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RE: Climate Related Financial Disclosure

We recommend that Australia enact disclosure standards that require firms to account for emissions related to the infrastructure and transportation of fossil fuels. The need for these standards is best illustrated by the environmental claims of Dalrymple Bay Infrastructure (DBI) and, as of November 2022, its largest shareholder, Brookfield Asset Management.¹ DBI owns a 99-year lease of Dalrymple Bay Terminal, the world's largest export metallurgical coal terminal.² DBI claims that it is committed to net zero Scope 1 and Scope 2 carbon emissions by 2050, and lists "climate change and renewable energy transition" as one of the focus areas on the "sustainability" section of its website.³ However, DBI is simultaneously planning an expansion that would increase the terminal's coal export capacity by nearly 18 percent and that would, by one expert's calculation, reduce the entire remaining global carbon budget by 1 percent.⁴ Emissions from the burning of coal that is exported through the terminal fall under Scope 3, and DBI does not account for these emissions at all in its net zero pledge. DBI is a publicly traded company, and promoting net zero pledges while operating one of the world's largest coal terminals and planning its expansion runs the risk of greenwashing.

DBI's behavior is consistent with that of its largest shareholder. Brookfield Asset Management is one of the world's largest alternative asset managers, with over \$800 billion in assets under management worldwide.⁵ Brookfield is a significant and growing participant in the Australian financial system. According to the company's website, "In Australia, Brookfield has a large business that consists of a diverse real estate, infrastructure and private equity portfolio across key cities."⁶ Brookfield and institutional partners acquired La Trobe, an Australian asset manager with more than A\$13 billion in assets under management in 2022⁷; and as of January 2023 was in negotiations alongside MidOcean Energy to purchase Origin Energy in what Reuters reported is "one of the biggest private equity-backed buyouts of an Australian company."⁸

Brookfield currently positions sustainability investing as core to its strategy. Brookfield's website's "our businesses" section lists "Renewable Power & Transition" as the first of the firm's six categories, and

¹ Brookfield as largest shareholder:

<https://investors.dbinfrastructure.com.au/DownloadFile.axd?file=/Report/ComNews/20221107/02594668.pdf>, p. 15

² <https://dbinfrastructure.com.au/asset-overview/terminal-overview/>

³ <https://dbinfrastructure.com.au/sustainability/environment/>

⁴ https://img1.wsimg.com/blobby/go/946d6aac-e6cc-430a-8898-520cf90f5d3e/AFII_Brookfield_Coal_and_ESG-0001.pdf

⁵ <https://www.brookfield.com/about-us/who-we-are>

⁶ <https://au.brookfield.com/>

⁷ <https://bbu.brookfield.com/press-releases/bbu/brookfield-business-partners-acquire-la-trobe-financial>

⁸ <https://www.reuters.com/markets/deals/australias-origin-energy-extends-buyout-consortiums-exclusivity-2023-01-16/>

summarizes, “As a leading impact investor, our global platform provides innovative solutions to help governments and businesses meet their decarbonization goals.”⁹ Brookfield has a renewable power affiliate, Brookfield Renewable Partners, which says that it operates as “one of the world’s largest publicly-traded decarbonization platforms.”¹⁰ And in 2021, Brookfield formalized its support for a goal of net zero emissions by 2050 or sooner through the Net Zero Asset Managers Initiative.¹¹

Brookfield is well-situated to take advantage of the growing demand for ESG-related investment products. On June 22, 2022, Brookfield Asset Management announced its final \$15 billion close on its Brookfield Global Transition Fund (BGTF), “the world’s largest private fund dedicated to facilitating the global transition to a net-zero carbon economy.”¹² BGTF is co-headed by Mark Carney, Brookfield Vice Chair and Head of Transition Investing, who said, “With the global carbon budget being rapidly run down, now is the time for comprehensive, determined action.”¹³ Brookfield has presented the fundraise of BGTF to the Net Zero Asset Managers Initiative as an example of the success of its “climate-related engagement strategy with (its) clients.”¹⁴

Brookfield markets itself to investors as a global leader in decarbonization with financial products such as BGTF and Brookfield Renewable Partners stock. However, several of Brookfield’s investment practices run the risk of greenwashing, which the Australian Securities and Investments Commission has defined in the investment context as “the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical.”¹⁵ At the same time as Brookfield was raising BGTF and publicly supporting the goal of net zero emissions by 2050, the company was expanding its investment in fossil fuel infrastructure. Since the beginning of 2020, Brookfield has purchased a stake in several fossil fuel infrastructure companies. One of the largest of these investments was the purchase of Inter Pipeline, which as of December 2022 owned over 3,300 km of tar sands pipelines in western Canada.¹⁶ Brookfield claims to follow the Paris Aligned Investment Initiative Net Zero Framework, but the Inter Pipeline purchase appears to violate that framework, which recommends that investors should not allocate new capital to companies taking forward new exploitation of tar sands.¹⁷ Brookfield has made these investments while declining to disclose, or announcing any specific future plan to disclose, the emissions caused by the transportation of fossil fuels through its oil and gas

⁹ <https://www.brookfield.com/about-us/who-we-are>

¹⁰ <https://bep.brookfield.com/bep/stock-distributions/faqs>

¹¹ <https://www.brookfield.com/responsibility/brookfields-net-zero-commitment>;

<http://edgar.secdatabase.com/1221/100108522000010/a2021-40xfex991annualreport.htm>

¹² <https://bn.brookfield.com/press-releases/brookfield-raises-record-15-billion-inaugural-global-transition-fund>

¹³ <https://bn.brookfield.com/press-releases/brookfield-raises-record-15-billion-inaugural-global-transition-fund>

¹⁴ [https://www.brookfield.com/sites/default/files/2022-](https://www.brookfield.com/sites/default/files/2022-12/Brookfield%20NZAM%20Interim%20Progress%20Report%20December%202022.pdf)

[12/Brookfield%20NZAM%20Interim%20Progress%20Report%20December%202022.pdf](https://www.brookfield.com/sites/default/files/2022-12/Brookfield%20NZAM%20Interim%20Progress%20Report%20December%202022.pdf), p. 17 – in response to the question “Give details of your climate-related engagement strategy with your clients.”

¹⁵ <https://asic.gov.au/regulatory-resources/financial-services/how-to-avoid-greenwashing-when-offering-or-promoting-sustainability-related-products/>

¹⁶ For Brookfield purchase: <https://interpipeline.com/news-releases/brookfield-infrastructure-closes-strategic-acquisition-of-inter-pipeline/>. For amount of pipelines: <https://interpipeline.com/what-we-do/transportation/>

¹⁷ For Brookfield’s use of framework, <https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf>, p. 34. For framework on tar sands, https://www.parisalignedinvestment.org/media/2021/10/Net_Zero_Investment_Framework_final.pdf, p. 19

pipelines and coal terminals. Dalrymple Bay is an example of the greenwashing risk to the Australian financial system.

Dalrymple Bay: A “Net Zero” Coal Terminal?

Dalrymple Bay Terminal (DBT) was built by the Queensland Government, opened in 1983 and is the world’s largest export metallurgical coal facility. The terminal’s supply chain is capable of handling up to 84.2 million tonnes per annum (Mtpa) of coal.¹⁸ For calendar year 2021, DBT exported 54.3 million tonnes of coal, including 10.4 million tonnes of thermal coal.¹⁹ This amount of thermal coal is roughly equivalent to 87 percent of the amount of coal consumed in homes across the European Union in 2019 according to the Polish independent think tank Forum Energii.²⁰

Dalrymple Bay Infrastructure Limited (DBI) owns a 99-year lease of DBT.²¹ As of DBI’s most recent annual report, dated 31 December 2021, Brookfield owned 49.47% of DBI’s stapled securities.²² Brookfield was described as DBI’s largest shareholder in a sustainability report issued in November 2022.²³

DBI’s 2022 Sustainability Report claims, “DBI is committed to achieving net zero Scope 1 and Scope 2 greenhouse gas emissions from DBT operations by 2050.”²⁴ DBI reports that 98.6% of the terminal’s carbon emissions are associated with grid electricity, and that “considered solutions” include renewable power purchase agreements, low-emission vehicle prioritisations, and residual offsets.²⁵

However, the coal terminal’s impact on real-world emissions has little to do with the emissions of the terminal itself, and almost everything to do with the emissions from burning the coal that moves through the terminal. This activity falls under Scope 3 emissions. DBI’s 2022 Sustainability Report makes no commitment to reducing Scope 3 emissions, reporting only that “DBI and the Operator will conduct a materiality assessment of its Scope 3 categories to determine DBT’s material Scope 3 emissions.”²⁶

In fact, DBI is planning an expansion of the amount of coal that can move through the terminal. DBI’s proposed “8X Project” would expand DBT’s capacity by up to 14.9 Mtpa, a 17.7% increase over the current 84.2 Mtpa capacity. DBI sought, and the Queensland Competition Authority granted, a ruling that the costs of the 8X project should be socialized. DBI has already completed preliminary technical studies on the expansion, with economic assessments expected to be completed in the second half of

¹⁸ <https://dbinfrastructure.com.au/asset-overview/terminal-overview/>

¹⁹ <https://www.listcorp.com/asx/dbi/dalrymple-bay-infrastructure-limited/news/2021-annual-report-2689096.html>, p. 31. 54.3mt of total coal exports times 19 percent thermal coal = 10.4

²⁰ <https://www.dw.com/en/coal-rich-poland-faces-winter-of-energy-discontent/a-62759074>

²¹ <https://investors.dbinfrastructure.com.au/FormBuilder/Resource/module/QffK5lpyyU-JL7Cq6lFs5Q/file/DBI-Annual-Report-2021.pdf>, p. 6

²² <https://investors.dbinfrastructure.com.au/FormBuilder/Resource/module/QffK5lpyyU-JL7Cq6lFs5Q/file/DBI-Annual-Report-2021.pdf>, p. 66

²³ <https://investors.dbinfrastructure.com.au/DownloadFile.axd?file=/Report/ComNews/20221107/02594668.pdf>, p. 15

²⁴ <https://investors.dbinfrastructure.com.au/DownloadFile.axd?file=/Report/ComNews/20221107/02594668.pdf>, p. 6

²⁵ <https://investors.dbinfrastructure.com.au/DownloadFile.axd?file=/Report/ComNews/20221107/02594668.pdf>, p. 34

²⁶ <https://investors.dbinfrastructure.com.au/DownloadFile.axd?file=/Report/ComNews/20221107/02594668.pdf>, p. 34

2023.²⁷ Dr. Ulf Erlandsson, CEO of the non-profit climate finance organization Anthropocene Fixed Income Institute, has written, “Back-of-the-envelope carbon footprint of the 8x expansion value chain is 50Mtpa and 0.5GT over a 10yr running period. For all of DBI, the numbers will be 300Mtpa and 3GT. Remaining carbon budget to have a reasonable chance to reach the 1.5C target is around 300GT. Proceeding with 8x and running these things for a decade shaves off 1% of the remaining global carbon budget.”²⁸

An “ESG Reporting Loophole”

DBI’s failure to pledge to reduce Scope 3 emissions is consistent with the approach of its largest shareholder, Brookfield. In 2021, Brookfield formalized its support for a goal of net zero emissions by 2050 or sooner through the Net Zero Asset Managers Initiative.²⁹ Brookfield stated in its 2021 ESG report that its interim target for its Net Zero support is “reducing Scope 1 and 2 emissions across \$147 billion of our AUM by approximately two-thirds by 2030.”³⁰ In May 2022, Brookfield’s interim Net Zero pledge report said of Scope 3 emissions, “We intend to include Scope 3 once data is available and of sufficient quality.”³¹ The company’s 2021 ESG report includes Scope 3 emissions only for business air travel.³²

Brookfield has invested billions of dollars in fossil fuel transportation infrastructure in addition to DBI. Brookfield Infrastructure Partners’ 2022 corporate profile lists assets including 16,200 km of natural pipelines under “utilities” and 15,000 km of natural gas transmission pipelines under “midstream,” 17 natural gas and natural gas liquids processing plants, 600 bcf of natural gas storage, 3,400 km of gas gathering pipelines, 3,300 km of long-haul pipelines, and 3,900 km of conventional pipelines.³³ Brookfield has made several new investments in pipelines in recent years, including:

- June 2020: A consortium including Brookfield and other investors purchased a \$20.7 billion stake in the Abu Dhabi National Oil Company’s (ADNOC) natural gas pipeline assets, comprising 38 pipelines covering 982.3 km. Brookfield CEO Bruce Flatt said, “ADNOC has established itself as one of the world’s leading natural gas producers, with an exemplary operational record. We look forward to partnering with them in support of this critical asset and sector.”³⁴
- September 2020: Brookfield Infrastructure Partners purchased a 42 percent stake in Cheniere Energy Partners, the owner of Sabine Pass Liquefaction, a major liquified natural gas terminal in Louisiana that *The Times Picayune* reported is a major driver of the current natural gas drilling boom in Louisiana. Additionally, in July 2022, Cheniere asked the EPA to exempt it from limits on

²⁷ <https://investors.dbinfrastructure.com.au/DownloadFile.axd?file=/Report/ComNews/20230123/02622988.pdf>, p. 12

²⁸ https://img1.wsimg.com/blobby/go/946d6aac-e6cc-430a-8898-520cf90f5d3e/AFII_Brookfield_Coal_and_ESG-0001.pdf

²⁹ <https://www.brookfield.com/responsibility/brookfields-net-zero-commitment>;
<http://edgar.secdatabase.com/1221/100108522000010/a2021-40xfex991annualreport.htm>

³⁰ https://www.brookfield.com/sites/default/files/2022-07/bam_esg_report_2021_final_2.pdf, p. 7

³¹ <https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf>

³² https://www.brookfield.com/sites/default/files/2022-07/bam_esg_report_2021_final_2.pdf, p.55

³³ <https://bip.brookfield.com/sites/bip-brookfield-ir/files/2022-11/bip-corporate-profile-november-2022.pdf>

³⁴ <https://www.globenewswire.com/news-release/2020/06/23/2052009/0/en/ADNOC-Announces-20-7-Billion-Energy-Infrastructure-Deal.html>

emissions of carcinogenic pollutants at Sabine Pass, because the regulation would reduce shipments of natural gas to Europe, a request the EPA denied.³⁵

- April 2021: Brookfield Infrastructure purchased 10 percent of the NTS gas pipeline network in Brazil for \$337 million. Brookfield had previously purchased 90 percent of the network for \$5.2 billion in 2016, meaning this transaction brought Brookfield's ownership of NTS to 100 percent.³⁶
- October 2019: Brookfield Infrastructure invested in and gained joint control of Ramones II Norte and Ramones II Sur, two natural gas pipelines in Mexico.³⁷
- March 2019: Brookfield, via subsidiary India Infrastructure Trust, purchased East-West Pipeline, a 1,400km natural gas pipeline in India.³⁸

In a Q1 2022 letter to shareholders, the CEO of Brookfield Infrastructure wrote, "Natural gas, and more specifically LNG, will continue to be a leading transition fuel in the move towards net zero and is also expected to play a key role in providing global energy security."³⁹ However, a July 2022 peer reviewed study in *Nature* argues, "As gas pipelines, LNG terminals and gas-fired power plants have a technical lifetime of several decades, they pose a particularly great risk for carbon lock-ins."⁴⁰ The study concludes, "In summary, a fossil fuel with a high climate impact, often hidden under a misleading narrative, which hinders decarbonization via infrastructure expansion, and so creates carbon lock-in effects and bears high economic risk, cannot be a solution towards a zero-emission future."⁴¹ A December 2020 report by the Institute for Energy Economics and Financial Analysis called gas pipeline companies in particular omitting Scope 3 an "ESG Reporting Loophole."⁴²

³⁵ <https://www.reuters.com/business/energy/exclusive-cheniere-fix-louisiana-lng-plant-after-failing-pollution-test-2022-09-21/>

³⁶ <https://www.reuters.com/business/energy/brazils-petrobras-sells-stake-nts-gas-pipeline-network-2021-04-29/>

³⁷ <https://bip.brookfield.com/sites/brookfield-ir/files/Brookfield-BIP-IR-V2/Q3%202019/bip-q3-2019-form-6-k.pdf>, p. 38

³⁸ <https://timesofindia.indiatimes.com/business/india-business/ril-sells-gas-pipeline-to-canadas-brookfield/articleshow/68417526.cms>

³⁹ <https://bip.brookfield.com/bip/reports-filings/letters-unitholders/q1-2022-letter-to-unitholders>

⁴⁰ Kemfert, C., Präger, F., Braunger, I. *et al.* The expansion of natural gas infrastructure puts energy transitions at risk. *Nat Energy* 7, 582–587 (2022). <https://doi.org/10.1038/s41560-022-01060-3>

⁴¹ <https://www.nature.com/articles/s41560-022-01060-3#peer-review>

⁴² <https://ieefa.org/resources/hiding-plain-sight-european-gas-pipeline-companies-greenhouse-gas-emissions>