



bp Australia Pty Ltd  
A.B.N. 53 004 085 616  
717 Bourke Street  
Docklands Victoria 3008  
Australia

17 February 2023

### **bp Australia response to the consultation paper on Climate-related financial disclosure**

bp welcomes the opportunity to provide comment on the consultation paper on Climate-related financial disclosure.

We support the government's commitment to provide Australians and investors with greater transparency and accountability regarding businesses' climate-related plans, financial risks and opportunities. We further support the proposal to develop standardized, internationally aligned reporting requirements for businesses to make climate-related disclosures regarding governance, strategy, risk management, targets, and metrics. We recognize the growing demand for this type of information and have already seen that bp's climate-related disclosures have played an important role in enhancing our engagement with investors and wider stakeholders.

#### **About bp**

bp has been operating in Australia for over 100 years. While we are not listed in Australia, we employ around 5,200 employees and long-term contractors across Australia and have operations in every State and Territory. We have a large network of retail sites providing fuel and other convenience to our customers. In 2022, we started the rollout of our electric vehicle charging network across Australia, initially targeting 600 charge points across Australia, and are working with partners exploring other decarbonized transport solutions like hydrogen for mobility. After successfully operating the Kwinana refinery for more than 65 years, we are now exploring options to produce renewable fuels and hydrogen at the site. We are also exploring another hydrogen project near Geraldton and have taken an equity share and operatorship of the Australian Renewable Energy Hub in the Pilbara that, if developed, will provide green electrons and hydrogen to support the decarbonization of the region and for export. We also have a 50 per cent share in Lightsource bp, one of Australia's largest renewable energy developers, are a partner in the North-West Shelf LNG Project, Browse Joint Venture, and are exploring options with partners for a large-scale, multi-user Carbon Capture and Storage Hub in the Pilbara.

Globally, bp's purpose is to reimagine energy for people and our planet. Our ambition is to become a net-zero company by 2050 or sooner; and to help the world get there, too. Globally bp aims to be net-zero across our operations (scopes 1 & 2), in our oil and gas production (scope 3) and for the energy products we sell (life-cycle emissions intensity). For each of these, we have also set short-term targets (2025) and medium-term aims (2030).



bp aims to be recognized as an industry leader in the transparency of its reporting. Our parent company, BP p.l.c. already provides disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures in its annual report in accordance with United Kingdom requirements.

Our comments draw on bp's experience with climate-related reporting (both mandatory and voluntary), and we hope the Treasury will find them informative and helpful in designing an Australian climate-related disclosure system.

#### **International alignment strongly encouraged**

bp strongly encourages the Australian government to align its climate-related disclosure system with international standards like the TCFD and the forthcoming standards of the International Sustainability Standards Board (ISSB). Climate-related disclosure obligations are being implemented by various governments globally and we strongly encourage alignment between these different systems. Alignment better facilitates those stakeholders (particularly investors) to compare decision-useful information across different markets, as well as, helping to reduce the reporting burden on those making disclosures, particularly for those where disclosure is relevant to more than one market, as it allows for the same systems and reports to be used to meet disclosure objectives of different countries.

#### **Expand coverage over time**

We are not listed in Australia and are already subject to disclosure arrangements in our home country, the United Kingdom, and may also be subject to arrangements being developed in the United States. We encourage Australia to consider thresholds for coverage used in other countries (for example, annual turnover and employee numbers), focusing initially on those businesses where disclosure will have the most impact on investment decisions.

Assessing whether or how to expand coverage over time will necessarily need to balance the benefits of additional disclosures with the costs of providing those disclosures, for businesses, their shareholders and customers.

Should coverage be expanded to businesses not listed in Australia, we strongly recommend allowing for substituted compliance where those businesses already meet relevant disclosure standards in their home country. Where decision useful information is already provided for investors and other stakeholders, duplication or separate reporting is not warranted.

#### **Timelines should allow adequate time for business to implement necessary systems**

bp understands the Australian government's desire to commence disclosures as soon as possible and intention to design and legislate the system during 2023 with disclosures to commence for the 2023-24 reporting year. When considering the lead time needed between passage of legislation and start of reporting, bp encourages the government to give due consideration to the time and resource required to develop internal systems and processes to collect, and sufficiently assure for purposes of disclosure, the new categories of data needed for the climate-related disclosures. Similarly, an appropriate lead time should be provided if expanding the disclosure requirements to other entities over time. Relevant systems and processes would need to be in place by the start of the reporting year, and businesses would likely need more time than is afforded by the current timeline.



### **Focused on material and decision-useful information**

bp is encouraged that the consultation paper indicates the Australian disclosure system would focus on disclosure of material information that is decision-useful for investors and other stakeholders. We are comfortable with aligning the approach to materiality to that adopted by the ISSB, using the same definition of materiality as in IFRS accounting standards. Businesses have other mechanisms (outside of mandatory disclosures), such as sustainability reports, where they can issue additional, climate-related information that does not meet the traditional materiality standard but addresses the informational needs of a broader range of their stakeholders including customers, governments, and civil society.

We believe the approach to emissions reporting in the TCFD is reasonable, with mandatory reporting of scope 1 and 2 emissions, and disclosures of scope 3 emissions where they are material to the business, or where the business has a climate target related to those scope 3 emissions. We do note the challenges with reporting scope 3 emissions and that these need to be considered when determining disclosure requirements.

### **Common data and scenarios**

bp agrees it is useful for the government to develop common data sets and scenarios to support businesses in assessing risks and preparing their disclosures. This can help build capability and reduce costs associated with disclosures. We also understand benefits to investors in comparing disclosures across different businesses if there are common scenarios. However, businesses should have flexibility to develop and use scenarios that are most useful to assess risks for their business.

### **Disclosure of transition plans**

We support the need for proportionate disclosure regarding transition plans in a manner that allows primary users of general-purpose financial reporting to compare material information from multiple entities in a consistent manner. We support continued transparency for the enablement of decisions by key stakeholders (particularly investors), and for comparability. We also feel it is important that disclosure remains flexible, to recognize the range of business models that they describe, while ensuring they do not undermine the accountability of a company's board in setting its own transition strategy.

### **Closing remarks**

We reiterate our support for standardized, internationally aligned reporting requirements for businesses to make climate related disclosures. We appreciate the opportunity to provide input and look forward to working with the government as it finalizes the design.