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Australian Sustainable Finance Strategy consultation

BHP welcomes the opportunity to provide feedback on the consultation paper released in November 2023 to inform Australia's Sustainable Finance Strategy (the Strategy). We are supportive of the Government's efforts to engage industry and collaborate across sectors.

Australia is now the world's leading mining exporter, success which is the result of decades of industry investment to scale the country's production of key commodities to meet global demand. Looking forward, achieving the aims of the Paris Agreement will require rapid and widespread deployment of decarbonisation technologies and scaling up the mineral production that underpins them, along with the required capital.

Fiscal stability alongside globally competitive policy settings remains critical for attracting and retaining investment in Australia. Australia's relative fiscal settings will play a crucial role in determining whether Australian mining projects are able to secure investment.

About BHP

BHP is a global resources company. We have an extensive presence in Australia, including iron ore and nickel assets in Western Australia, copper assets in South Australia and metallurgical coal assets in Queensland. Our total economic contribution in Australia was A\$60 billion in FY2023, which included the payment of wages and benefits to around 50,000 employees and contractors.

BHP supports the aims of the Paris Agreement to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C, and the 2030 and 2050 emissions reduction targets of the Australian Government. We also supported the recent decision of the Australian Government to transform the Safeguard Mechanism into an emissions reduction scheme. BHP currently operates 17 Safeguard facilities, comprising seven coal facilities, six iron ore facilities, three nickel facilities and one copper facility.

Considerations for the Strategy

We provide the following feedback to inform development of the Strategy. Our feedback outlines several elements of the Strategy and aspects that are important to BHP, rather than responding to specific questions raised in the consultation paper.

- **Objectives and principles** – BHP recognises the critical role of finance in helping the world achieve the aims of the Paris Agreement and in supporting the transition to net zero. We support the objectives of the Strategy to mobilise investment, preserve and enhance access to capital, and to understand and manage climate-related opportunities and risks. We also note the relevance of the principles of the Strategy in achieving these objectives, particularly alignment with global practice, consistency with achieving national and global climate goals, progressive and sequential implementation, simplicity and wide-ranging usability, and collaboration in development.

Principles in this context are also important for providing business with clarity in terms of key dimensions of the operating environment. BHP supports the concept of additionality and believes that further sustainable financing will be encouraged by clear and consistent policy principles that operate across jurisdictions to inform business decisions and deliver value for stakeholders. In contrast, BHP does not believe prioritising a labelling system for sustainable investment products will have a material impact on encouraging further sustainable financing.

- **Policy alignment and reform agenda** – BHP acknowledges the Strategy is part of a broader suite of reforms underway in Australia regarding climate change and economic policy. We note the importance of the reform agenda in supporting Australia’s role in achieving the aims of the Paris Agreement and the transition to net zero emissions.

It is important that the Strategy and the associated priorities recognises the interconnectivity across policy areas and reform priorities, including implications and flow-on effects to other policy areas which influence the transition and the investment settings required, for example, the Strategy and broader reform agenda needs to support a stable and pro-investment regulatory and policy environment – traditionally a strength in Australia and essential for future growth.

- **Maintaining access to capital for Australian industry** – BHP is supportive of the Strategy’s intent to mobilise investment and enhance access to capital for Australian entities to support Australia’s transition to net zero. Achieving the temperature aims of the Paris Agreement will require the rapid and widespread deployment of clean energy technologies like renewable energy, nuclear power, battery storage and electric vehicles. This transformation will only be possible through the scaling up of metals and mineral production. The capital investment required to unlock this production will be significant – estimated at an additional US\$100 billion per year¹.

The strength of the mining sector has been a bedrock of Australia’s fiscal policy environment. Within this frame, it is critical the Strategy and related priorities support widespread access to capital across sectors and industries, both existing and new. This is especially important for emissions intensive sectors essential to the transition to net zero, such as mining. The Strategy needs to avoid over-simplification of investment as ‘good’ or ‘bad’ in the context of a company’s or sector’s emissions or inducing a ‘screening’ effect across capital allocation. Rather, the Strategy and priorities should support continued access to capital in support of the transition, across both low and emissions-intensive sectors and recognise strong sustainability performance in each sector.

- **Alignment and interoperability with established international practice** – As a global company, BHP operates under multiple sustainability-focused standards and frameworks in a number of jurisdictions. Alignment and interoperability across these requirements is essential for streamlining reporting efforts, consistency of disclosures, and simplifying alignment for covered entities. The Strategy and its priorities should look to established international best practice and, to the maximum extent possible, ensure alignment and interoperability. This is particularly relevant to disclosure and reporting requirements such as the proposed mandatory climate-related financial disclosure requirements and Australian Sustainable Finance Taxonomy, but also related elements such as transition planning. Alignment and interoperability are fundamental to enabling effective implementation through reducing administrative requirements of covered entities and leveraging established capabilities and practices.

While alignment and interoperability are central, it is also important the Strategy and its priorities maintain flexibility to adapt to global developments. The landscape of sustainability and climate-related standards, frameworks, and regulations is evolving rapidly, and Australian efforts need to remain up-to-date and consistent with global best practice. Given the Australian expertise and know-how in mining and current lack of a mining taxonomy globally, an opportunity exists for Australia to be a global leader in the development of a mining specific taxonomy. Again, maintaining pace with global developments in this context further supports entities to implement new requirements most simply and efficiently.

- **Mandatory climate-related financial disclosures** – BHP is supportive of standardised, internationally aligned climate-related disclosures. We were pleased to provide responses to Treasury’s consultation regarding mandatory climate-related financial disclosures in both February and July 2023. As these responses provided specific detail regarding the proposed disclosures, here we provide high-level considerations for mandatory climate-related financial disclosures in the context of the Strategy.

¹ Recapturing Australia’s Competitiveness. Challenges and opportunities for Australia’s mining sector. BHP, November 2023

BHP encourages maximum alignment of a climate-related financial disclosure regime in Australia with the finalised International Sustainability Standards Board (ISSB) disclosure standard released in June 2023. We believe this will be foundational to building global consistency and comparability in climate-related financial reporting.

- **Clear definitions and guidance** – Where specific terminology or new themes are produced within the Strategy’s priorities, it is important that clarity is provided on both how these are defined and expectations of new reporting or disclosure requirements. For example, the term ‘Do No Significant Harm’ is discussed in the consultation paper with regards to the Australian Sustainable Finance Taxonomy. Such terminology and the themes to which it relates needs to be clearly defined and explained to enable entities to consider the implications appropriately and effectively meet any new requirements.

In developing clear definitions, it is also important practicality and the broader context is considered. This includes recognising that companies operate in complex and dynamic environments where it may not always be possible to undertake activities which enhance one aspect of sustainability while avoiding impacts to others, and maintaining a perspective where the overall benefits are considered, noting there may be some less significant impacts from activities undertaken to deliver these benefits.

In addition to definitional clarity, we encourage the Government to develop guidance to accompany and support application of the priorities and reforms within the Strategy, particularly surrounding mandatory climate-related financial disclosures. Such guidance should be in addition to existing material, such as the guidance already issued by the ISSB.

Thank you again for the opportunity to contribute to the Australian Sustainable Finance Strategy. If you have any questions relating to this submission, please do not hesitate to contact me using the details below.

Yours sincerely

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