SGV Sustainability

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Public Policy Sustainability Bulletin

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This month, we explore the latest global sustainability policy updates across the following themes:

1. Developments in sustainability reporting and disclosures
2. Additional developments in sustainability policy and governance
3. Carbon markets, pricing and trade
4. Spotlight: EU Emissions Trading Scheme (ETS) reform and market stability

Please note that developments are fluid, and this edition includes updates from mid-March to 4 May 2026.

Developments in sustainability reporting and disclosures

ISSB announces proposed guidance for nature-related disclosures

At its April meeting, the International Sustainability Standards Board (ISSB) agreed to propose an International Financial Reporting Standards (IFRS) Practice Statement on nature-related disclosures to provide non-mandatory guidance on how companies can meet existing requirements under IFRS S1, which requires disclosure of material sustainability-related risks and opportunities, including those related to nature. The Practice Statement would complement IFRS S1 and IFRS S2 without introducing any new or amended requirements, helping to minimize disruption as jurisdictions and companies implement ISSB Standards. Drawing on the Taskforce on Nature-related Financial Disclosures (TNFD) framework, this approach provides implementation guidance while maintaining a pathway to a potential future standard based outcome. The ISSB intends to publish an exposure draft for public consultation in October 2026, and will seek feedback on whether a Practice Statement is the appropriate form of standard setting for nature-related disclosures.

ISSB seeks feedback on proposed SASB amendments

On 26 March, the ISSB issued an exposure draft proposing amendments to three Sustainability Accounting Standards Board (SASB) Standards — (i) Agricultural Products; (ii) Meat, Poultry & Dairy; and (iii) Electric Utilities & Power Generators. These are the final three of the 12 SASB Standards identified as initial priorities for enhancement. The proposed changes aim to align SASB concepts and terminology with IFRS S1 and IFRS S2, improve international applicability and decision-usefulness

Developments in sustainability reporting and disclosures (continued)

ISSB seeks feedback on proposed SASB amendments (continued)

of disclosures, support interoperability with other sustainability reporting standards, and maintain consistency between climate-related content in the SASB Standards and the ISSB's *Industry-based Guidance on Implementing IFRS S2*. The comment period closes on 24 July 2026.

Switzerland launches consultation for corporate sustainability law

On 1 April, the Swiss Federal Council opened a consultation (*link in French only*) on the draft Federal Act on Sustainable Corporate Governance, which would align sustainability reporting and supply chain due diligence to EU directives. The draft Act would require large companies with over 1,000 employees and over CHF 450 million turnover, to report under European Sustainability Reporting Standards (ESRS) or equivalent standards, with enhanced human rights and environmental due diligence obligations for the largest companies. The consultation is open until 9 July 2026.

South Africa signals stronger ESG disclosure expectations in the financial sector

On 31 March, South Africa's Financial Sector Conduct Authority (FSCA) released its Sustainable Finance Report 2026, setting out supervisory priorities for integrating sustainability considerations into the financial sector, extending to regulated financial institutions and the broader market ecosystem. The report highlights the need to strengthen the quality and consistency of Environmental, Social and Governance (ESG)-related information to support sound governance and market integrity. The FSCA is developing a practical approach to introducing sustainability disclosure requirements for large listed entities, with an initial focus on climate-related disclosures aligned with the ISSB global baseline.

Additional developments in sustainability policy and governance

First Conference on Transitioning Away from Fossil Fuels

From 24-29 April, leaders from 57 countries met in Santa Marta, Colombia, to advance discussions on transitioning away from fossil fuels. The talks, co-hosted by Colombia and the Netherlands, mark the first-ever global conference to transition away from fossil fuels, following unsuccessful efforts at COP30 to agree on a formal global roadmap to do so. Supported by a coalition of committed countries, outcomes from the meeting are expected to inform a voluntary global fossil-fuel transition roadmap ahead of the 31st Conference of the Parties (COP31) under the United Nations Framework Convention on Climate Change (UNFCCC). It was also confirmed that a second transitioning away from fossil fuels conference will be held in 2027. Ahead of this second conference, countries committed to focus on three new workstreams to collaborate on building fossil fuel phase-out roadmaps, address macroeconomic dependencies and unlock financial support, and decarbonize global trade.

New SBTi data shows growth in corporate climate targets

On 9 April, the Science Based Targets initiative (SBTi) published its Trend Tracker 2025, which summarizes the adoption of science-based targets and commitments across corporates. The data shows that corporate climate target-setting continued to accelerate globally. It highlights a 40% increase in companies with validated science-based targets during 2025, bringing the total to nearly 10,000 globally by January 2026. Validated net-zero targets grew even faster, rising 61% year-on-year. Asia recorded the fastest regional growth at 53%, matching Europe in absolute uptake and signaling a structural shift in corporate climate ambition across emerging and developed markets.

COP31 Presidency announces vision and priorities for COP31

On 13 April, the COP31 President-Designate, Minister Murat Kurum, released his first letter on the road to COP31 in Antalya, Türkiye. Defined as the "COP of the Future", the President Designate framed COP31 around dialogue, consensus and action, emphasizing inclusive engagement, continuity with past outcomes and an implementation-focused approach. The priority areas announced include circular economy and zero waste; clean energy; resilience; food security; sustainable cities; climate finance and institutional frameworks; youth engagement; and cross-sectoral approaches. COP31 will take place between 9-20 November 2026.

China enacts new Ecological and Environmental Code

On 12 March, China enacted its Ecological and Environmental Code (*link in Chinese only*). The action marks a major consolidation of environmental and climate legislation, integrating over 30 laws. Set to take effect on 15 August 2026, the Code is China's first climate legislation, and integrates pollution control, ecological protection and green transition into a unified legal framework. It clarifies obligations on enterprises and public institutions to control greenhouse gas emissions and establishes a statutory basis for green and low-carbon development, while allowing scope for future sector-specific climate and emissions legislation.

Additional developments in sustainability policy and governance (continued)

EU announces AccelerateEU strategy

On 22 April, the European Commission unveiled its AccelerateEU strategy, to help protect households and businesses from rising fossil-fuel costs while accelerating the clean energy transition. Launched amid energy price volatility, the strategy presents a plan of actions and measures which include stronger coordination on fuel reserves, the creation of a Fuel Observatory to monitor supply risks, targeted relief for vulnerable households and industry, and accelerated electrification, grid upgrades and clean-energy investment to reduce dependence on imported fossil fuels.

EU progress continues with regulation for sustainable products

Product sustainability requirements under the EU Ecodesign for Sustainable Products Regulation (ESPR) are increasingly taking shape through implementing measures and stakeholder processes. In force since 2024, the ESPR applies to companies placing in-scope products on the EU market, and non-compliant products can be legally restricted from EU market access. Product-specific requirements are to be introduced via delegated acts for product groups, including textiles, tires and energy-related products, and Digital Product Passports are expected to be a central feature, storing key product and environmental data. From 19 July 2026, large companies will be subject to the ban on the destruction of unsold apparel, clothing accessories and footwear.

India approves updated 2035 Nationally Determined Contribution

On 25 March, India approved its updated Nationally Determined Contribution (NDC) for 2031–2035. The government endorsed an enhanced NDC aligned with India's long-term net-zero by 2070 objective, building on earlier targets that were met ahead of schedule. Commitments include a 47% reduction in emissions intensity by 2035, a 60% share of non-fossil power capacity, and an expanded carbon sink.

UK publishes feedback on investment in nature recovery

On 24 March, the UK Department for Environment, Food and Rural Affairs (DEFRA) published feedback on its call for evidence around nature-related policy and investment. Respondents recognized the importance of economic growth underpinned by nature recovery and stated the need for clearer policy frameworks and certainty to guide businesses and investment. The response also reports support for regulatory levers to scale nature action, with Biodiversity Net Gain (BNG) widely regarded as an effective regulatory lever. The findings underscore growing momentum for integration of nature-related risks and dependencies ahead of the 17th Conference of the Parties (COP17) under the United Nations Convention on Biological Diversity (UNCBD), taking place between 19–30 October 2026.

Carbon markets, pricing and trade

Malaysia launches national carbon market policy

On 21 April, Malaysia's Ministry of Natural Resources and Environmental Sustainability (NRES) launched the National Carbon Market Policy (NCMP), establishing a framework for carbon credit trading. The NCMP provides the basis for voluntary and compliance carbon markets, with a focus on high-integrity credits through a national carbon registry, MRV, Article 6 alignment, carbon pricing integration, and support for hard-to-abate sectors. The policy positions carbon trading as a precursor to carbon pricing instruments, while the timing of an expected carbon tax is under review amid current economic and geopolitical conditions.

Vietnam establishes international carbon credit trading framework

On 1 April, Vietnam introduced (*link in Vietnamese only*) its first legal framework for cross-border carbon credit trading, with a national registry to ensure transparency and prevent double counting. It caps international credit sales based on project type and requires transferred credits to count toward buyers' climate targets, subject to alignment with the Paris Agreement. This supports Vietnam's domestic carbon market development and net-zero target by 2050.

Consultation on scope of UK ETS for sustainable aviation

On 23 March, the UK Emissions Trading Scheme (ETS) Authority, launched a consultation on how sustainable aviation fuel (SAF) should be treated within the UK ETS. The Department for Energy Security and Net Zero (DESNZ) is considering views on broadening eligible fuel types in the UK ETS and aligning criteria with the UK SAF Mandate. The consultation will close on 15 June 2026.

Brazil engages stakeholders ahead of carbon market implementation

On 1 April, Brazil's Ministry of Finance engaged energy-intensive industries on emissions monitoring and reporting under the Brazilian Emissions Trading System (SBCE). Through sectoral workshops with the chemical, ceramics and glass industries, the government advanced discussions (*link in Portuguese only*) on Monitoring, Reporting and Verification (MRV), a core compliance pillar of the SBCE. The cap-and-trade system will apply to large emitters, with mandatory monitoring above 10,000 tons of CO_2 equivalent and reduction targets above 25,000 tons, supporting market integrity and phased implementation.

Spotlight

EU ETS reform and market stability

Proposed reform of EU ETS Market Stability Reserve (MSR)

On 1 April, the European Commission published a proposal to introduce a targeted reform of the EU Emissions Trading System's (EU ETS) Market Stability Reserve (MSR). The MSR was established to stabilize the EU carbon market by absorbing surplus allowances during periods of oversupply and releasing them when scarcity emerges, and since 2023, allowances held in the MSR above the applicable threshold have been invalidated, with a fixed threshold of 400 million allowances applying from 2024. With the historic market surplus reduced, and changing market conditions expected from the mid-2030s, the Commission has concluded that continued invalidation could undermine long-term market stability.

The proposal would end the automatic invalidation of allowances above the threshold, retaining them instead as a strategic buffer within the MSR. While the wider EU ETS architecture, cap trajectory and design would remain unchanged, the reform would impact carbon price dynamics and liquidity, reflecting the MSR's role amid energy price volatility. The proposal now moves to discussion with the European Parliament and Council.

Upcoming review of future of EU ETS

In addition to the proposed MSR reform, the EU is set to undertake a comprehensive assessment of the EU ETS. The existing EU ETS (ETS1) covers emissions from industrial and energy installations, aircraft operators and maritime transport, while a separate system for road transport, buildings and other sectors (ETS2) is scheduled to begin operating in 2028. Since its introduction, ETS1 has reduced greenhouse gas emissions in covered sectors by around 50% compared with 2005 levels.

This comes after the announcement of a climate package in the European Commission's 2026 Work Programme, which includes a proposal to review the EU ETS, expected on 15 July 2026. Stakeholder feedback from the Commission's 2025 public consultation broadly confirmed the effectiveness of the EU ETS, while highlighting the need to address structural questions beyond 2030. This comes at a time of heightened economic pressure, competitiveness concerns and the adoption of a new EU target to reduce net greenhouse gas emissions by 90% by 2040 compared with 1990 levels.

The revision will consider issues including the integration of carbon dioxide removals, potential expansion to additional sectors and greenhouse gases, accounting rules for non-permanent carbon capture and utilization, and carbon leakage risks in sectors not covered by the Carbon Border Adjustment Mechanism (CBAM). It will also further review the MSR, the use of auctioning revenues, and prospects for linking the EU ETS with other carbon markets, building on the existing link with Switzerland and potential linkage with the UK. A key emerging question is to understand the long-term plan for the EU ETS. Under the current trajectory, allowance supply would decline to minimal levels after 2039.

Spotlight

EU ETS reform and market stability

Upcoming review of future of EU ETS (continued)

The agreed 2040 target provides a mandate for the Commission to recalibrate the ETS trajectory, including potential adjustments to the linear reduction factor, to allow for limited residual emissions while maintaining a credible pathway to climate neutrality.

In support of this, on 19 March, the European Council held a meeting calling on the Commission to review the EU ETS by July in light of energy price volatility linked to the conflict in the Middle East. EU leaders called on the Commission to assess the impact of carbon price volatility on energy affordability and industrial competitiveness, while safeguarding long-term decarbonization objectives.

In anticipation of the EU ETS revision, the European Parliamentary Research Service published a briefing outlining the forthcoming review for stationary installations, aviation and maritime transport. The briefing looks beyond 2030 to highlight a range of potential reforms under consideration, including expansion of the ETS to additional sectors. It also points to emerging policy debates on the treatment of carbon removals and carbon capture use, the management of residual emissions in hard-to-abate sectors, the pace of the phase-out of free allowances, adjustments to the linear reduction factor, and the strengthening of the MSR to limit carbon price volatility.

Collectively, these issues signal a period of significant review of the EU ETS, with implications for allowance availability, carbon costs and investment incentives across the EU economy.

EY Public Policy continues to engage with these updates and attended the International Emissions Trading Association (IETA) European Climate Summit that took place between 21 – 23 April 2026. The summit is IETA’s flagship European convening, bringing together policymakers, regulators, market operators, corporates, investors, and technical experts to discuss the evolution of compliance and voluntary carbon markets, and our EY presence supported direct engagement with key stakeholders, helped identify early signals on policy direction, and provided practical insight as carbon markets become more central to climate and industrial strategies.

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