

Treasury

Exposure Draft Legislation –
Treasury Laws Amendment
(Measures for Consultation) Bill
2022: sustainability standards

submission

December 2022





Draft Treasury Laws Amendment (Measures for Consultation) Bill 2022: sustainability standards

submission

The Carbon Market Institute (**CMI**) welcomes this opportunity to provide feedback to **Treasury** on its exposure draft of the Treasury Law Amendment (Measures for Consultation) Bill 2022: sustainability standards (**Exposure Draft Legislation**), which opened for consultation on 28 November 2022.

CMI is an independent member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C. CMI's 140+ strong membership includes organisations from across the entire carbon value chain, including primary producers, carbon service providers, legal and financial institutions, technology firms and emissions intensive companies.

CMI's Board annually updates the CMI Advocacy Policy Positions in consultation with, but independent of, members. Our positions include supporting policies aligned with Australia's fair share of effort to achieve the high-ambition Paris Agreement goal to limit warming to 1.5°C, evolving Australia's carbon markets to guide investment and opportunities in the transition, and ensuring rigorous governance, integrity and disclosure on carbon crediting.¹ CMI also administers the Australian Carbon Industry Code of Conduct, which was established in 2018 to promote and steward consumer protection and market integrity.²

The positions put forward in this submission are CMI's view, independent of members, and do not represent any CMI individual, member company or industry sector.

Strategic outlook

CMI welcomes the Government's commitment to ensuring that large businesses provide greater transparency and accountability with respect to climate-related plans, financial risks, and opportunities.³

Alongside market-based policy frameworks and programs to catalyse transformative investments, a robust climate risk framework that reflects international best practice will support greater integrity in private sector management and disclosure of climate risk. In turn, this will serve to accelerate Australia's transition towards a net zero emissions economy, consistent with our international commitments and legislated climate targets.

¹ CMI 2021, 'Advocacy Policy Position Statement 2021', <https://carbonmarketinstitute.org/app/uploads/2021/12/CMI-Advocacy-Policy-PositionsUpdated-Dec-2021-004.pdf>.

² More information can be found on the Code website: <https://carbonmarketinstitute.org/code/>.

³ See: The Hon Dr Jim Chalmers MP Treasurer, The Hon Chris Bowen MP Minister for Climate Change and Energy, The Hon Stephen Jones MP Assistant Treasurer Minister for Financial Services, Joint Media Release, 'More transparency and more investment in cleaner and cheaper energy' (12 December 2022), available at: <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/more-transparency-and-more-investment-cleaner-and>.



CMI position

CMI supports the institutional reforms proposed in the Exposure Draft Legislation that will pave the way towards implementing mandatory climate-related financial disclosure in Australia that reflects international best practice. We have consistently advocated for this direction, alongside key industry groups including the Investor Group on Climate Change (IGCC) and Australian Sustainable Financial Initiative (ASFI).⁴

CMI supports the proposed amendments to the *Australian Securities and Investment Commission Act 2001* that will empower the Australian Accounting Standards Board (**AASB**) to deliver sustainability standards. We appreciate the importance of granting the AASB this function to ensure that Australian sustainability standards align with international best practice and are consistently applied, including through the eventual transition towards mandatory climate-related financial disclosure. We note the ground-breaking work that has been undertaken by the International Sustainability Standards Board (**ISSB**) to develop a comprehensive global baseline of sustainability disclosures for the capital markets, including its consultation on two draft standards in July 2022.⁵ Empowering the AASB to deliver sustainability standards will enable it to provide critical guidance to the Australian business community in operationalising disclosure aligning with the ISSB baseline.

Due to the interconnectedness of the global economy, CMI maintains that domestic regulatory frameworks and legal requirements should, so far as practicable, align with international best practice standards. On the global stage, we continue to advocate for international standards and sustainability initiatives to be harmonised and adaptable so they are fit for integration into domestic governance structures and regulation.⁶ The eventual mandating of climate disclosure standards will bring Australia into line with major economies and key trading partners, including the United Kingdom, European Union, Japan, Singapore, New Zealand, Canada and the United States.⁷ This will assist investors to make capital allocation decisions that support the global economic transition, ensuring that Australia remains a good place to do business in a net zero and net negative emissions world.

⁴ CMI, the IGCC and ASFI all advocate for Australia to progress a climate reporting framework aligned with TCFD recommendations. See: CMI 2021, 'CMI Policy Advocacy Position Statement 2021', <https://carbonmarketinstitute.org/app/uploads/2021/12/CMI-Advocacy-Policy-Positions-Updated-Dec-2021-004.pdf>; ASFI 2020, 'Australian Sustainable Finance Roadmap', <https://static1.squarespace.com/static/6182172c8c1fdb1d7425fd0d/t/6240de1093a924569206de4c/1648418322598/Australian+Sustainable+Finance+Roadmap+%E2%80%93+Recommendations.pdf>; IGCC, Climate Disclosure Project (CDP) and Principles for Responsible Investment (PRI), 2021, 'A plan for mandatory TCFD-aligned disclosure in Australia', https://igcc.org.au/wp-content/uploads/2021/06/ConfusiontoClarity_APlanforMandatoryTCFDalignedDisclosureinAus.pdf.

⁵ IFRS 2022, 'ISSB delivers proposals that create comprehensive global baseline of sustainability disclosures', 31 March, <https://www.ifrs.org/news-and-events/news/2022/03/issb-delivers-proposals-that-create-comprehensive-global-baseline-of-sustainability-disclosures/>.

⁶ See: CMI 2022, 'Submission to the VCMI Provisional Claims Code of Practice', https://carbonmarketinstitute.org/app/uploads/2022/09/FINAL-submitted_CMI-submission_VCMI-Provisional-Claims-Code-of-Practice.pdf; CMI 2022, 'Submission to the UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities', https://carbonmarketinstitute.org/app/uploads/2022/09/FINAL_CMI-sub_UNHG-Net-Zero-Emissions-Commitments-of-Non-State-Entities.pdf.

⁷ Gilbert + Tobin 2022, 'The effect of the SEC's proposed climate-related disclosures on Australian companies', <https://www.gtlaw.com.au/knowledge/effect-secs-proposed-climate-related-disclosures-australian-companies>.



CMI also supports the proposed reforms that clarify the role of the Auditing and Assurance Standards Board (**AUASB**) and Financial Reporting Council (**FRC**), including:

- Establishing the AUASB's function to develop and maintain relevant assurance standards for sustainability purposes; and
- Empowering the FRC to provide strategic oversight and governance functions in relation to the AASB and AUASB's sustainability standards functions.

These functions will complement those designated to the AASB to ensure a robust climate risk and assurance framework.

CMI looks forwards to engaging further with Treasury on its consultation⁸ regarding the detailed design and implementation of the Government's commitment to standardised, internationally-aligned requirements for disclosure of climate-related financial risks and opportunities in Australia.

Should you have any questions about CMI's submission, please contact Gabriella Warden, Manager, Research and Government Relations, at gabriella.warden@carbonmarketinstitute.org.

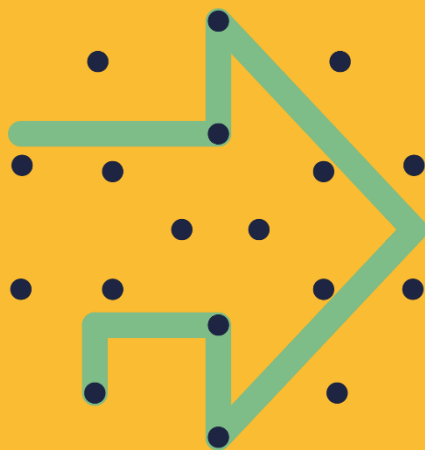
Yours sincerely,

A handwritten signature in black ink that reads 'Kurt Winter'.

Kurt Winter

Director, Corporate Transition

⁸ Australian Government Treasury 2022, 'Consultations: Climate-related financial disclosure', <https://treasury.gov.au/consultation/c2022-314397>.



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The Carbon Market Institute is at the centre of climate change policy and business in Australia. Independent and non-partisan, we bring business, policy makers and thought leaders together to drive the evolution of carbon markets towards a significant and positive impact on climate change.

Engaging leaders, shaping policy and driving action, we're helping business to seize opportunities in the transition to a low carbon economy.



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