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To whom it may concern

Sustainable Finance Strategy – Consultation Paper

The Australian Investment Council welcomes the opportunity to provide this submission to Treasury for the consultation on the Development of a Sustainable Finance Strategy.

The Australian Investment Council (**the Council**) is the peak body for private capital in Australia and has over 220 members, including the leading domestic and international private capital firms operating in Australia. Private capital spans private equity, venture capital, private credit, family offices, superannuation, and sovereign wealth funds.

The Council represents Australia's private capital industry on policy issues that impact investment into Australia, including maintaining a steady and reliable flow of domestic and foreign investment capital, building, and retaining a world class talent pool, harnessing, and empowering innovation to support the national interest, and addressing the challenges of climate change to realise the opportunities of a net zero world.

Many of the Council's members are investing in businesses and technologies that will play a pivotal role in reducing carbon emissions and addressing the impact of climate change. The role of private capital in achieving net zero will continue to increase as technologies develop, nascent industries mature, and the opportunities of a net zero economy expand. Therefore, having the right policies in place is critical.

To achieve this aim:
- government policies and the Sustainable Finance Strategy (the Strategy) will need to be congruent with the global Science Based Targets initiative framework for 1.5°C aligned targets; and
- consideration will need to be given to how various public sector decarbonisation plans will interact with the Strategy to ensure continued flow of capital into Australia.

Our responses to this consultation are based on the perspectives and experience of private capital investors within our membership.

Key issues for our members include:
- accurate data and clear expectations for how companies should address data gaps – particularly in relation to Scope 3 emissions;
- standardised climate modelling;

- reporting guidelines that provide clarity and consistency including industry-specific guidelines where relevant;
- standards that align with other jurisdictions; and
- a taxonomy that is as simple as possible.

To achieve the desired objectives for the Strategy and considering the significantly wide breadth of the themes covered in the consultation paper, the Council would welcome further consultation on the issues raised in this submission as part of Treasury's consultation process.

If you have any questions about specific points made in this submission, please do not hesitate to contact me or our policy team via email at policy@investmentcouncil.com.au

Yours sincerely

Navleen

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Pillar 1: Improve transparency on climate and sustainability

Priority 1: Establish a framework for sustainability-related financial disclosures

1. **What are the opportunities for Government, regulators, and industry to support companies to develop the required skills, resources, and capabilities to make climate disclosures under the proposed new obligations?**

The private capital industry comprises investors ranging from early-stage venture capital firms to large private equity funds (managers of capital) and not-for-profit superannuation funds and other institutional investors (allocators and managers of capital). Given the diverse range of firms, their capacity ranges from one or two person organisations to larger organisations with multiple internal teams. Therefore, the ability to meet reporting obligations will vary amongst participants.

Consideration will therefore need to be given to the size and stage of an organisation, with an overriding objective to provide principles-based, rather than overly prescriptive, disclosure requirements.

Key areas where government and regulators could provide support to companies in developing the required skills, resources, and capabilities to implement the proposed climate disclosures are outlined below.

- Access to data: Provide accurate data and clear expectations for how companies should address data gaps – particularly in relation to Scope 3 emissions.
- Resources: Provide capability and expertise, especially for climate modelling and assurance and verification work, where skill sets do not exist or are limited in comparison to the level of demand that will develop in the market.
- Capacity building: Collaborate with academic institutions, research organisations, and international bodies to provide specialised training in climate reporting and scenario analysis.
- Guidance: Set clear guidelines and expectations on reporting entities. Providing this should produce comparable baseline information for which disclosures can be compared against.
- Industry-specific guidance: Develop industry specific guidance that provides clarity on how the disclosures should be applied.
- Alignment with international standards: Continue to align climate disclosure practices with international standards and reporting frameworks to ensure consistency and comparability of data.
- System capabilities: Establish Australian-level climate scenarios to provide a domestic baseline as a reference for industry.

Consideration of the three issues outlined below would also assist companies with an understanding of their climate-related reporting requirements under the proposed new obligations.

- A phased approach: Appropriate phasing in of requirements will assist in managing demand for limited skill sets and enable smaller companies to learn from larger companies reporting earlier.

- Experience in other jurisdictions: In the EU, and in other jurisdictions, government stipulated climate scenarios have been provided for ease for translation and comparison in disclosures.

- Australian Accounting Standards: The draft AASB standards contemplate requiring disclosure of climate resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set out in the *Climate Change Act* 2022 (Cth), to limit the increase in the global average temperature to 1.5°C above pre-industrial levels.

2. How should the Government, regulators and industry prepare for global developments in sustainability-related financial disclosure frameworks and standards, including the TNFD?

Four priority areas for Government, regulators, and industry to consider are outlined below.

Development of benchmarks
- Well-established benchmarks need to be available to ensure the interpretation of financial disclosure have meaningful comparisons.
- In developing benchmarks, consideration should be given to industry specific or whole of market options. For example, software companies will have a different carbon profile to hardware companies that require more materials, use more transportation, and cover more distance in manufacturing and delivering goods.
- Benchmarks will enable stakeholders to effectively utilise the information provided by a disclosure framework and will provide a basis of comparison of the information provided and appropriate information on what the metrics and data mean.

Governance
- High governance standards are critical for the effective introduction of a financial disclosure framework.
- If a Board does not understand the outcome of the disclosure requirements and is not able to compare to relevant benchmarks, the benefits from introducing the disclosure standards will be diminished.

Data and databases
- Government will need to work with industry to design integrated databases and tools. These can be provided to all disclosing entities to ensure they have consistent and sufficient data to complete the required analysis in a cost-effective, consistent manner. This is a particular concern for nature-related reporting which is far more complex than climate related reporting given location-based differences.

International practice

- Maintaining connections with international working groups and establishing domestic structures that consider and adopt international developments will be important for Australia to remain aligned with international standards. Consistency and alignment with international practice is critical for investors and in reducing the compliance burden on companies.

Priority 2: Develop a Sustainable Finance Taxonomy

3. What are the most important policy priorities and use cases for an Australian sustainable finance taxonomy? What are the key insights from international experience to date?

Policy Priorities

The taxonomy needs to:

- Identify and effectively communicate the goal of the taxonomy.
- Consider whether sustainability categories need to be prioritised – for example, should the taxonomy be consistent with the EU and include climate adaptation (not just mitigation) as a priority?
- Dovetail into the regulatory outcome the taxonomy is trying to achieve.
- Be clear on the baseline.
- Be clear on how the taxonomy deals with avoided emissions.
- Provide descriptions and examples of measurements, not just definitions.
- Appropriately address hard to abate sectors. Many hard to abate sectors are critical for the transition to net zero and the taxonomy needs to contemplate this appropriately to ensure the sectors are not treated as 'outsiders.
- Be compatible with any Australian-level climate scenarios, sector decarbonisation pathways, and best practice climate transition plan guidelines that are being developed for companies. This is to ensure that all these components of Australia's sustainable finance architecture are developed consistently.

Insights from international experiences

- Keep the taxonomy as simple as possible.
- The 'do no significant harm' requirements in other jurisdictions have been heavily criticised. Two of the key reasons are that:
    - subjective language can allow differential interpretations and application (and therefore, results); and
    - binary "yes/no" outcomes can produce blunt results. An option for the Government to consider is a grading or percentage system (enabling a percentage holdings assessment, rather than zero per cent or 100 per cent).

Below are some further learnings from other jurisdictions that we would encourage policy makers to consider.

Resources and guidance

- From a useability perspective, in EU and some other jurisdictions, the relevant regulator has established 'navigator' style resources to assist with awareness and compliance. These include examples and guidelines which aid in interpretation and implementation.
- A similar approach for implementation in Australia would be important for providing clarity and certainty to users.

ICMA report

- The 2022 report produced by the International Capital Markets Association on usability of the EU Taxonomy made several core recommendations which the Government may wish to consider.
- One of the recommendations related to inconsistent use of estimates and third-party data to assess taxonomy alignment, which we understand anecdotally has been a material implementation issue in the EU because of inconsistent results, and risk.

'Traffic light' system

- A 'traffic light' colour coding system to classification applies in the Singapore taxonomy and classifies activities as green (sustainable, aligned with taxonomy objectives); amber (transition activities on a pathway to aligning with taxonomy objectives); and red (unsustainable or excluded activities).

'Bad industries'

- In principle, 'bad' industries may continue to be investable; they just cannot be labelled or reported as sustainable, or taxonomy aligned – and this is a key difference from an investment perspective.
- A list of 'bad industries' would be counter-productive and discourage investors from allocating capital to improve actions/behaviours and create ambiguity about supply-chain related investments.
- The Council is aware that this has been identified as an issue in other jurisdictions with supply-chains that may supply to a 'bad industry' but would otherwise be taxonomy 'aligned activities'.

4. What are priorities for expanding taxonomy coverage after the initial focus on climate mitigation objectives in key sectors?

- Consistent with the Sustainable Finance Disclosure Regulation (**SFDR**), topics covered should eventually expand to:
    - Nature, including biodiversity;
    - Human rights and modern slavery; and
    - Social inclusion and social equity.

- The Council notes that the EU is now looking specifically at biodiversity objectives for its taxonomy.

- When developing a roadmap for coverage the taxonomy needs to prioritise outcomes that are required by 2030.
- It should work closely with industry bodies and other entities that may already have established and recognised standards. See the comments above under Policy Priorities for Priority 2, question 3 in relation to consistency with Australian climate scenarios and sectoral decarbonisation pathways.

5. **What are appropriate long-term governance arrangements to ensure that the taxonomy is effectively embedded in Australia's financial and regulatory architecture?**

- The role of embedding the taxonomy should be included into the remit of an existing body rather than creating a new authority. However, regular consultation should be sought from peak industry bodies representing a wide range of relevant stakeholders including large corporates, big emitters, the investment community, and the property sector.
- Inter-operability should mean greater alignment with other capital markets, international reporting and labelling requirements and increased transparency for investors.
- In addition to expanding to other priority industries and sustainability, many existing taxonomy frameworks include legislated periodic reviews to ensure that the taxonomy adapts to changing conditions and the progress of net zero transition.
- Effective embedding will require a significant increase in human capability. The Government can provide support by ensuring that sufficient scientific capability is developed over and above accounting capability.

Priority 3: Support credible net zero transition planning

6. **What are key gaps in Australian capability and practice, including relative to 'gold standard' approaches to transition planning developed through the TPT and other frameworks?**

- A clear definition of what 'net zero' means, including the gold standard for transition planning.
- Climate modelling is currently inconsistent and therefore problematic, particularly as outcomes in transition planning will differ depending on what model is utilised to assess physical and transition risk.
- There is a need to standardise climate modelling and make this publicly available to ensure high quality transition planning is completed by companies in addition to large corporates. (See comments above under Policy Priorities for Priority 2 question 3, on climate scenarios and sectoral decarbonisation pathways.)
- Outline how offsets should be utilised, including when, how many, and what types.
- Inclusion of just transition considerations.

7. **To what extent will ISSB-aligned corporate disclosure requirements improve the transparency and credibility of corporate transition planning? What additional**

transition disclosure requirements or guidance would be most useful in the medium.

- ISSB-aligned standards provide a common framework for sustainability reporting. This ensures consistency in the way companies disclose information about their transition plans, making it easier for stakeholders to compare and evaluate performance across industries and regions.
- ISSB will be the first step to progressing standardisation in sustainability related corporate disclosure.

Transition planning considerations

- The competitive position of export industries on a global basis is likely to shift as the world transitions to net zero. Australia's export composition and the carbon intensity of our exports might change. There needs to be flexibility in the transition disclosure requirements to adapt to changes in our national carbon accounting.
- A consideration for medium term transitional disclosure requirements would be, for example, how our national carbon accounts and national transition requirements would shift if Australia were to shift from exporting coal to exporting hydrogen.

8. Are there related priorities and opportunities for supporting enhanced target setting and transition planning for nature and other sustainability issues?

- Benchmarking standards need to be established for Australia's outcomes on a sustainability issue to establish a baseline for where we are today before a commitment is made to any targets. This is particularly the case for nature target setting.
- Transition planning should start to incorporate nature risk due to the high nature dependence across the Australian economy, even if initially only on a qualitative basis. However, there needs to be significantly more work undertaken before Australia can set robust, scientific based nature targets.

Priority 4: Develop a labelling system for investment products marked as sustainable

9. What should be the key considerations for the design of a sustainable investment product labelling regime?

- Australian can from the experiences in Singapore and Europe in relation to product labelling.
- The success of a sustainable investment product labelling regime will be determined by transparency of methodology, assumptions, investment approach and reporting requirements.

Below are some learnings from other jurisdictions that we would encourage policy makers to consider.

Sustainable Finance Disclosure Regulation – EU experience

Regulations and frameworks that are compatible with comparable jurisdictions would be beneficial in enabling the flow of capital internationally

- We encourage the Government to have regard to the key learnings from the European Commission which published its consultation on the Sustainable Finance Disclosure Regulation (SFDR) in September 2023.
- The consultation is open to feedback until 15 December and begins the Commission's comprehensive assessment of the disclosure regulation spanning issues such as legal certainty, usability, and how SFDR can play its part in addressing greenwashing.
- It would be useful to also consider the UK Financial Conduct Authority's development of its own Sustainability Disclosure Requirements (SDR) and investment labels regime.

<u>Product labelling</u>

- Any labelling regime should be aligned with core overseas jurisdictions for international recognition and interoperability between regimes – for example, an Australian based fund manager compliant with the Australian product labelling regime for "impact" should be recognised by EU investors without having to undergo separate compliance with EU Article 9.
- Deep consideration needs to be given to the standards required for each tier of product labelling. The EU has experienced issues where the Article 9 standard is unattainable in some cases, leading perversely to market participants pulling away from the Article 9 standard based on greenwashing concerns.
- Align and tailor product labelling with priority focus areas such as nature, including biodiversity. human rights and modern slavery and social inclusion and social equity (as outlined in Pillar 1 priority 2, question 4 in this submission.)

<u>Liaison with other jurisdictions</u>

- From an international capital flow perspective, it is important that the Australian Government liaise with overseas jurisdictions for international recognition of each other's regimes, i.e., if Australian based fund managers comply with the Australian product labelling regime for "impact", this should be recognised by EU investors also, without the need to also comply with the EU Article 9.
- Each assessment should focus on an isolated issue, opposed to trying to consider the full suite of sustainability issues.
- The product labelling regime must be completely aligned with the taxonomy. The lack of alignment between SFDR and the EU taxonomy has created a number of implementation issues.
- Establish clear measurement and reporting at the outset. A unit level measurement of impact needs to be measurable, without this the growth of positive or negative impacts cannot be consistently quantified over time.
- There should be limited (but not zero) tolerance for negative side effects.

<u>Product labelling and greenwashing</u>

- The interplay of product labelling and greenwashing risks should be considered – these are very related issues.
- Consideration should be given to a product category where, on initial investment, a product may not satisfy the highest bar (e.g., Article 9) but part of the investment thesis

is to get it there. This is not currently a category in the EU regime and precludes genuinely impactful investments from being recognised as such.

10. How can an Australian model build off existing domestic approaches and reflect key developments in other markets?

- Refer to the comments in question 9 above.

Pillar 2: Financial system capabilities

Priority 5: Enhancing market supervision and enforcement

11. Are Australia's existing corporations and financial services laws sufficiently flexible to address greenwashing? What are the priorities for addressing greenwashing?

<u>Build capability</u>
- In acknowledgement of the challenges in transitioning to sustainable finance practices, ASIC needs to make allowances for smaller companies. This includes allowing them to build capabilities and ASIC taking a flexible approach to compliance for smaller enterprises with a focus on education and cooperation rather than strict enforcement and penalties.

<u>Education</u>
- Educate investors, consumers, and financial professionals about greenwashing risks and how to critically assess green financial products.
- Raise awareness about the importance of due diligence and scepticism when evaluating sustainability claims in the financial sector.

<u>Strengthen regulatory framework</u>
- Strengthen regulatory frameworks to monitor and enforce accurate and transparent disclosure of environmental impacts and risks associated with financial products.

<u>Third-party verification</u>
- Encourage third-party verification of green claims through internationally recognised organisations, such S&P, to support confidence in the allocation of capital.

12. Is there a case for regulating ESG ratings as financial services?

- ESG rating systems have proven to be very complex. For example, MSCI in the US is complex and has shown compelling examples where positive impact is not actually captured.
- Consideration should be given to standardising practice, the taxonomy, and disclosures to facilitate clarity and certainty.
- Ratings may be a consideration as the market matures.

Priority 6: Identifying and responding to potential systemic financial risks

13. Are there specific areas where the Government or regulators could further contribute to market-wide understanding of systemic sustainability related risks, including climate-related financial risks?

- Ensure the Government's designated sectoral decarbonisation pathways integrate with the sustainable finance taxonomy.

Priority 7: Addressing data and analytical challenges

14. What are the priorities for ensuring that data-related initiatives already underway are tailored to meet the needs of firms and investors?

Science-based data

- Science-based quality data is core to the ability to comply, in an efficient and timely manner, with mandatory reporting obligations, to assessment and verification (and therefore the workability) of the taxonomy and product labelling.
- The experience in other jurisdictions such as Singapore and the EU should be considered in relation to potential implementation issues, and disclosure and labelling risks.

International experience

- We are aware of the International Monetary Fund (**IMF**) referring to this 'data deficit' as posing a substantial obstacle to the transition. Referring to its co-authored *Network for Greening the Financial System*[1] report with the European Central Bank, IMF stressed the impact of the gap that phased reporting by smaller or unlisted companies created, and the need for a climate-data directory.

Data gaps and Scope 3

- In the EU, there has been reported gaps in implementation due to lack of a clear framework about data – things like quality assurance, data ownership, access, and risk, and setting standards for how data is provided, translated, and aggregated. Scope 3 emissions data and reporting is a particular focus.
- As an example, the Exposure Draft Australian Sustainability Reporting Standards published by the Australian Sustainability Standards Board (**the draft AASB standards**) provide that a reporting entity is not required to disclose Scope 3 emissions in the first annual reporting period in which the entity applies the draft AASB standards.
- There are concerns that without Government support to rapidly close data gaps, subsequent Scope 3 emissions reporting requirements may lead to potentially unreliable

[1] Network for Greening the Financial System

and inaccurate reporting and organisations have real concerns about this and other data gaps.
- Investment bodies in the EU have also reported issues that have arisen due to the phased roll-out of mandatory reporting obligations – claiming that some investors have been required to report before their investees.

European Single Access Point
- In the EU, there is new focus on the European Single Access Point (ESAP) to address some of the data issues – it will be a single access point for public financial and sustainability-related information and EU companies and investment products. It is also part of a related digital strategy and digital finance strategy.
- Existing data and capacity constraints in relation nature-related reporting, is more complex than climate-related reporting given the uniqueness and diversity of nature, biodiversity and ecosystems including location-based differences.

Considerations for Government
- Government could consider the following priorities to ensure the relevant data is available:
- Continue with consultations on matters such as government initiatives and disclosure requirements to ensure data initiatives are meeting the highest priority needs of industry.
- Ensure appropriate level of piloting and case studies of the data initiatives is undertaken and key learnings shared publicly.
- Ensure representatives from the investment community are included in relevant working groups developing the data initiatives.

15. What key sustainability data gaps or uncertainties faced by financial institutions in Australia should be prioritised by the CFR?

- We defer to others for comment on this question.

Priority 8: Ensuring fit for purpose regulatory frameworks

16. Do you agree that existing regulatory and governance frameworks and practices have adapted well to support better integration of sustainability-related issues in financial decision making? Are there barriers or challenges that require further consideration? This may include:
   - **Corporate governance obligations, including directors' duties**
   - **Prudential frameworks and oversight, including in relation to banks and insurers**
   - **Regulation of the superannuation system and managed investment schemes**

Your Future, Your Super:

- A revision of the benchmark should ensure investment in sustainable assets is not disincentivised but rather, is encouraged.
- Solutions could include widening the tracking error for sustainable funds, carveouts for certain assets, and separate benchmarks for sustainable funds.
- The Council is aware that some organisations have made public submissions regarding the impact of the Your Future Your Super performance benchmarks as the current indices used to calculate benchmark returns impact the funds capacity to invest in sustainable products.

17. What steps could the Government or regulators take to support effective investor stewardship?

- The Government could clarify expectations for effective stewardship and provide guidance on best practice.
- The UK Stewardship Code is the most well-known and internationally recognised standard, therefore could be referenced in this process.
- When developing stewardship recommendations for the Australian market the Government or regulators should consider widening the director pool base (with a focus on diversity, including diversity beyond gender).

Pillar 3: Australian Government leadership and engagement

Priority 9: Issuing Australian sovereign green bonds

18. What are the key expectations of the market around issuance of, and reporting against, sovereign green bonds? What lessons can be learned from comparable schemes in other jurisdictions?

- We defer to others for comment on this question.

19. What other measures can the Government take to support the continued development of green capital markets in Australia?

- As rating agencies have the ability to verify ESG and sustainability standards, the Government would be better placed to incentivise best practice conduct through the provision of tax rebates or other concessions for those entities accredited independently as exceeding standards for green finance.

Priority 10: Catalysing sustainable finance flows and markets

20. What role can the CEFC play to support scaling up of sustainable investment in Australia, as part of a more comprehensive and ambitious sustainable finance agenda?

- The CEFC has played a considerable role to date in supporting clean energy initiatives. We believe it will continue to be an important facilitator of the energy transition and is well placed to do so, given it already provides a broad spectrum of debt and equity solutions.
- As has always been the case, care will need to be taken to ensure that the CEFC continues to 'crowd in' private investment.
- It may be worth considering whether the CEFC has sufficient flexibility and capacity to optimise investment in nascent industries and technologies that will, if scale can be built, can contribute to Australia's net zero objectives.

21. What are the key barriers and opportunities for the CEFC to support financing and market development in areas with significant climate co-benefits, including nature and biodiversity?

- Informed by its track record on clean energy, and given natural capital is already within the CEFC's mandate, we see a role for it in ongoing efforts to protect nature and biodiversity.
- At present, these are not yet institutional asset classes. Typically, characteristics such as certainty of regulatory framework, valuation frameworks, substantial and sustained pipelines of opportunity and liquidity options are required for investment opportunities to an become institutional asset classes.
- In terms of the specific barriers for natural capital, we believe there are others who will have a perspective.

Priority 11: Promoting international alignment

22. What are the key priorities for Australia when considering international alignment in sustainable finance?

- We support efforts to align Australian frameworks with those of Australia's major trade and investment partners, particularly given Australia's dependence on cross-border capital flows. Consistency of climate-related regulation and frameworks supports market efficiency and effectiveness.
- Equally important is that Australia does not simply replicate the framework of another jurisdiction. We would encourage policy makers to ensure Australia's frameworks also take into account the country's unique opportunities and challenges, particularly with respect to climate and energy transition.

Priority 12: Position Australia as a sustainability leader

23. What are other key near-term opportunities for Australia to position itself as a global leader in sustainable finance and global climate mitigation and adaptation?

- Investment in green projects is currently largely focused on infrastructure, which is understandable given the role of electrification in climate mitigation and adaptation. However, it is important that sustainable finance practices support the development of underlying enabling technologies. Australia could play a greater role in the development of exportable technologies that could elevate its status as a global leader.
- This could be enabled through deliberate Government policies and programs to help start-ups or early-stage entities working in the decarbonisation space who lack capital or resources to independently scale or compete with established businesses in procurement processes.
- For example, the Government could pursue:
  1. subsidies for companies working on decarbonisation / net zero enabling technology;
  2. tax incentives for private capital to invest in businesses focused on decarbonisation / net zero enabling technology;
  3. facilitating scaling by Government acting as a co-investor with private capital and/or a customer; and
  4. clearer ‘connecting the dots’ to help entrepreneurs and smaller investors better engage with the various programs that already exist that would support development a world-leading climate technology sector in Australia.

- Recognising that public balance sheets are already constrained, such initiatives could be delivered through a carve-out from existing programs.

24. What are some longer-term international sustainability goals for Australia where sustainable finance can play a role?

- The Australian Government can provide investment through sustainable finance for projects in the Pacific region that will help neighbouring economies transition to net zero.
- This will help Australia meet its obligations as a regional leader in promoting the UN’s Sustainable Development Goals.

25. **What are the key market, regulatory and institutional barriers to increasing private sector engagement in blended financing opportunities? How can these barriers be overcome?**

- Currently there are limited models for collaboration between government and the private sector for investment into net zero projects.
- Public Private Partnerships have been traresourcditionally largely focused on larger infrastructure projects with no precedence for collaboration in the net zero space where large scale financing is needed to facilitate investment into large scale infrastructure and enabling technologies.
- Private capital can amplify the impact of public funding through collaborative investment.
- To achieve this outcome, we encourage the Government to develop a framework for co-investment with the private sector specific to projects which will facilitate Australia’s transition towards a net zero economy.

- To encourage investment by the private sector, government may consider taking on some of the financial risk until the projects reach sufficient maturity whereby they are to making investment returns.

26. What are other means to mobilise private sector finance toward sustainability solutions in the Indo-Pacific region?

- The Government can provide incentives for Australian-domiciled businesses who provide green financing for sustainability solutions in the Indo Pacific region, in recognition of the contribution their investment will be making towards the regional and global aspirations of net zero emissions.
- For example, the Australian Government could act as a partial guarantor for contracting arrangement between private Australian enterprise and regional state entities for projects that facilitate a net zero transition.