



Friday, 9 February 2024

From: The Clean Energy Council

To: Climate Disclosure Unit
Climate & Energy Division
Treasury, Commonwealth of Australia

Via email to: ClimateReportingConsultation@treasury.gov.au

Dear Climate Disclosure Unit,

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia, representing over 1,000 of the leading businesses operating in renewable energy generation, transmission, distribution, storage, and renewable hydrogen – including equity and debt financial investors. The CEC is committed to accelerating the decarbonisation of Australia’s energy systems as rapidly as possible while maintaining a secure and reliable supply of electricity for customers.

The CEC appreciates and welcomes Treasury’s work to align financial systems, regulation, and oversight with the other efforts to decarbonise Australia’s economy, and for the opportunity to provide input on behalf of the clean energy industries on the draft exposure bill on mandatory climate-related financial disclosure. Likewise, as the peak body for clean energy industry in Australia, the CEC welcomes ongoing engagement with Treasury and other relevant bodies such as the ASIC, AASB, and AUSB, to provide input and guidance from industry as the framework and its implementation matures.

OVERALL RESPONSE

POSITION: The CEC welcomes Treasury’s bill to mandate climate-related financial disclosures and the initial framework. A clear framework compelling companies to assess and disclose their climate-related financial risks can play a key role in both preventing system-wide problems in Australia’s financial systems and can also support adequate and affordable capital flows into the clean energy industries.

The CEC encourages Treasury consider some final refinements on the final bill, as outlined below, along with ongoing engagement and consultation with the clean energy industry following initial implementation and as part of continuous improvement of reporting regimes.

SCHEDULED TIMING OF IMPLEMENTATION

The CEC encourages the Australian Government to act with all deliberate haste and prioritise the implementation of mandatory disclosures in 2024. While climate change remains a large uncertainty event, some of its deleterious effects – especially across Australia – are becoming all too certain.

This reform will align and support Government-wide efforts to provide stronger incentives for large-emitters to take responsibility for any off-site emissions associated with their electricity consumption. If Australia's heavy emitters are allowed to continue to simply report their scope 2 emissions based on location only, then businesses could potentially misrepresent their falling emissions as 'reductions.' This will drive demand for new renewable energy investment.

Consequently, we recommend that the amendments mandate Group 2 entities commence reporting as of 1 July 2024, or 1 July 2025 at the latest, and Group 3 entities to commence reporting 1 July 2025, or 1 July 2026 at the latest. Given the amount and sophistication of advice and support for sustainability reporting, entities and their controlled entities of that size can be expected to be able to obtain the technical advice required for compliance in a way that will not cause undue encumbrance.

COVERAGE

Likewise, the CEC welcomes and appreciates that the legislation will amend chapter 2M of the *Corporations Act 2001* (Cth) to cover all entities already obligated under that chapter. We generally endorse and agree with the position taken by the Centre for Policy Development (CPD) regarding coverage in its [24 July 2023 submission on the second consultation](#) to the disclosure framework:

- Whole-of-economy coverage is an important element of the reform;
- Mandate should extend to all publicly listed companies without exemption:
 - This will support information flow to markets and investors;
 - Group 3 entities may be exempted from reporting Scope 3 emissions to reflect proportionality;
- Automatic inclusion into Group 1 should be based on economic exposure to greenhouse gas (GHG) emission intensive businesses and business activities rather than solely on financial measures; and
- Public authorities can and should play a critical leadership role in identifying, assessing, and disclosing climate-related risks – starting with tier 1 reporting entities under the *Public Governance, Performance and Accountability Rule 2014* (Cth).

SCENARIOS ANALYSES AND TRANSITION PLANS

The CEC also encourages robust scenario analyses and transition plans that support effective and rapid mitigation of GHG emissions. To that end, CEC also generally endorses and agrees with CPD's 24 July 2023 submission (*referenced above*). In particular, Treasury or AASB, or both, should consider requiring companies to use established scenarios from recognised third parties – such as NGFS, IEA, or UN PRI – to avoid cherry picking. Covered entities should be required to analyse under at least three different scenarios, similar to the [New Zealand External Report Board's requirements](#).

Requirements like these will support the sustainability reports providing valuable information that can inform investors and other decision makers making fair and fully-informed comparisons between firms.

MANDATORY MARKET-BASED REPORTING FOR SCOPE 2 EMISSIONS UNDER NGER

The CEC encourages the Australian Government to implement consistent reporting criteria across all climate-related legislation. To that end, CEC welcomes that the sustainability standard as

currently envisioned will require disclosure of information relating to governance, strategy, risk management and metrics, and targets for scope 1 and scope 2 emissions.

In addition to providing more information and clarity to investors regarding exposure to various climate-change related risks, these reporting requirements should support lowering the cost of capital for renewable energy in Australia because they will increase demand for renewable electricity certificates. As mentioned in the CEC's submission to the Australian Government on the [Renewable Guarantee of Origin consultation](#), the Department of Energy, Environment, Climate Change and Water expects new voluntary demand for certificates to arise from the requirement for National Greenhouse and Energy Reporting scheme ('NGER') facilities to adopt market-based reporting for scope 2 emissions. Further, mandating this reporting will be consistent with the international Greenhouse Gas Protocol and will oblige all NGER facilities to report emissions associated with their power purchase agreements.

REVIEWS OF IMPACT AND EFFICACY

CEC welcomes and appreciates the Government's plan to review the requirements in 2028-29 and only suggest that the Government consider in advance, as initial performance and impact data become available, what cadence may be appropriate for ongoing reviews following the initial one. Ongoing review as part of continuous improvement will prove valuable to ensure that the required disclosures serve their purposes and generate more benefits than burden.

ONGOING INDUSTRY INPUT & CONSULTATION

The CEC appreciates and expects that the disclosure framework and requirements will need to evolve going forward as part of ongoing improvement given that administrative, operational, and outcome data will only become available ex-post.

The CEC represents the whole of Australia's clean energy industry – including financial investors plus firms that own and operate high-emitting thermal and renewable assets as they work to transition to clean energy companies – along with transmission & distribution networks, suppliers of enabling technologies and services, and other financial institutions such as insurers. This position as the whole-of-industry peak body for the clean energy industry uniquely positions CEC to support industry in its implementation and compliance, to understand the impact and benefit to industry – in particular increasing capital flows and reducing costs of capital for decarbonising Australia's energy systems. Moreover, this also means the CEC is well prepared to support Treasury and whole of Government, ASIC, AASB, AUSB, and other relevant bodies in understanding the needs of and impacts on the clean energy industry, and facilitating engagement with it.

CEC looks forward to continuing to work with the Commonwealth Treasury to support the rapid transformation of Australia's financial systems and economy whilst maintaining security and reliability of appropriately priced energy for all Australians. Further queries can be directed to Paul Beaton at the CEC on pbeaton@cleanenergycouncil.org.au.

Respectfully Yours,

Paul Beaton
Senior Policy Officer,
Market, Investment, and Grid