How the U.S. is slowly but surely catching up to Europe when it comes to ESG regulation

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JPMorgan Chase & Co. analysts expect 2021 to be the first year that more green, social, and sustainability debt is sold in U.S. dollars than euros. Additionally, the U.S. SIF Foundation said last month that sustainable investments account for about $1 in every $3 of total assets under professional management.

Though behind the EU agenda on ESG regulatory the U.S. has made incremental strides in the ESG regulatory landscape. However, amidst the transition to the Biden administration, regulatory bodies in the United States are finally moving the needle on ESG.

First, let’s uncover the EU progress to date. Since 2017, the European Union has required listed companies to include a “non-financial statement” on corporate social responsibility matters. At a minimum, it addressed environmental, social and employee matters, respect towards human rights, anti-corruption, bribery, diversity data, and more. In 2019, they went a step further by issuing guidance on disclosure of climate-related information. In addition to climate change matters, the European Union has also introduced new disclosure requirements on conflict minerals in supply chains.

This March, the EU launched its SFDR regulation to address “greenwashing” and fulfill its carbon neutrality ambitions. With many more ESG-related reforms in the pipeline, the conversation in the EU has clearly moved from the “why” to “how” of ESG investing.

In comparison, the US is still a laggard in this area. As the Biden administration takes over from the Trump administration, the focus is on reversing previous ESG-related rollbacks and putting ESG back on the agenda. For starters, the administration recently reviewed the DOL's controversial ESG Rule and halted its enforcement. In his "Executive Order on Tackling the Climate Crisis at Home and Abroad," President Biden prioritized managing climate-related risks and exploring climate finance plan opportunities. This April, at Biden's Climate Summit, the U.S. announced aggressive emission reduction and carbon neutrality targets, aiming to reduce greenhouse gas emissions by 50-52% below 2005 levels by 2030.

So what's next? Our latest whitepaper, The US's ESG Regulatory Environment: Past, Present, and Future, uncovers the key trends that will shape the future of ESG regulation in the U.S. While the U.S. lacks the ESG infrastructure that Europe has developed, we believe it's just a matter of time before the sustainable investing movement gains strong momentum in the U.S.