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Sustainability Quarterly

SUSTAINABILITY IN OUR SECTORS

Sustainability in an Unstable World

Article by Ruth Dawes

Client Spotlight

Interview with Marta Lesiewska, Anthesis Switzerland

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SEPTEMBER 2025

HFW is a global law firm with deep expertise in energy-intensive sectors and navigating the evolving regulatory requirements in respect of energy transition.

Editor's Welcome

Welcome to the September 2025 edition of Sustainability Quarterly.

Amid geopolitical tensions, sustainability remains a key trend, in terms of market stability, navigating global dynamics, and in advancing the domestic and global energy transition.

With that in mind, in this edition we interview Marta Lesiewska, EMEALA Climate & Nature Lead at Anthesis, on the role of sustainability in mitigating risk in an uncertain market.

We also provide key takeaways from our recent event exploring decarbonisation and alternative fuel initiatives in international shipping, co-organised by HFW with the Institute of International Shipping & Trade Law, National and Kapodistrian University of Athens Law School and the University of Texas at Austin School of Law.

HFW Partner Jason Marett provides insights into sustainable finance in the sugar and agri-sector, and we detail considerations relevant to the preparation of an ESG policy.

We note in addition to an ESG policy, corporations and governments must also have a plan for how an ESG policy is implemented, and systems and processes in place for monitoring and reporting on the progress of that implementation. Otherwise, there is a risk of third-party litigation or regulatory enforcement for greenwashing.

Our regulatory updates for this quarter include UK developments in sustainable aviation fuel, emissions trading and the Carbon Border Adjustment Mechanism. In Australia, we note the Government's Critical Minerals Strategic Reserve and 'Future Made in Australia' package, concerning renewable hydrogen, critical minerals processing, 'green' steel, low-carbon fuels and clean energy manufacturing.

Thank you to all our authors. We look forward to continuing the dialogue on all aspects of sustainability.

RUTH DAWES
Partner, Sydney
T +61 (0)2 9320 4637
E ruth.dawes@hfw.com

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SUSTAINABILITY IN AN UNSTABLE WORLD

As the geopolitical situation intensifies with conflicts in the Middle East and the invasion of Ukraine, it is timely to reflect on the role of sustainability in terms of market stability, navigating geopolitics, supporting domestic and international energy transition and road mapping for positive futures.

In 1987, the then World Commission on Environment and Development released a report entitled 'Our Common Future', also known as the Brundtland Report after Chairman Gro Harlem Brundtland of Norway.

The Report defined the concept of 'sustainable development'.[1] It canvassed the common concerns of human beings and our environment. The challenges identified included food security, curbing species extinction, energy security and management of 'global commons' including the oceans, space and Antarctica.

On the fundamental need for peace and security, the Report raised conflict as a cause of unsustainable development and the need for countries to '*seek security through cooperation, agreements, and mutual restraint...*' In addition to a call for action in respect of institutional and legal changes.

The legal and regulatory requirements for corporations and governments on matters of sustainability have grown exponentially since 1987.

Notwithstanding the plethora and complexity of multijurisdictional requirements, the essence of such requirements is for decision makers to assess risks and expenditure holistically. This includes considerations of 'externalities' which traditionally have not formed part of modelling and decision making. The reference to externalities in this context is unassessed consequences caused by a company or government which traditionally it has not accounted for.

Despite what is reported in the media about the views of the current US Government on Environment, Social and Governance (ESG) matters and sustainability more broadly, such press has not stopped corporations from seeking to discharge their responsibility to identify and assess risk for the purposes of making informed decisions.

There are reports that at least in the US, companies may opt for 'greenhushing' rather than making public disclosures about their sustainability measures. In Australia, Joe Longo, Chair of the Australian Securities & Investments Commission, has expressly clarified that greenhushing can amount to another form of greenwashing.

Accordingly, it becomes a careful balancing exercise for companies making voluntary or mandatory disclosures and an opportunity to demonstrate conviction even if the intention is not to become a market leader on sustainability related decision making and disclosures.

RUTH DAWES
Partner, Sydney
T +61 (0)2 9320 4637
E ruth.dawes@hfw.com

1 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

CLIENT SPOTLIGHT

Marta Lesiewska, Anthesis Switzerland

In our regular feature we speak to Marta Lesiewska, business partner in the Switzerland office and EMEALA Climate & Nature Lead at global sustainability performance consultancy Anthesis. **What role does sustainability have to play in today's uncertain market and how can it help mitigate risk?**

When the market is uncertain, mitigating risk becomes more important than ever for global businesses. Sustainability has an important role to play and today there is pan-industry recognition that the two issues are inextricably linked.

Sustainability and ESG are still relatively new concepts. However, businesses have been managing these risks — such as financial, strategic, legal, security, accidents and social unrest — for decades. Today the concept of sustainability really brings additional lenses that companies can use to understand what is happening and how they might be affected. It's not a new idea but it is being considered on a deeper level. This means that businesses are understanding risks better and managing them more effectively.

As businesses begin to see how risks interact and how to respond to them, the perceived conflict between traditional risk management and sustainability-based management becomes obsolete. It's just about creating a greater depth of understanding.

There is still some ambiguity around how the term sustainability is understood. Years ago it was only understood in an CSR and philanthropy context as social responsibility and then evolved to include environment. Today, it is much more about balancing different types of capital and maximising business value from taking a fair and prepared approach to transitioning.

A global view

There have been a number of global factors creating volatility and uncertainty in the market recently. These include the ongoing war in Ukraine, Middle East conflict, US and China tensions, US tariffs, changes in the EU, such as the CSRD (Corporate Sustainability Reporting Directive) and the Omnibus package (a simplification of sustainability rules introduced by the European Commission) and the Middle East and Asia's focus on transformation and green house gases and climate-related reporting.

We can see different 'push and pull' effects happening across different regions. However, it is important to bear in mind that certain challenges can actually accelerate sustainability. A lot of these global tensions are focused on energy dependency which in turn has fast tracked a lot of renewable energy adoption and new strategy. For instance, the discussions between the Ukraine and the US over minerals was underpinned by energy transition.[1] Diversification is being prioritised by companies in a significant way.

There is a lot of sensationalism happening around risk and we all know that media is looking for the next clickbait, whether that's around sustainability, politics or celebrities. It creates a lot of noise. But we need to look at the facts. Natural disasters cost businesses USD 140 bn in the last year. The risk of these occurrences is something that is very real, it cannot be denied.[2] This has significantly accelerated businesses looking closely at their strategy efforts to mitigate loss. So both sensationalism and facts shape public perception and policy and can drive a sense of urgency in both good and bad ways. Companies must be able to balance the two. However, it's ultimately

1 https://www.bbc.com/news/articles/c20le8jn282o

2 Whitepaper The State of Sustainability Reporting by United States Business 2025, published in May 2025, commissioned by Reuters Events, written by Richard Howitt

the facts that create the foundation for credible long-term strategy.

Reporting, regulation and resilience

A recent Reuters report on the state of sustainability reporting in the US showed that 99 percent of top 100 companies in the US are now issuing sustainability reports. This wouldn't have been the case just a few years back. This means they are engaging with sustainability more and more. They are engaging actively with suppliers, facilitating compliance exercises, and relying on the science and the available data. This certainly helps build credibility and communicate transparency to the market as a whole. Businesses confirm that not only is there reputational benefit from it, they understand their business better, and are therefore able to build business resilience. Investors really want to compare apples to apples when they look at different sectors so we are seeing a lot more requests for data in a bid to increase transparency.

There are also regulations which galvanise action. In the EU there is a regulatory focus on biodiversity, climate change transition and building energy efficiency and a legal ecosystem has been built up around that. The rise in the number of directives are forcing companies to complete the actions in order to be compliant. Regulation is evolving more than ever around sustainability issues. There is a lot of noise around this but in reality there is a lot of room for further action, such as greater engagement with suppliers. We are seeing a lot of disruption and a very complex environment to navigate, but focusing on the challenges can have a positive impact.

However, some companies are so afraid now of being seen to be greenwashing that they don't report on their sustainably exercises at all, which results in the practice of 'greenhushing'. This is where companies under report or withhold information about their environmental efforts to avoid criticism or unwanted scrutiny. It is important to take into account that there are a lot of EU regulations and directives which stipulate how companies must prove their green credential claims. It's one more step towards transparency and increased stability for businesses because they will have to have solid evidence to rely on.

The speed of change

Fast moving regulatory activity is a challenge currently. It is evolving so quickly across different jurisdictions from draft to implementation. A decade ago this sort of sustainability related regulation would take four or five years to implement. The time frame to get prepared is shorter and shorter and this puts real pressure on companies. There are also very different regional situations. In the EU we have CSR and Omnibus and we're also seeing a lot of focus on the circular economy. Companies should, for example, think carefully about their packaging and about biodiversity protection. Solving the most material issues across their value chain is a pressing issue.

There is still investor and stakeholder pressure but there has been a noticeable generational shift. They are now seeing businesses with different eyes, placing greater emphasis on green credentials and are therefore driving the change. Companies really need to make sure they engage with the priorities of these stakeholders and solve issues together, along with suppliers. Action across the whole value chain is an imperative. It's the new normal.

Sustainability is increasingly being regarded as a hedge against volatility, and in this way it is a kind of 'insurance policy'. It's a way in which businesses can guarantee resilience and mitigate against risks such as climate shocks and resource scarcity. It's a driver of innovation and competitive advantage. For example, reducing the weight of packaging, or collaborating with entities across the supply chain can maximise positive impact. We can really make the way companies offer their services more efficient. It's not just about risk avoidance, but improving the business across its whole chain.

HFW at the Conference on Climate Change, Transition and Path to Sustainability - Shipping and Energy, 10 April 2025

On 10 April 2025, HFW sponsored the **Conference on Climate Change, Transition and Path to Sustainability - Shipping and Energy** in London. Global Head of Shipping Paul Dean, Partner Alessio Sbraga and Associate Johanna Ohlman presented and chaired sessions.

The conference covered topical issues facing the energy and maritime transport sectors in the path towards decarbonisation with themes including **Fuel alternatives, Regulatory issues for decarbonising shipping and Green litigation**.

This collaborative event featured contributions from the Swansea University Institute of International Shipping and Trade Law (**IISTL Swansea**), the University of Texas at Austin School of Law and the National and Kapodistrian University of Athens, alongside HFW, other law firms across the globe and industry bodies such as **BIMCO** and marine insurer **Gard**.

Fuel alternatives

The first two sessions of the day focussed on energy transition and fuel alternatives and mitigation of fossil fuels. HFW associate **Johanna Ohlman** discussed the role of sustainable maritime fuels against the backdrop of the developing multi-faceted regulatory landscape.

Stakeholders in the shipping industry including shipowners, charterers, ship managers and fuel suppliers are faced with a plethora of new regulations at an international, regional and national level. Johanna provided insight on the likely regulatory issues arising as the maritime transport sector embarks on the fuel transition.

Additional speakers included Professor Melina Taylor of the University of Texas who provided a US perspective on reducing the carbon footprint of oil and gas production, and Dr **Tabetha Kurtz-Shefford** of IISTL Swansea presenting on offshore hydrogen and potential liabilities.

New technologies and emerging legal issues were a key theme throughout the day; Professor **Lia Athanasiou** delivered a comprehensive overview of possible uses of nuclear technology in shipping and future challenges. Professor **Owen Anderson** of UT Austin and Professor **Simon Baughen** of IISTL Swansea examined carbon capture and storage and related legal issues emerging from both a US and English law perspective.

Closing the first half of the conference and the alternative fuels topic, Dr **Pia Rebelo** of City St George's, University of London covered the contractual aspects of decarbonisation, including the Fit for 55 legislative package and topics such as energy transition, finance, market based mechanisms and reporting & due diligence.

Regulatory issues for decarbonising shipping

In the spotlight for regulatory shipping decarbonisation is the International Maritime Organisation (**IMO**). With the 83rd session of the IMO's Marine Environment Protection Committee (**MEPC83**) taking place at the same time as the IISTL conference, the development of the IMO decarbonisation measures was more topical than ever.

Rear Admiral Fred J. Kenney (former Director of Legal and External Affairs at the IMO) provided valuable insight into

the workings of the IMO negotiations and how the development of mid-term greenhouse gas (**GHG**) reduction measures could proceed. This included a proposed new fuel standard and a global pricing mechanism for GHG emissions from maritime transport.

Updates on Chinese law and Chinese policy on shipping decarbonisation were also provided by Professor **James Hu** and Dr **WenWen Li** of Shanghai Maritime University and Stephenson Harwood partner **Cathal Leigh-Doyle** provided insights on shipbuilding contracts incorporating new fuel technologies.

The penultimate session covered shipping and decarbonisation from an industry position, with HFW London Partner **Alessio Sbraga** delivering a detailed overview of the new FuelEU Maritime Regulation (**FuelEU**) that came into force on 1 January 2025, analysing the impact on the main stakeholders in the maritime value chain and the implications for shipping and commercial contracts.

HFW Global Head of Shipping **Paul Dean** moderated the session, which saw input from BIMCO's **Grant Hunter** who explained BIMCO's role in providing contractual solutions in the evolving regulatory landscape and **Neil Henderson** of Gard who discussed the role of insurance in managing the risks arising out of emissions regulations and the use of alternative fuels. The session offered insights into BIMCO solutions to legal issues as well as the developing views of the shipping industry and marine insurers.

Green litigation

The final session focused on green litigation and brought a multi-jurisdictional approach with presentations from Associate Professor **Emmanual Mastromanolis** of the University of Athens, Professor **John S Dzienkowski** of the University of Texas and Professor **Andrew Tettenborn** of IISTL Swansea.

As the shipping and energy sectors move to decarbonise, it is crucial to carefully assess litigation risks, not only between contractual counterparts but also from public interest groups, to mitigate the exposure to claims of greenwashing.

Key takeaways

As the energy and shipping industries continue the journey towards net zero, some of the key takeaways highlighted at the conference will persevere.

1. Alternative fuels

Alternative fuels and technologies to mitigate the GHG intensity of fossil fuels are plentiful, but with each comes legal risk and uncertainty.

Regulatory objectives stemming from the Paris Agreement, the IMO Revised GHG Strategy, and the European Union are concentrated on emission reductions through sustainable marine fuels (**SMF**s).

Although the prevalent maritime fleet predominantly relies on conventional fuels, there is a noticeable increase in vessels being commissioned to utilise alternative fuel sources such as LNG, biofuels, LPG, and ammonia. Regulatory frameworks, including IMO's Carbon Intensity Indicator (**CII**) and the EU's Emissions Trading Scheme (**ETS**), FuelEU, and the Renewable Energy Directive (**RED**), will be instrumental in facilitating this transition to cleaner fuels.

Nonetheless, the industry faces uncertainty due to the absence of a definitive leading fuel. Critical issues persist concerning the scalability, investment, availability, pricing, and competitive landscape of these alternative fuels. This is quite apart from potential issues arising from the deployment, use and handling of such fuels in practice. More details and legal insights are provided in these HFW articles on **LNG**, **SMFs**, **Ammonia** and **Biofuels**.

Hydrogen serves as a potential fuel to support the energy transition, contingent on its production methods. Various types of hydrogen exist, including grey hydrogen — extracted H2 from fossil fuels — and pink/purple hydrogen, which is produced through nuclear-powered electrolysis. However, several legal risks and uncertainties must be addressed, such as pipeline embrittlement, environmental hazards arising from leaks, and compliance with emissions trading schemes.

Nuclear propulsion is gaining more interest among stakeholders in the shipping community. Of course, application of nuclear technology to sea-going vessels is not new, with several states deploying nuclear-fuelled naval vessels. Application in merchant vessels is being seriously considered, and regulation must therefore keep pace.

For more details and legal insights on the viability of nuclear shipping contributing to net zero targets, read the HFW article **here**.

2. Regulatory gaps

Regulatory gaps remain in the pathway to decarbonisation, but this is an ever-evolving space — particularly given the IMO and EU accelerating new regulation.

FuelEU has become the focal point since its implementation on 1 January 2025. The shipping industry is working to comprehend this intricate regulation. It has significant contractual and commercial consequences for owners, charterers, and other stakeholders within the maritime value chain.

Navigating the complexities of FuelEU, with its intricate mechanisms of pooling, banking, borrowing, and stringent penalties, when the stakes are high and the margin for error is slim, will need in-depth consideration.

FuelEU is a novel regulation which gives maritime stakeholders pause for thought when it comes to minimising risk and exposure to compliance costs, or alternatively retaining a benefit towards compliance which can be monetised. For a detailed analysis and a better understanding of the legal implications of FuelEU, please read the HFW article **here**.

Since the IISTL Conference and MEPC83, new IMO mid-term measures have been approved, constituting a two-tier system for calculating emissions on a Well-to-Wake basis. This complex system aims to reward overperformance and penalise underperformance but has also been criticised for not being strong enough to meet IMO's green targets.

3. Litigation risks

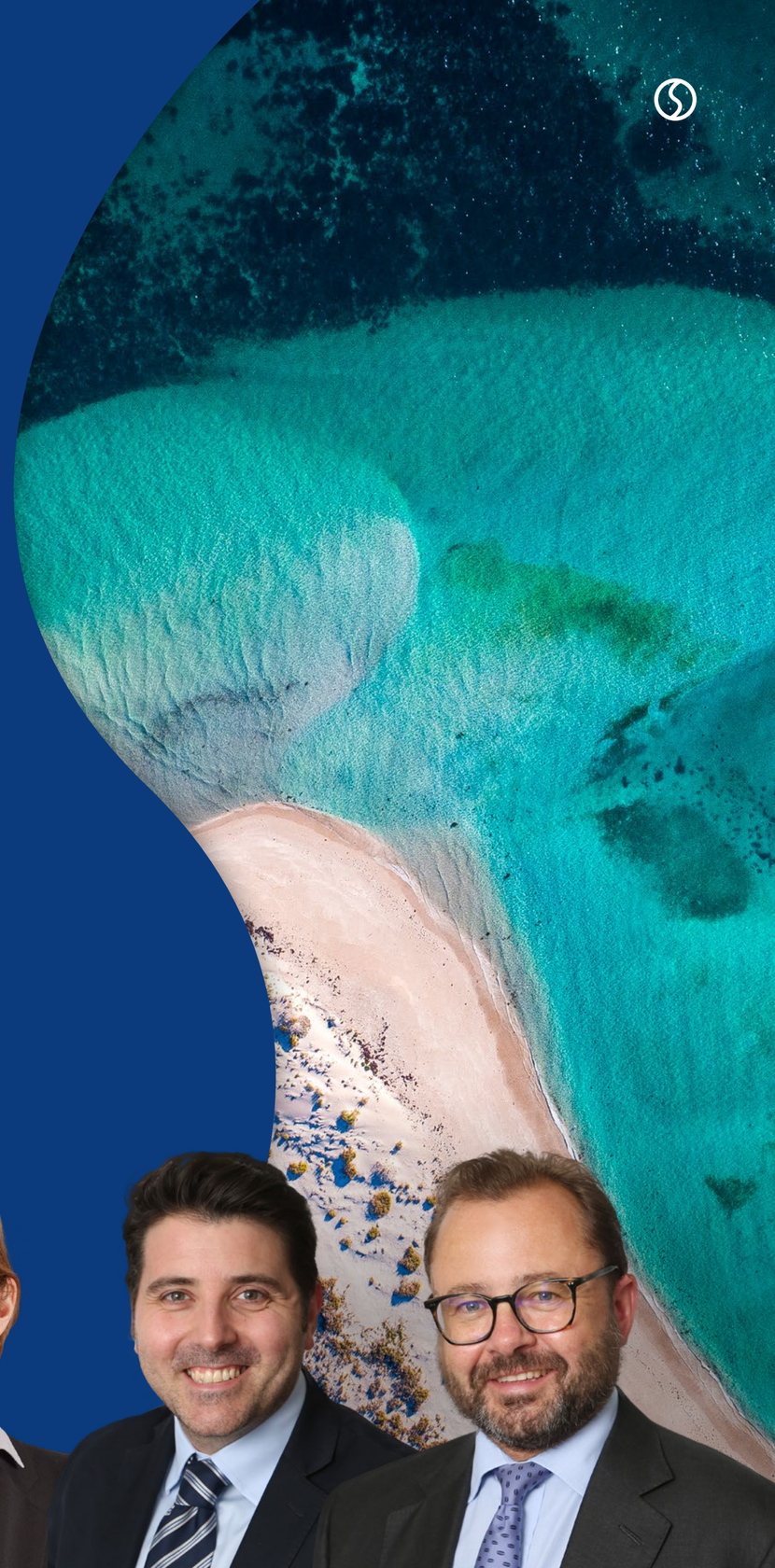
Litigation risk is real at this stage and will likely be a key factor for the next few years. The best way to protect interests will be through careful review of contracts and considering appropriate contractual solutions to allocate risk and responsibilities.

JOHANNA OHLMAN
Associate, London
T +44 (0)20 7264 8835
E johanna.ohlman@hfw.com

ALESSIO SBRAGA
Partner, London
T +44 (0)20 7264 8768
E alessio.sbraga@hfw.com

PAUL DEAN
Partner, London
T +44 (0)20 7264 8363
E paul.dean@hfw.com

Assistance provided by Vasileios Zokaris, paralegal.



HOT TOPICS IN SUSTAINABLE LENDING: Insights from the Sugar and Agri-sector

By Jason Marett, Partner, HFW Geneva. Adapted from a presentation delivered at the 2025 S&P Global Sugar Conference in Geneva.

Sustainable finance offers real opportunities for agri-commodity traders to access capital, often on more favourable terms, while aligning financing with ESG goals. However, it is critical to structure these products carefully to avoid some of the pitfalls in the market, including greenwashing and reputational risks.

Sustainable Finance at a Crossroads

Sustainable finance has seen consistent growth over the past decade. Green bond issuances have increased by more than 150% in the last five years[1], and total assets in sustainable funds have reached almost US$ 3 trillion globally[2]. Governments have also placed sustainable finance at the heart of their policy agendas: for example, it forms one of the pillars of the EU Green Deal, while Switzerland has announced ambitions to position itself as a global leader in the field[3].

However, we may be at a critical point for ESG. For the first time on record, growth in the sustainable finance market has slowed, and in the US, capital has started flowing out of sustainable funds. Several headwinds have emerged: the rise of anti-ESG movements, particularly in the US, growing geopolitical tensions, concerns about greenwashing, and an increasingly complex regulatory landscape.

In our view, the overall trajectory for sustainable finance remains positive, but companies in the commodities sector will need to be agile and aware of the risks. Successfully navigating these headwinds will be key to accessing capital on competitive terms.

Sustainable Lending in the Sugar Sector

From our mapping of sustainable finance transactions across the sugar sector, it's clear that this is already an important financing tool. Many of the major players are engaging in some form of green or sustainability-linked financing.

1 Approximately US$ 250 billion in 2019 increasing to US$ 632.4 billion in 2024.

2 2024 World investment Report, UNCTAD

3 Sustainable finance in Switzerland: Areas for action for a leading sustainable financial centre, 2022-2025, Federal Council Report 2022.

SLL Pitfalls and Challenges: Navigating Legal and Structuring Issues

In order to avoid some of the pitfalls in the SLL market, including greenwashing and reputational risks, it's important to navigate various legal and structuring issues. These include:

Setting credible sustainability targets – Fundamental to the SLL structure is that sustainability KPIs are material, and targets are suitably ambitious.

Economic Incentives - The pricing adjustment is often small, but for larger loans it can be significant. The incentive structure needs to reflect real economic impact.

Declassification - Declassification terms - which allow a loan to be declassified as sustainability linked upon certain events - are now standard, having been relatively rare in the early days of the SLL market. This helps manage greenwashing risk but the terms need to be clearly drafted, especially around the triggers and consequences.

"Sleeping" SLLs - Whilst well structured "sleeping" SLLs can be a useful tool, it's important that transactions are not marketed as sustainable before the sustainability targets are agreed. This can otherwise result in obvious greenwashing risks for the parties involved.

Independent Verification - There's a strong shift towards third-party verification of ESG performance. This helps reinforce credibility and is increasingly expected by lenders.

Regulatory Focus – Regulators around the world, including the Financial Conduct Authority (FCA) in the UK, have raised concerns around the integrity of the SLL market. This has underscored the importance of robust industry guidance, for example the voluntary guidelines issued by the Loan Market Association (LMA).

Sustainability-linked loans (**SLLs**) are one of the most widely used sustainable finance instruments, comprising more than a quarter of the whole sustainable debt market[4]. These are loans that directly link the cost of borrowing to ESG performance, and incentivise some sort of sustainability goal; companies that hit their sustainability targets can benefit from reduced pricing.

In the sugar sector, the structuring of SLLs reflects the specific nature of the sustainability risks in the relevant supply chain. For example, sugar beet producers are likely to focus on decarbonisation and emissions reduction, whilst cane producers, are likely to prioritise social goals, such as preventing child labour or improving conditions for smallholder farmers.

Green loans, which are "use-of-proceeds" instruments, are typically used in the sugar sector to fund specific projects, such as switching from gas to biomass or investing in biogas facilities. These are capital intensive projects which are relevant for decarbonisation in the sugar beet sector.

Other tools include sustainability-linked bonds, which are used mainly by larger corporates with access to capital markets. There are also trade finance structures like sustainable supply chain finance or green letters of credit, often used by large buyers to manage ESG risks across their supply chain.

Of these, SLLs are particularly relevant for mid-sized and large players across the sugar value chain. These instruments offer flexibility in the use of funds, and can be tailored to the specific sustainability risks in the sector.

SLL Market Trends and the Rise of ESG Regulation

The SLL market has expanded rapidly since the inception of the market, around 2017. Whilst the number of SLLs fell slightly in 2024, we expect the long-term trend of growth in the market to continue.

At the same time, the regulatory environment has become more demanding. The number of ESG regulatory measures adopted each year across G20 countries has almost tripled over the last five years[5]. The expansion of ESG disclosure rules, particularly in the EU, has focused investor attention. Whilst regulation doesn't directly target the SLL market, the increased scrutiny has inevitably impacted expectations in the loan markets.

Why Sugar Is a Good Fit for SLLs

Cane production is particularly exposed to a combination of environmental and social risks:

- Yields are highly sensitive to temperature and rainfall, making climate risk a core business issue.
- In some regions, sugarcane production is linked to deforestation concerns.
- The supply chain also faces scrutiny over labour practices, including child labour and worker rights.

4 Sustainable Debt in Focus: 2024 Summary and 2025 Outlook, Natixis

5 Sustainable finance regulations platform - Global Sustainable Finance Observatory

At the same time, the sugar supply chain benefits from strong traceability and certification schemes. For example, Bonsucro has developed a widely recognised global sustainability standard for sugarcane. Improved ESG data relating to the sugarcane supply chain makes it easier to define appropriate key performance indicators (**KPIs**) and structure SLLs with credible sustainability targets.

Greenwashing Risks

Robust and well structured agreements protect against reputational risks, and reduce the risk of accusations of greenwashing. A number of recent headlines highlight the reputational risks involved in accessing the sustainable finance market. For example, in the UK The Guardian criticised an SLL provided to an oil and gas company; the article raised concerns about the scope of the emissions targets (limited to scope 1 and 2). This illustrates some of the considerations that need to be taken into account when structuring and publicising SLLs to minimise the risk of greenwashing allegations.

There are various examples of NGOs challenging commodity traders over sustainability claims, including alleged links to deforestation and labour abuses in their supply chains.

Key Takeaways

SLLs offer real opportunities. These instruments offer traders access to capital — often on better terms — while aligning financing with progress on sustainability goals. The sugar sector is particularly well suited to accessing this type of finance, especially cane production. However, it is critical to get the structuring of these instruments right to avoid some of the greenwashing claims and other pitfalls we are seeing in the market.

JASON MARETT
Partner, Geneva
T +41 (0)22 322 4840
E jason.marett@hfw.com

Legal Updates

Edited by Firmina Chen, HFW Knowledge Counsel

Developments on the UK/EU ETS and UK CBAM

There have been several recent developments in relation to emissions trading and carbon pricing in the UK and EU. Whilst a number of uncertainties remain, they do signal a commitment to this approach as a means of moving towards net zero.

On 19 May 2025, the UK and EU announced a new agreement on trade, which included closer cooperation on emissions through linking their respective emissions trading systems (**ETS**). The two had committed to giving serious consideration to this under the UK-EU Trade and Cooperation Agreement in 2021. The details are yet to be agreed but there has been progress: on 16 July, the European Commission requested authorisation from the European Council to open formal negotiations with the UK. The expected benefits include mutual exemptions for the UK and EU from their respective Carbon Border Adjustment Mechanisms (**CBAM**), offering cost and administrative reductions for businesses trading across borders.

The UK CBAM is due to take effect from 1 January 2027 and will place a carbon price on specified goods imported to the UK from sectors at risk of carbon leakage. The UK government has said that CBAM is intended to work cohesively with the UK ETS.

On 24 April 2025, the UK government published both draft CBAM legislation and a CBAM policy update. It also announced a consultation, seeking feedback from stakeholders to ensure that the primary legislation will deliver the policy correctly and effectively. The consultation closed on 3 July 2025 and the legislation will be of interest to importers of goods from the aluminium, cement, fertiliser, hydrogen, and iron and steel sectors, and downstream producers that use these goods in their supply chains.

AMANDA RATHBONE
Knowledge Counsel (Commodities)

Australian Critical Minerals Strategic Reserve

Australia holds substantial deposits of critical minerals, with lithium, graphite, cobalt and nickel among the most plentiful. This geological abundance, together with the country's world-leading mining industry and high environmental, social, and governance standards, makes Australia a dependable global supplier of many of the critical minerals essential for new technologies and renewable energy. Given the significant potential of this industry, and in order to minimise risks of trade tensions and supply chain uncertainties, the Australian government will establish a Critical Minerals Strategic Reserve (**Reserve**).

It is envisaged that the Reserve will create revenue by strategically making stockpiled critical minerals available on global markets, to be used in domestic industry and by key strategic allies. The Reserve is designed to strengthen Australia's supply chains while improving energy security and prioritising defence and national security needs.

The Reserve will increase federal investment in critical minerals through two key mechanisms:

1. National Offtake Agreements — through voluntary contractual arrangements the Government will acquire agreed volumes of critical minerals from commercial projects, or establish an option to purchase at a prescribed price, holding security over these assets as part of the Reserve; and
2. Selective stockpiling: the Government will establish Australian stockpiles of key critical minerals produced under offtake agreements and deemed central to national security.

The Australian government will make an initial investment of A$1.2 billion in the Reserve, which includes a $1 billion increase in the $4 billion already dedicated to the Critical Minerals Facility (**Facility**), established in 2021. The Facility provides upfront capital for private sector and international partner projects considered consistent with Australia's Critical Minerals Strategy and deemed to be in the national interest.

The establishment of the Reserve and further investment in the Facility is supported by the recently legislated Critical Minerals Production Tax Incentive.

KATE FISHER
Knowledge Counsel (Australia)

UK: SAF industry boosted while activist challenge to climate change policy rejected

A bill is making its way through the UK Parliament with the aim of positioning the UK as a world leader in sustainable aviation fuel (**SAF**).

The new legislation should help industry meet its requirements under the SAF Mandate, introduced in January this year, which specifies that at least 10% of all jet fuel used in flights taking off from the UK from 2030, be made with sustainable fuel, rising to 22% by 2040. A revenue certainty mechanism (**RCM**) will keep ticket price changes minimal – keeping fluctuations to £1.50 a year on average – and will be industry funded through a levy on aviation fuel suppliers. The Department for Transport (**DfT**) will continue to engage with industry on the details of the RCM, including pricing.

The government has also announced an additional £400,000 of funding for producers to get SAF to market faster. This support for producers follows £63 million of funding already made available through the Advanced Fuels Fund.

A spokesman for Airlines UK said that airlines will work with government on scheme design and how contracts are allocated, balancing the need to deliver the SAF required to support mandate compliance, whilst keeping costs as low as possible through a competitive and transparent bidding process that places the consumer at its heart.

The new legislation was publicised shortly after an activist's challenge to the UK's Jet Zero Strategy was rejected by the High Court. Campaign group "Possible", who advocate a frequent flyer levy and GALBA, who oppose expansion of Leeds Bradford Airport, argued that the strategy failed to include adequate measures to reduce aviation and failed to comply with the *Climate Change Act 2008* and the Government's own carbon budgets. The court held that, while the Government's strategy might be open to criticism, it was not unlawful and that the choice of decarbonisation measures — such as relying on technological innovation over demand reduction — was a matter of political judgment, not for the courts to second-guess.

Creating an ESG Policy:

ASHLEIGH OVLAND
Knowledge Counsel
(Aerospace)

Key Considerations

Increasing EU and UK regulations in areas such as environmental impact, due diligence, and corporate governance, are prompting companies to consider their environmental, social and (corporate) governance (**ESG**) footprint. This is often supported by an ESG policy which serves to support the company to comply with new or updated regulations, and to plan any next steps or future requirements. Key considerations when developing a company's ESG policy include undertaking an initial scoping exercise, a due diligence analysis, a comparison of competitors' actions in the sector, and a greenwashing risk analysis. An examination of the necessary steps and analysis of the risks and pitfalls of potential greenwashing claims arising from misleading or ineffective ESG policies can be accessed via our recently published article here.

VIOLET O'GORMAN
Associate
(Commodities)

RUTH ALLAN DE MALDONADO
Knowledge Counsel
(Shipping)

Federal government initiatives to support Australia's transition to net zero

Future Made in Australia Package

Announced in the 2024-2025 Budget, the Australian federal government's Future Made in Australia package (**FMA package**) pledged A$22.7 billion in investment towards domestic industry, designed to "maximis[e] the economic and industrial benefits of the move to net zero and secur[e] Australia's place in a global economic and strategic landscape." The FMA package is consistent with similar measures adopted by the US, the EU and Canada to bolster domestic production, encourage private investment, and ultimately reduce dependence on global supply chains in geopolitically uncertain times.

In particular, the FMA package seeks to:

- attract and enable investment;
- make Australia a "renewable energy superpower";
- value add to existing resources;
- strengthen economic security;
- support Australian ideas and innovation; and
- invest in people and places.

A National Interest Framework will govern the FMA package investment decisions, with priority industries to be identified through two streams: a) net zero transformation; and b) economic security and resilience. Five key sectors are recognised as falling within the National Interest Framework, being:

- renewable hydrogen (hydrogen produced using renewable energy or processes);
- critical minerals processing;
- 'green' metals;
- low carbon liquid fuels; and
- clean energy manufacturing, including battery and solar panel supply chains.

Legislation Update

On 10 December 2024, the *Future Made in Australia Act 2024* (**Act**) was enacted, followed by the assent of the *Future Made in Australia (Production Tax Credits and Other Measures) Act 2025*, which came into force on 14 February 2025. The latter legislates for the Critical Minerals Production Tax Incentive (**CMPTI**) and the Hydrogen Production Tax Incentive (**HPTI**), designed to incentivise domestic production of critical minerals and renewable green hydrogen.

CMPTI

Under the CMPTI, to qualify for tax offsets companies must:

- be constitutional corporations conducting a registered processing activity during the year;
- incur certain expenditure in carrying on the processing activity; and
- be an Australian tax resident, or a foreign resident carrying on the processing activity via a permanent establishment in Australia.

Further, the processing activity must be performed at a domestic facility and must:

- involve substantially transforming a feedstock that contains a critical mineral into a purer or more refined form of the critical mineral that is chemically distinct from the feedstock, and a substantial purpose for carrying on the activity is to achieve this transformation, or
- be specified in the regulations as producing an outcome in relation to one or more of the identified 31 critical minerals.

The CMPTI allows for a 10 per cent tax offset of the company's CMPTI expenditure in an income year. Of note, mining, beneficiation and manufacturing are among "excluded expenditure" items, which do not constitute eligible processing activities under this legislation.

HPTI

The HPTI is available for eligible Australian resident corporations.

This incentive comprises a time-limited and uncapped refundable tax offset. To qualify for the HPTI, projects must reach final investment decisions by 2030. The incentive allows a refundable tax offset of A$2 per kilogram for renewable hydrogen produced for an "offset period", which cannot be longer than 10 years and must be between 1 July 2027 and 30 June 2040.

In order to qualify for the HPTI:

- the company must have created a Product Guarantee of Origin certificate that relates to the hydrogen. The certificate is created and registered under the *Future Made in Australia (Guarantee of Origin) Act 2024*; and
- the facility at which the hydrogen is produced, and the production pathway for the hydrogen, must be specified in a production profile that is certified by the Clean Energy Regulator; and
- the hydrogen associated with production at the facility must be in accordance with the production pathway.

The FMA package and associated measures confirm the recently re-elected Australian government's commitment to transition to net zero and its ambition to advance domestic manufacturing and productivity to achieve Australia's renewable energy goals.

KATE FISHER
Knowledge Counsel
(Australia)

HFW Sustainability News

Planet Mark

2025 marks our 10th year of certification with Planet Mark, an internationally recognised leader in emission reduction certification that supports businesses to reduce emissions and generate long-term business value.

Beyond a validation of our sustainability performance, all Planet Mark Certified Businesses are required to make an annual 5% reduction in Scope 1 and 2 emissions to recertify.

As we mark this milestone, here's a throwback to some of our developments across the years:

2015

HFW began its journey in 2015, measuring a limited set of London carbon footprint data at Friary Court and Boundary House.

2017

Building lighting was identified as an area of improvement following our regular carbon emissions review. In 2017, we completed our upgrading of our London office lighting to low-energy LED 'skytiles', which reduced our energy usage by more than 20%.

2018

We continued to improve our procurement practices and engage with like-minded suppliers.

- 'Change Please' touts itself as 'life-changing coffee' for a meaningful reason – 100% of their profits from the coffee beans are channelled to alleviate homelessness through a variety of programmes. We began using Change Please in our onsite cafes in London following a staff vote.
- Our appointed cleaning company in London, GreenZone, has achieved several awards for ESG, including the EcoVadis (Bronze) certification which evaluates companies based on four key pillars: Environment, Labour & Human Rights, Ethics, and Sustainable Procurement.

2020

International offices began contributing carbon footprint data from 2020 with 17 offices included. This paved the way for HFW to be globally certified by Planet Mark inthat year.

2021

We launched our new sustainability strategy, identifying the following core pillars – Operations; People & Projects; and Clients. We also appointed our Global Senior Partner Giles Kavanagh as our Sustainability Partner to oversee the strategy.

2022

We rolled out five more sessions of our Sustainability Syllabus, a series of recorded webinars covering foundational topics from energy transition to The Paris Agreement. Aside from inviting key partners from the network to contribute their insights, we also invited external speakers to speak on topics such as climate change risk and Director duties in ESG matters.

2023

We embarked on an internal engagement campaign to raise awareness on how staff can contribute individually to HFW's decarbonisation efforts. Focusing on five topics – food, fashion, travel, finance and home energy – the Sustainability Change Series spotlighted efforts by different offices and identified local organisations that staff could contribute to.

2025

We are marking our 10th year of certification, but our journey continues.

In 2023, HFW's total measured footprint (tCO2e): 2,857.5 (market-based), retaining our certification with a 14.3% per employee reduction (normalised, location-based) from the previous year.

The average footprint of a HFW employee (tCO2e): 2.7.

Our biggest emissions source is business travel (air), taking up about 63.6% of our market-based total footprint this year.

A reminder of some of our pledges:

HFW is the founding signatory of both the Greener Arbitration Pledge and the Greener Litigation Pledge, both of which encourage signatory firms to adopt sustainable practices in their dispute resolution work. Some key commitments include:

- Corresponding electronically where possible while recognising that electronic communication still generate their own carbon footprint and accordingly seeking to avoid unnecessary emails
- Using low carbon modes of transportation where feasible
- Considering the use of video-link where appropriate and feasible
- Committing to using suppliers and service providers who are committed to reducing their carbon footprint where appropriate and feasible

A spotlight on some of our office buildings

Some of the features of our office buildings around the network include:

- Our Hong Kong office building, Alexandra House, achieved the coveted 'Triple Platinum' status – attaining BEAM Plus, LEED and WELL certification. Our design consultancy firm, Envisione, also worked with HFW to include critical features such as energy-efficient lighting, eco-friendly building materials and green spaces
- Our Piraeus office moved to the Piraeus Tower which is LEED Platinum certified and boasts features such as using recycled glass and other sustainable building materials in its design
- Key sustainability features of the LEED Platinum and BREEAM Outstanding-certified 8 Bishopgate in London where our London office is located include 100% of building electricity coming from certified renewable sources; zero operational waste-to-landfill; and meeting 60% of annual heat demand by recycling heat rejection from its cooling system

HFW is committed to continuing to work with Planet Mark to identify and implement opportunities for reductions in emissions.

Charity Partner Feature

Renewable World

Renewable World enables communities across the globe living in poverty to transform their lives by accessing clean energy. Their work champions sustainability, reduces the impact of climate change and increases resilience in the long term. We talk to *Renewable World's Thakur Thapa* and *Aarju Karki*, who led a recent initiative in Nepal. The clean energy approaches to improve livelihoods, conservation, safety and sustainability — known as the CLASS project — were focused on the Buffer Zone of Banke National Park. It required integrated solutions to address complex challenges in a sensitive and vulnerable area of the country. Today, this innovative project's success has not only improved conservation and sustainability credentials but continues to improve lives.

When and how did you first become aware that there was a need for the CLASS project?

We were undertaking livelihood and conservation projects in Surkhet, which adjoins Banke National Park, and soon realised there were various issues going on. These included human-wildlife conflict, limited livelihood options for communities and isolated conservation efforts. The problems, however, were occurring across the whole region. So, to address them in a more systemic manner, we developed the CLASS project at the end of 2023. Consultation with wider stakeholders — such as the National Park, local governments, the buffer zone management committee and community forest user groups — helped us see just how complex the situation was.

What were the main issues people were facing?

The challenges were interconnected. There was significant multidimensional poverty, as local communities primarily rely on subsistence farming and livestock rearing, but small landholdings are barely sufficient. Crop production is frequently damaged by wild animals such as boars and monkeys while crucial livestock is threatened by predators like leopards and tigers. Grazing restrictions imposed by park regulations limit options further. Many resort to entering the protected area to collect firewood and fodder, which is prohibited and leads to dangerous encounters with wildlife and conflicts with park authorities.

There was also a disconnect between conservation efforts led by the National Park, which is under federal government control, and development activities managed by local government. Local authorities hesitate to initiate projects in the buffer zone as they need approval from the National Park, resulting in stagnation of community needs. There was no established platform to resolve issues collaboratively. This lack of coordination led to friction and systemic failures.

Changing climate patterns have exacerbated environmental degradation, reducing forest cover and water availability, which harms wildlife habitats while climate shocks impact agricultural productivity. Additionally, target communities such as the indigenous Tharu community and the displaced Mughali community were being marginalised, facing severe economic hardship, limited political representation and social discrimination.

What were the ambitions of the project at the outset?

The project sought to create a cleaner, greener and more educational environment by planting over 1,000 trees, establishing a multipurpose nursery and introducing eco-friendly waste management and environmental champions. Solar-powered water systems support irrigation and washing facilities while information boards raise awareness about the link between biodiversity and livelihoods. Promoting eco-tourism created new job opportunities for local Tharu and Mughali communities through homestays and small businesses. Platforms were established to give them a voice and to demand their rights.

Promoting clean energy and sustainable agriculture was key. We introduced clean cooking technologies such as e-cook stoves and biogas digesters, reducing indoor air pollution and lowering the need for firewood collection. The organic slurry from biogas aids home gardens, enhancing nutrition and reducing costs. Proper waste segregation and composting further support cleaner villages and creates income. It was also vital that livestock was protected, which we achieved by developing predator-proof corrals and installing solar lamp posts in human-wildlife conflict hotspots.

Creating a platform for dialogue among all stakeholders helped foster cooperative solutions for human-wildlife coexistence, despite the difficulty of achieving policy changes within a one-year pilot.

What were the most significant challenges to overcome?

The misalignment between the priorities of the National Park authority and local government was a major hurdle. While the National Park focuses on biodiversity conservation and wildlife protection, local governments prioritise community development, livelihood improvement and infrastructure expansion. This divergence often creates tension in decision-making, resource allocation and project implementation. We also had to factor in the growing impact of climate change, such as rising temperatures, erratic rainfall and prolonged dry spells. Scaling up from the pilot phase to meet growing demand was challenging due to limited financial resources.

How far was conservation a key concern?

Banke National Park spans 550 square kilometres and consists of forest, grassland, floodplains and foothills. It is home to hundreds of plant species and many protected and ecologically important animals, including tigers, striped hyenas, four-horned antelope, giant hornbills, black storks, Bengals and lesser floricans, as well as reptiles like gharial crocodiles and pythons.

However, its ecosystem is under intense pressure due to climate change, human impact and limited park management capacity, resulting in environmental degradation and a decline in critically endangered species. Environmental degradation — driven by rising temperatures, extreme weather events and human activity — has translated into increased human-wildlife conflict.

There are around 35,700 people living in the area experiencing multidimensional poverty. The protected area and its buffer zones function as two separate systems, rather than conservation and development actors working together as part of a single, interconnected system. We needed to break this vicious cycle and replace it with a sustainable, virtuous cycle.

What role did biogas play in the improvements?

The CLASS project introduced biogas technology as a clean cooking solution to help buffer zone communities, reduce dependence on firewood, improve health and support conservation. The biogas systems used are based on the Biogas model (bag digester) — a proven, user-friendly and efficient technology. The organic slurry by-product is a high-quality fertiliser. This technology eliminates the need to collect firewood, contributing to forest conservation and lowering human-wildlife conflict. It is easy to use, low-cost and locally maintainable.

How did you involve local communities in the project?

CLASS placed local communities at the centre of all its activities, recognising that sustainable conservation and development require their active participation and ownership. We involved local people including indigenous communities in participatory planning and decision-making, developing employment and livelihood opportunities, building platforms for dialogue, engaging youth groups and schools and offering ways to easily adopt new technology.

We are not expecting anything in return from the communities, we would like to see them taking full ownership, benefiting from and sustaining the project.

What was the positive impact on the livelihoods and well-being of local communities by conclusion of the project?

We've seen significant improvements in quality of life. The development of eco-tourism has diversified income sources and created opportunities while clean energy solutions have saved costs, improved health, conserved forest and reduced risks of wildlife attacks. We've introduced a more sustainable approach to agriculture and better livestock management. In addition, proper waste segregation and recycling created a cleaner environment and generated small incomes from recyclable waste sales. Solar lamp posts mean people can travel without fear.

Are there any individual stories of success you can highlight?

Kalu Sarki is a member of a historically marginalised community and has faced inequality, discrimination and extreme poverty. His only source of income was crafting and selling axes and knives. Kalu Sarki relied on a gas cookstove but lacked the resources to purchase fuel. Instead, he would illegally collect firewood from the nearby National Park, risking frequent fines of 500 rupees — equivalent to a full day's earnings. This process was also labour intensive and required an entire day's journey into the forest several times a week.

The introduction of an e-cook stove has dramatically improved Kalu Sarki's life. With clean, accessible energy, his health has improved as he no longer inhales harmful smoke and fumes. His livelihood has developed as he has more time to dedicate to his craft, and he doesn't risk fines or contribute to deforestation.

One of the aims of the project was to ensure it was gender sensitive and socially inclusive. How was this achieved?

The project was designed with a strong commitment to create benefits for women, youth and marginalised groups. Efforts were made to engage these communities in all activities, ensuring their voices were heard, their needs addressed and training provided. Women were supported to participate in alternative livelihood options such as running homestays, managing kitchen gardens with organic fertilisers and operating small businesses like tea shops, increasing their economic independence. The new technology we introduced has reduced women's workloads, freeing up time for education, income generation and community leadership roles. It was essential this was done with cultural sensitivity. The project tailored its approaches to be respectful, inclusive and empowering. Creating platforms where marginalised groups including women and socially excluded castes could present their concerns directly to authorities promoted greater social inclusion and political representation.

If you would like to find out more about Renewable World and its projects, please visit ***renewable-world.org***

The project statistics

- **E-cookstoves: 25**
- **Biogas digesters: 3**
- **Solar lamp posts: 28**
- **Vermi-composting units: 5**
- **Poly tunnel nursery: 1**
- **Predator proof corral: 25**
- **Breeding buck: 2 bucks which benefit 100 households**
- **Saplings planted: 1250**
- **Colour-coded dustbins: 28**
- **Students who have benefited from the educational program: 3887**
- **Visitors to Gavar Valley Lions Park who benefited from Solar water lifting: 23,000**
- **People living in the buffer zone of Banke National park who have benefited from the interventions[1]: 1655**

1 Source: Renewable World