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Sustainable Finance Unit
Climate and Energy Division
The Treasury
Langton Crescent Parkes ACT 2600

Emailed to: SustainableFinanceConsultation@treasury.gov.au

Sustainable Finance Strategy Consultation Paper

Alinta Energy provides the following response to selected sections of Treasury's Sustainable Finance Strategy Consultation Paper.

Alinta Energy supports the Government's ambition of improving the transparency and consistency of sustainability and climate-related information in the financial markets. We support the development of an appropriate and effective framework, and processes for providing that information.

Pillar 1: Improve transparency on climate and sustainability

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

Scope 3 emissions reporting is a significant additional reporting burden. Alinta Energy recommends that default Scope 3 emission factors be published with a threshold beyond which immaterial Scope 3 emissions may be estimated, to make it efficient and least cost for reporting entities.

A public database of emission factors based on, for example, National Greenhouse Accounts Factors or Climate Active emission factors should be made available. This could include emission factors based on activity data and spend data (with spend-based emission factors yielding higher emissions given the reduced accuracy of the estimate). Once it is established that some immaterial Scope 3 emissions are below a threshold, for example 5% of total emissions, we recommend allowing the use of an uplift factor to account for these small emission sources. This would be similar to the percentage reporting provisions for small facilities under NGER Regulations (section 4.26).

For scenario analysis and financial modelling, additional guidance is required to ensure consistency and comparability when expressing the financial impact of scenarios in dollars. For most reporting entities, this will be one of the most challenging aspects of climate disclosures.

The availability of the emissions factors and additional guidance material on scenario planning are prerequisites to any non-voluntary reporting obligations being legislated.

Priority 2: Develop a Sustainable Finance Taxonomy

Alinta Energy agrees that taxonomy is a critical part of market and regulatory architecture for sustainable finance globally. We support the development of an Australian sustainable finance taxonomy that is internationally aligned and interoperable with other sustainable finance frameworks.

When defining the taxonomy, it is important to note that some sectors, such as the electricity supply sector, decarbonise collectively, as opposed to individually by company, due to co-dependencies. While reporting entities in the sector are independent in their commercial activities and corporate reporting, their commercial output is impacted by decisions made by other participants and centrally coordinated by the Australian Energy Market Operator (AEMO). Transition plans developed by an entity must account for various factors, including market circumstances, power generator retirements, transmission capacity availability and build, and power generators coming online. Failure to account for these factors could potentially risk grid stability and security of supply. This needs to be captured under the “treatment of transition” considerations and might work, in some cases, against the “science-based technical screening criteria.”

An Australian taxonomy should include definitions that align with international counterparts, such as the EU. Alinta Energy recommends that the taxonomy defines specific activities as ‘green’ or ‘transition’, including the use of gas for power generation consistent with the EU taxonomy. Classifying eligible green and transition activities will support the issuance of green or transition-aligned financial instruments, including bonds and loans, and provide greater transparency and compatibility for investors.

Alinta Energy also recommends an initial “voluntary best practice guide” approach to evaluating the effectiveness of the taxonomy, making adjustments where necessary. This could be followed by the “taxonomy as a standard or framework” once all adjustments are made, thereby avoiding legislation that is broad or vague and which may lead to inconsistency between reporting entities.

Priority 3: Support credible net zero transition planning

In Australia, there are numerous concurrent climate-related legislative changes either under consideration or in the implementation phase. A visual representation and an analysis of how these changes fit together and influence each other would help improve stakeholder understanding.

Thank you for your consideration of our submission. If you would like to discuss this further, please contact Karan Sharma at karan.sharma@alintaenergy.com.au.

Yours sincerely



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