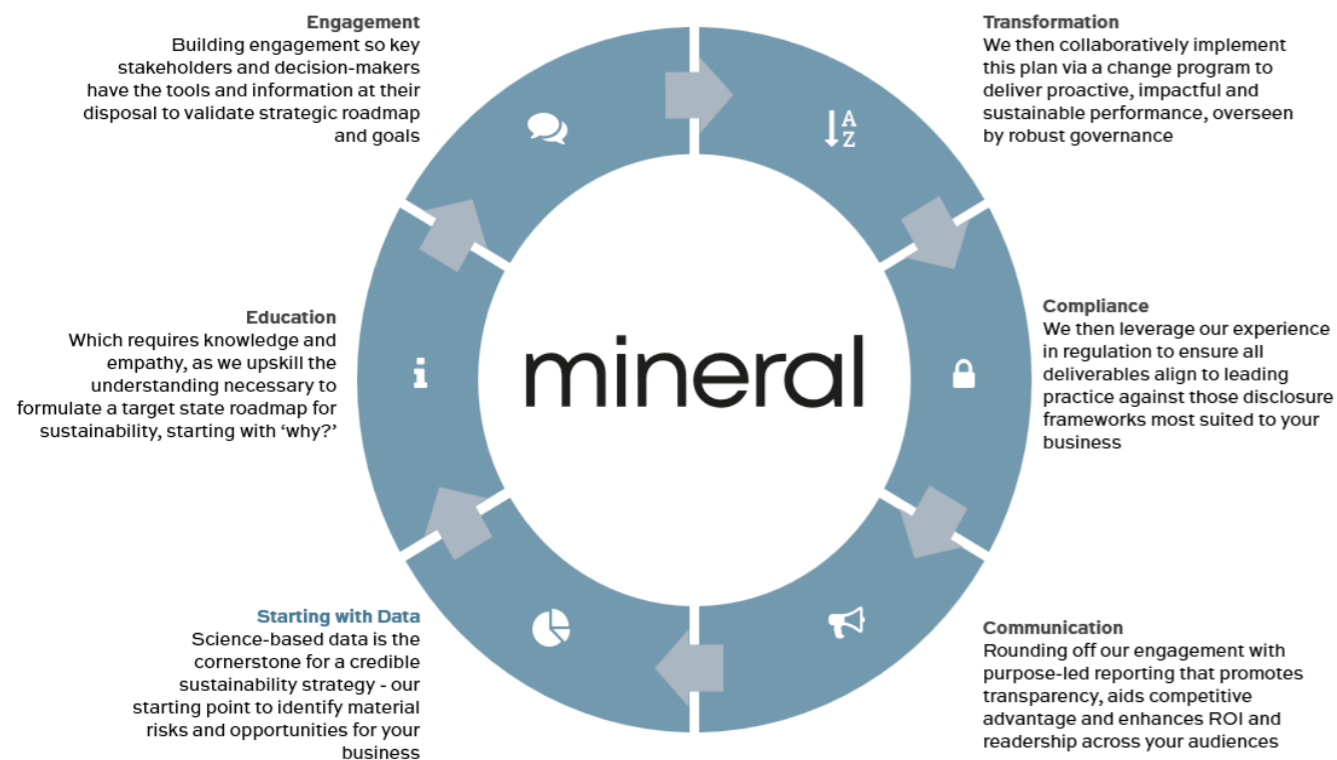
vides another framework with which to demonstrate progress in the energy transition - reporting on interconnected issues such as climate adaptation and mitigation, energy efficiency, carbon capture and storage, circularity and emission reductions and framing them for a wider audience.

This provides not only an opportunity to refresh decarbonisation strategies, but does so in a manner which involves the whole value chain - educating and engaging a greater number of actors to help adopt and adapt behaviours on the journey to net zero, highlighting those key ESRS which will help become drivers for a low carbon economy.

It will only become apparent when companies start reporting under the CSRD what impacts this has on the sector in real time, however renewable energy companies must be prepared in order to maintain investor confidence and access capital in a sector increasingly under pressure to support global decarbonisation efforts and continue to lead the way in enabling an energy efficient future.

How can mineral help?

With extensive regulatory expertise borne from 20 years' financial services experience, our team are ideally placed to help you understand sustainability's ever-growing regulations, frameworks and disclosures. From materiality, risk and opportunity assessment, to planning, integration and reporting, we support the end-to-end life cycle, ensuring incremental, strategy-aligned goals and targets, leading to sustainable, credible and greenwash-free corporate reporting.



We aim to integrate and influence positive, lasting performance improvement between our clients and their stakeholders, leveraging our engagement-first delivery model to inform, review and educate businesses on key issues, embed these into strategy and enhance long-term capabilities. This approach is underpinned by data - collaboratively collating, managing and measuring data to support KPIs and informed decision-making.

mnrl, renewable energy & CSRD

ESG - With over 1,100 data points, CSRD raises the bar for non-financial reporting - particularly for decarbonisation, climate action, innovation and sustainable finance - keys for renewable energy growth and central to the connected EU Green Deal. We support this process by contextualising CSRD into targets and performance that support business activities from energy transition planning to carbon credit development - helping to simplify regulatory complexity on the journey to net zero.

Sustainability - CSRD presents an opportunity to harmonise sustainability goals and wider sustainable development. We seek to analyse and align those material internal and external considerations across value chain energy use and emissions, help to embed them into your business for long-term sustainability risk and opportunity management and ensure their accuracy and validity for CSRD and wider reporting.

Change Management - While helping to standardise sustainability-related content and standards, there is a lot of data to collate, manage, measure and prepare for reporting. We can support this process, helping to understand and implement requirements, providing efficiency in delivering leading practice outcomes and decision-useful information for you and your stakeholders.

Corporate Communications - We specialise in designing, writing and marketing corporate reports, providing a niche specialism to add value to our advisory capabilities - not only helping you meet CSRD requirements, but ensure the appropriate content, transparency, narrative, and achievements reach your target audience and deliver ROI in relation to building brand awareness, stakeholder engagement, increasing investor useful information and helping highlight your companies position as a sustainability leader.

Contacts

A boutique consultancy with Big 4 expertise, mnrl sits at the nexus of sustainability expertise, change management and corporate communications. Our ethos is founded on the principle of delivering credible and sustainable change that aligns purpose with profitability, but not at the expense of our planet.

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Speak to us about your requirements today - hello@mnrl.co.uk

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