

AMPOL LIMITED
29-33 BOURKE RD
ALEXANDRIA NSW 2015
ABN 40 004 201 307
ACN 004 201 307



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Sustainable Finance Unit

Climate and Energy Division

The Treasury

SustainableFinanceConsultation@treasury.gov.au

RE: Sustainable Finance Strategy Consultation Paper (November 2023)

Introduction

Ampol Limited (**Ampol**) welcomes the opportunity to engage with the Treasury on the Sustainable Finance Strategy Consultation Paper (**Consultation Paper**).

Ampol supports the Paris Agreement's long-term goal of limiting the increase in global average temperatures to well below 2°C above pre-industrial levels, as well as the Government's goal of achieving net zero emissions in Australia by 2050 or sooner. As an organisation supplying transport fuels, Ampol understands its role to play in the energy transition and to offer new energy solutions to its customers.

In recent years, climate change has begun to be integrated across a wide range of portfolios, in recognition of its far-reaching effects. The Sustainable Finance Strategy usefully summarises the objectives and reforms actuated by climate change in the financial system. Given this, Ampol supports the Sustainable Finance Strategy as a structure for rolling out orderly and coordinated reforms to help align investment and economic growth with the transition to net zero by 2050.

Ampol recognises that the Government is working quickly to develop policies intended to accelerate efforts to positively impact climate change. However, Ampol is concerned by the volume and rate that new policies are being introduced and the ability to meaningfully consult on such policies. The implementation of underdeveloped policies, including the potential for a disconnected suite of policies, would be counter-productive, potentially causing more problems than the Consultation Paper seeks to solve. The below submission outlines this concern in greater detail, as well as feedback on some of the other proposals.

About Ampol

As Australia's leading fuel supplier with over 120 years of operations experience, Ampol recognises the essential role it plays in working with Government and regulators to support Australia and align goals wherever possible.

Ampol manages Australia's largest fuel and convenience network as well as refining, importing, and marketing fuels and lubricants. With our extensive experience, we have grown to become the largest transport fuels company listed on the Australian Securities Exchange.

In May 2021, Ampol released its Future Energy and Decarbonisation Strategies, which outlined our plans to transition our business to future fuels and energy solutions. Following this, Ampol published a Climate Report in July 2023, which provides an update on our progress on the delivery of these strategies. The Climate Report was prepared in alignment with the Taskforce on Climate-related Financial Disclosures (TCFD).

Ampol is transitioning in line with customer demand, technology availability, and our ambition to achieve net zero emissions across our Australian operations (Scope 1 and Scope 2) by 2040, with interim targets also included. Ampol has launched its electric vehicle charging brand, AmpCharge, as well as home electricity brand, Ampol Energy.

Feedback

The pace of climate- and sustainability-related policy development in Australia

Ampol has significant concerns about the overwhelming amount of policy development and implementation the Government has planned for the near future. With only seven months remaining until 1 July 2024 – the slated commencement of mandatory climate-related financial disclosures – adding further consultation beyond what the Government is already doing across multiple Departments may lead to unintended consequences. This includes risk of implementation of underdeveloped policy at a time where it is crucial Australia gets its policy settings right to support genuine climate action for an orderly transition, as well as the potential for excessive strain on resources.

The immense administrative burden generated by multiple, high priority policy streams across several Federal Departments is having the unfortunate, unintended consequence of diverting resources to focus on compliance rather than genuine climate action. A whole-of-government approach is needed to evaluate the feasibility of the volume and timeframe of current climate-related policy development and implementation plans.

Resourcing is also under significant pressure across climate-related areas of work. Ampol believes that the Government should focus on a tempered implementation plan that keeps pace with the capacity and capability across Australia's accounting, audit, and sustainability professionals, as well as all other relevant support services.

Ampol recommends reconsidering the timeframe within which the implementation of most elements of the Sustainable Finance Strategy and/or consider its introduction through a phased approach. Indicatively, Ampol believes at least one additional year is required to enable sensible sequencing of the workload, adequate consultation to be conducted, and necessary outstanding matters to be resolved (e.g. Safeguard Mechanism reforms, climate-related financial disclosures, development of a Guarantee of Origin scheme, etc.).

Sustainability-related financial disclosures

Ampol is supportive of the implementation of climate-related financial disclosures in Australia and has actively engaged in consultation with the Treasury on this matter.

However, within this Consultation Paper, the Treasury has proposed an extension of the disclosure framework to also include nature-related financial disclosures. The combination of this with an already accelerated implementation of climate-related disclosures, would be virtually unachievable for industry given the short timeframes specified. There would also be significant risk to the quality of the framework if accelerated to the proposed pace.

Please also note that the Australian Accounting Standards Board's Exposure Draft (ED SR1) on *Australian Sustainability Reporting Standards (ASRS) – Disclosure of Climate-related Financial Information* is yet to be finalised and is currently open for comment until 1 March 2024.

Supporting credible net zero transition planning and associated investment

Investment in transition activities will be crucial to ensure the Australian economy can successfully reach low and zero emissions goals. As such, Ampol is broadly supportive of introducing robust reporting requirements as guided by the UK's Transition Plan Taskforce and aligned with the International Sustainability Standards Board's disclosure requirements.

Through these mechanisms, Ampol expects there will be greater investor confidence in Australian businesses seeking the necessary investment to progress the energy transition. However, it is key that any mandatory reporting requirements are introduced in an appropriately paced manner taking into consideration what is available in the market, from resourcing to technology.

Further, Ampol believes there should be recognition for entities in hard to abate sectors that require significant investment to decarbonise; particularly where their decarbonisation efforts would lead to substantial abatement.

It is important that financial institutions are not discouraged from this investment if there are unreasonable expectations from Government or regulators to invest only in low-risk entities with minor emissions profiles. The unintended consequence of this could be that investors believe they are avoiding climate risk by investing in entities with low emissions profiles, versus supporting the delivery of abatement by investing in entities with high emissions profiles *and* a credible plan to decarbonise.

Catalysing sustainable finance flows and markets

Regarding Priority 10 in the Consultation Paper, Ampol believes that the Clean Energy Finance Corporation (**CEFC**) could play a greater role in financing local production of renewable, alternative fuels beyond hydrogen. This may include renewable diesel (**RD**) and sustainable aviation fuel (**SAF**).

Global production of RD and SAF is exponentially increasing, and Australian feedstock is in high demand and being exported at record levels. There is opportunity to implement changes within the CEFC or otherwise financial policy that commercially incentivises local production of renewable fuels using locally sourced feedstock with a view to supply Australia's hard to abate transport sector.

Focusing on a wholly localised supply chain could support the dual Government objectives of decarbonising the economy *and* bolstering Australia's overall energy security.

Conclusion

Ampol looks forward to engaging in further collaboration with the Treasury to support the delivery of Australia's Sustainable Finance Strategy.

As iterated throughout this submission, it is imperative that this be a well-considered approach that accounts for the many other climate- and sustainability-related policies currently in development and implementation across multiple Departments and policy streams.

Please contact Eden Baker (eden.baker@ampol.com.au) if you wish to discuss any of the above items in further detail.