POLICY ADVISORY & RESEARCH

THE GREEN CLOCK

ESG MATTERS

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Contents

Editor’s Note

Dear Readers,

Welcome to the First Edition Vol. 3 of our newsletter, The Green Clock: ESG Matters. As 2026 unfolds, sustainability debates are moving into a new phase marked by a growing role for carbon removals in net-zero pathways, tighter disclosure expectations, and stronger links between climate, regulation, and capital allocation. In this edition, we explore how climate markets are evolving globally, how governance reforms are shaping ESG integrity, and how Indian companies are engaging with transition finance, carbon markets, and impact-led development.

From emerging frameworks for removals and water diplomacy to corporate climate leadership and ESG integration in India, these developments highlight how sustainability is increasingly central to business competitiveness, policy design, and investor confidence.

We hope you find this edition informative and relevant as ESG continues to shape the future of markets and responsible growth.

Warm regards,
[Abhilasha Nayal]

Carbon Removals: The Next Frontier in Climate Action

As 2026 begins, global climate strategy is shifting from a narrow focus on emissions reduction toward a wider ambition: removing carbon already in the atmosphere. The rise of carbon removals marks a decisive evolution in how governments, companies, and investors think about climate pathways. For many, reductions alone are no longer sufficient to meet net-zero commitments; removals are emerging as the missing piece of the puzzle.

Over the past year, removals have moved from niche experimentation into mainstream policy and market design. The United Kingdom's decision to allow engineered greenhouse gas removals into its Emissions Trading Scheme from 2029 set an important precedent, introducing eligibility criteria, permanence standards, and rigorous verification rules for a compliance market rather than a voluntary one. Similar design work is underway in the European Union, Singapore, and California, signaling convergence around integrity, measurement, and scientific credibility.

Corporate momentum is keeping pace. Large technology firms, industrial buyers, and aviation players are beginning to procure removals not simply as offsets, but as strategic assets to support long-term transition plans. Recent purchases of soil carbon and nature-based credits, alongside multi-year contracts for direct air capture and biochar, illustrate how procurement coalitions are shaping supply well before the sector reaches scale. These moves reflect a broader recognition that removals will be needed to counterbalance hard-to-abate emissions, particularly for sectors like cement, steel, chemicals, and aviation.

Technology is also reshaping what constitutes a credible removal. Direct air capture facilities, once theoretical testbeds, are moving into early commercial operation. Mineralisation and biomass-based approaches are demonstrating differentiated permanence and cost curves. Meanwhile, satellite monitoring and advanced MRV systems are providing independent, high-frequency verification—an improvement over earlier offset models that often lacked transparency. This infrastructure is essential because the integrity of removals depends heavily on accurate measurement, baselines, and permanence.

Finance is playing an increasingly strategic role as well. Investors are beginning to view removals as a future asset class, one that may support transition finance, nature-positive investment, and even sovereign issuance. The global shift away from generic offsets toward high-integrity removals is being reinforced by enforcement actions and greenwashing crackdowns, particularly in Europe. As disclosure standards tighten and scrutiny increases, removals—especially those with durable storage—are becoming the premium layer of the carbon credit stack.

Still, removals are not without trade-offs. Supply remains limited, costs vary significantly across technologies, and the energy requirements of engineered solutions raise important questions about power sourcing and land use. Nature-based removals can deliver biodiversity co-benefits but must contend with risks of reversibility. The sector's maturation will depend not only on innovation and policy, but on ensuring that removals supplement, rather than substitute for, deep emissions cuts.

For ESG professionals, this shift requires a recalibration of how net-zero strategies are assessed. The era of offsets as simple compensation tools is ending; removals must be examined for durability, scientific grounding, and alignment with regulatory frameworks. Companies integrating removals into net-zero plans will be expected to prioritise emissions reductions first, relying on removals primarily for residual and historical emissions. Investors, in turn, are refining taxonomies that differentiate between low- and high-integrity credits and between voluntary and compliance-grade instruments.

Looking to COP30 in Brazil, removals are likely to sit at the intersection of nature, finance, and equity. With the Amazon as a symbolic and ecological backdrop, discussions will extend beyond carbon to forests, biodiversity, and land stewardship. The central question will not simply be how much carbon can be removed, but how removals can contribute to a credible and just transition. If 2025 was about disclosure and target-setting, 2026 may be remembered as the year removals began to form the architecture of net-zero signaling that the climate challenge is not only to emit less, but ultimately to undo the damage already done.

News from the World

UAE Advances Global Water Diplomacy Ahead of 2026 UN Water Conference

The United Arab Emirates (UAE) is intensifying its global water diplomacy, financing, and governance efforts. It prepares to co-host the 2026 United Nations Water Conference alongside Senegal, a major platform aimed at accelerating global action on water security and sustainable management.

At Abu Dhabi Sustainability Week (ADSW) 2026, UAE officials, including Abdulla Balalaa, Assistant Minister for Energy and Sustainability, convened high-level dialogues with government, finance, agrifood, technology and civil society leaders. These sessions aimed to reposition water from a traditional development issue to a strategic economic, climate and security priority. Discussions focused on unlocking capital, policy innovation, cross-border cooperation, and technology deployment to strengthen water systems and resilience ahead of the 2026 Conference.

Sessions such as “Next Drop: Water Investments and Innovation” brought together ministers, development banks, commercial financiers and innovators. They explored investment pathways, governance reforms, and multistakeholder coordination efforts that will feed into preparatory meetings, including the upcoming High-Level Preparatory Meeting in Dakar.

For Indian policymakers and investors, the UAE’s push for water diplomacy signals a shift toward integrated, finance-driven solutions for water-food-climate systems. It underscores the importance of domestic frameworks that can attract investment in water infrastructure, climate adaptation technologies, and transboundary cooperation ahead of global negotiations.

ESMA Pushes for Greater Clarity in ESG Strategy Disclosures

The European Securities and Markets Authority (ESMA) has issued a second thematic note urging financial market participants to clarify how they describe ESG strategies. It especially highlights ESG integration and ESG exclusions as areas requiring clearer language to reduce greenwashing risks in investment marketing and communications.

ESMA’s guidance highlights that terms such as “ESG integration” and “ESG exclusions” are widely used but applied inconsistently across markets, with significant variation in their meanings and ambitions. Without clear, plain-language explanations of how these strategies actually operate, including whether ESG criteria are binding, how they influence portfolio decisions, and how exclusions change the investable universe, investors, particularly retail investors, may be misled by superficial or ambiguous sustainability claims.

The thematic note does not introduce new legal mandates. It instead reinforces four principles for sustainability-related communications, requiring them to be accurate, accessible, substantiated and up to date, and provides dos and don’ts to support compliance.

For Indian asset managers and corporate issuers targeting global capital, ESMA’s step underscores the increasing international emphasis on robust ESG disclosure quality and suggests that clarity in strategy reporting will be essential to maintain credibility and attract cross-border investment amid rising anti-greenwashing scrutiny.

Japanese Corporations Lead Global Climate Leadership Ranking

Japanese companies have emerged as global leaders in corporate climate action, with 22 % of firms achieving climate leadership status in the latest CDP Corporate Health Check 2026, a higher share than the United Kingdom, European Union and China/Southeast Asia, based on environmental disclosure, management and performance across climate, water and forests.

The CDP ranking, drawn from disclosures by over 10,000 companies, shows that Japan's strong showing is partly due to higher adoption of independently validated science-based climate targets and closer alignment between executive incentives and environmental outcomes. Climate leaders also tend to capture significant environmental opportunities, with evidence that robust climate strategies can contribute to business resilience and value creation.

This leadership reflects Japanese firms' integration of climate governance, risk management and performance metrics into corporate strategy despite global economic uncertainty, indicating that strong environmental performance and competitive positioning can go hand in hand.

For Indian corporates and investors, the Japanese example underscores the strategic value of independent target validation, robust disclosures and climate governance in attracting global capital and meeting rising expectations from international stakeholders on credible climate action.

Microsoft Expands Carbon Removal Portfolio with Uganda ARR Deal

Microsoft has agreed to purchase 2 million tonnes of nature-based carbon removal credits sourced from the Kijani Forestry Smallholder Farmer Forestry Project in Northern Uganda, in a major supply agreement with carbon markets platform Rubicon Carbon spanning deliveries through 2035.

The credits are generated as Afforestation, Reforestation, and Revegetation (ARR) removals, where trees planted on degraded land by more than 50,000 smallholders sequester CO_2 over time. The Uganda project, one of the first to be approved under the country's Climate Change Mechanisms Regulations, provides local communities with income from future carbon revenues, sustainable timber and charcoal, while restoring landscapes and increasing forest cover.

This transaction is the first executed under a broader Rubicon–Microsoft carbon removal framework designed to facilitate up to 18 million tonnes of high-quality credits over successive years, a model that structures long-term capital for nature-based climate solutions.

For Indian climate tech and sustainability stakeholders, the deal underscores growing corporate demand for verified carbon removals in the voluntary market and highlights opportunities for emerging-market projects to attract global finance and deliver both climate and socio-economic impact.

News from India

Microsoft–Varaha Biochar Carbon Removal Deal

India-based climate tech developer Varaha has signed a multi-year carbon removal offtake agreement with Microsoft to supply over 100,000 tonnes of biochar-derived carbon removal credits across the next three years, marking a significant win for Indian carbon markets in the voluntary carbon space.

Under the partnership, Varaha will deploy up to 18 industrial gasification reactors across the cotton belt of Maharashtra, converting crop residues (especially cotton stalks that are typically burned) into biochar, a long-lived carbon-rich material that stores carbon in soil for centuries. These facilities are expected to operate over a 15-year lifecycle, with a total projected carbon removal capacity exceeding 2 million tonnes of CO_2 over that period.

The initiative also creates economic incentives for smallholder farmers by sourcing agricultural biomass that would otherwise be burned, helping reduce open-field burning and associated air pollution, while improving soil health and supporting regenerative agriculture practices. The deal helps Microsoft further build out its carbon-negative strategy and supports high-integrity carbon removal solutions in Asia.

For the Indian climate tech and agritech sectors, this deal signals growing global corporate interest in scalable carbon-removal pathways rooted in local agricultural systems, underscoring India's potential as a competitive supplier of verified carbon-removal credits to multinational buyers.

India Likely to Rely on Existing Frameworks Instead of a New ESG Oversight Body

The Government of India is considering strengthening existing regulatory frameworks for Environmental, Social, and Governance (ESG) compliance rather than establishing a separate oversight institution. Sources familiar with the discussions indicate that policymakers prefer to leverage existing mechanisms and enhance coordination within the existing ecosystem.

Officials argue that expanding bureaucratic architecture could increase compliance burdens and affect India's ease-of-doing-business objectives. They note that current laws, including provisions under the Companies Act and SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework, already encompass a wide spectrum of ESG disclosures and governance norms.

This approach reflects a broader domestic preference to integrate ESG oversight within existing legal and securities regulation frameworks rather than establishing parallel institutions solely focused on sustainability. However, the lack of a specialised oversight body may raise questions about enforcement clarity and global comparability of India's ESG regime, particularly as investors increasingly demand transparent, robust governance and sustainability assurance.

Colgate-Palmolive's Integrated CSR & ESG Initiatives Boost Health, Dignity and Community Well-Being

Colgate-Palmolive (India) has emphasised integrating CSR and ESG into a connected impact ecosystem, advancing preventive health, education, livelihoods, and environmental sustainability as part of its long-term strategy in India. Its purpose-led approach focuses on building good oral health habits while addressing broader community needs across underserved regions.

The company's Colgate Bright Smiles, Bright Futures® programme, one of the nation's largest preventive health initiatives, has reached over 195 million children, embedding oral health education across schools through partnerships with government and civil society networks. It also operates Keep India Smiling Scholarships to support dental and STEM students, helping build a skilled health workforce and remove barriers to education.

Beyond health, Colgate-Palmolive's ESG-linked programmes include water conservation aligned with national missions, financial and digital literacy for rural populations, and rural waste management that formalises and dignifies waste picker livelihoods. These efforts have delivered socio-economic benefits, improved public health, and strengthened community resilience at scale.

For Indian businesses, Colgate's approach illustrates how integrated CSR-ESG frameworks can drive measurable community impact, align with national development priorities, and enhance corporate sustainability credibility in increasingly ESG-savvy investor and stakeholder environments.

India Expands Carbon Market Compliance to Four New Industrial Sectors

The Government of India has expanded the Greenhouse Gas (GHG) Emission Intensity (GEI) reduction regime under the Carbon Credit Trading Scheme (CCTS) by including Petroleum Refinery, Petrochemicals, Textiles and Secondary Aluminium sectors within the Indian Carbon Market's compliance framework.

With this notification, issued on 13 January 2026, an additional 208 obligated entities are now required to meet sector-specific emission intensity reduction targets relative to a 2023–24 baseline. This brings the total compliance coverage to 490 industrial units, following earlier inclusion of Cement, Aluminium, Chlor-Alkali, and Pulp & Paper sectors in 2025.

Under the CCTS compliance mechanism, entities that underperform must purchase Carbon Credit Certificates (CCCs) to compensate for target shortfalls, while outperforming units can generate credits for sale, linking industrial decarbonisation to market-based climate instruments.

For the Indian industry, the expansion reflects a significant deepening of domestic climate regulation, embedding emissions performance into industrial competitiveness and aligning national climate policy with long-term net-zero commitments and NDC pathways.

Upcoming International Climate Change Events (January 2026)

- World Economic Forum Annual Meeting (January 19–23): Located in Davos-Klosters, Switzerland, this flagship gathering addresses global risks, economic transformation, and critical sustainability challenges.
- Cleantech Forum North America (January 26–28): Hosted in San Diego, CA, this event showcases emerging climate technologies and investment trends for climate-tech innovators and corporate teams.
- Dakar High-Level Preparatory Meeting (January 26–27): A ministerial meeting in Dakar, Senegal, serving as a milestone for the 2026 UN Water Conference.
- Real Deals Sustainable Investment Forum (January 27): A forum in London, UK, examining ESG integration and sustainable value creation within private markets.

VeK is a policy advisory and research firm, distinguished by its data-driven approach to analyse policy and regulatory developments in India and globally. For Further Information, please contact: Abhilasha Nayal, Senior Researcher at +91 98701 43357 or email at abhilasha@vekpolicy.com