

## **GFANZ Secretariat Feedback on the Australian Government Sustainable Finance Consultation**

The GFANZ Secretariat welcomes the opportunity to provide feedback on the Sustainable Finance Consultation Paper issued in November 2023 by Australia's Treasury. In our responses, we have sought to focus on those questions that are most relevant to GFANZ work to develop frameworks, approaches and tools to support the global financial sector in delivering on net-zero commitments by supporting whole-economy transition in line with science-based pathways limiting warming to 1.5 degrees C.

We strongly support the premise of the paper that transitioning Australia's economy to net zero will require a significant amount of private and public investment, and that an important focus will be mobilizing the investment and financing needed for Australian companies to invest in their own transition opportunities. Our work seeks to unlock finance to scale transition-aligned activities, but also to support decarbonisation in high emitting sectors, and the accelerated phaseout of assets likely to be stranded, most notably coal. We also strongly support the focus on supporting global consistency, given the need to unlock global capital flows, and to ensure that transition finance is available globally including in major emerging markets in Asia Pacific.

### **PILLAR 1: IMPROVE TRANSPARENCY ON CLIMATE AND SUSTAINABILITY**

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

GFANZ has strongly supported enhanced climate disclosures, and in our own work we build on - and seek consistency with - the foundations provided by the Task Force for Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB) as well as other major regional and national disclosure frameworks. In subsequent responses we address our work with a diverse set of financial institutions, technical bodies and other stakeholders to build on the early guidance that the TCFD provided on disclosures around transition plans, which was reflected in the ISSB standards.

In relation to climate disclosures, and the data those provide, GFANZ is supporting the Net Zero Data Public Utility (NZDPU), as it has been well identified that limited availability, consistency, and quality of climate data have presented significant challenges to potential users of climate disclosures, including investors. In November 2022, the [Climate Data Steering Committee](#) (CDSC), of which GFANZ is a member, published recommendations for the development of the NZDPU - a global, centralized, open repository for private sector climate transition-related data, that will be freely available to all stakeholders, allowing users to easily access and interpret a core set of private sector data that is critical for the net-zero transition.

The NZDPU proof of concept was launched at COP28. The NZDPU proof of concept has been designed to evidence the technical feasibility of delivering the CDSC's recommendations for a global, centralized, open repository for climate transition-related data. The proof of concept is

scoped to show an initial set of key features and functionality. A public consultation on the proof of concept will solicit stakeholder insights that inform the ongoing and iterative development of the NZDPU as it enters production. With the foundational structure being built, the NZDPU will aim to incorporate data from a variety of sources. As a global resource, the NZDPU is also designed to be integrated with the United Nations Climate Change Global Climate Action Portal.

Implementation of ISSB reporting requirements in Australia could play an important role in helping to ensure availability of core corporate-level climate data through the NZDPU, data which is relied upon by investors and policymakers amongst others.

For further information on the CDSC and NDPU please see:

Background on the [Climate Data Steering Committee](#) and its work and public consultations.  
The [NZDPU](#) Proof of Concept.

## **Priority 2: Develop a Sustainable Finance Taxonomy**

Securing an orderly<sup>1</sup> transition to net-zero in line with 1.5 degrees depends on significantly scaling investment to deliver the \$4.7trn/annum needed globally for energy and industrial transformation. As the Consultation recognises, and per recent G7 and G20 communiques, this requires the unlocking of Transition Finance.<sup>2</sup> Whole-economy transition depends on ‘going where the emissions are’ to provide financing in support of decarbonisation plans.

GFANZ defines “transition finance” as being “investment, financing, insurance, and related products and services that are necessary to support an orderly real economy transition to net zero.” In 2022, [GFANZ's Net-zero Transition Plans Recommendations and Guidance](#) identified four key transition finance strategies. In 2023, these have been refined as set out in a GFANZ Secretariat Technical Note: [Scaling Transition Finance and Real-economy Decarbonization: Supplement to the 2022 Net-zero Transition Plans, December 2023](#), which includes in-depth review of existing taxonomies and other frameworks, to deliver a practical principles-based approach to identifying:

- i) **climate solutions** delivering decarbonisation directly, or by enabling others to decarbonise, as well as nature-based solutions and carbon removal technologies. Providing finance to climate solutions plays an important role in ensuring high carbon alternatives can be phased out.

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<sup>1</sup> Being a net-zero transition in which both private sector action and public policy changes are early and ambitious, thereby limiting economic disruption related to the transition (e.g., mismatch between renewable energy supply and energy demand).

<sup>2</sup> In 2023, G7 Leaders noted “transition finance, in line with keeping a limit of 1.5°C temperature rise within reach, avoiding carbon lock-ins and based on effective emissions reduction, has a significant role in advancing the decarbonization of the economy as a whole”. G20 Leaders noted “the need for increased global investments to meet our climate goals of the Paris Agreement and to rapidly and substantially scale up investment and climate finance from billions to trillions of dollars globally from all sources.”

ii) **aligned companies / activities** underpinned by an appropriate net zero commitment and strategy / plan, and where the company / activity is already aligned with appropriate pathways to net-zero. Providing finance to these companies and activities allows the maintaining or scaling of net-zero aligned business models and operations. Alignment with pathways should be demonstrated and performance against targets established over the course of several years.

iii) **aligning companies / activities** needing investment and financing to support changes to business models or operations to get on appropriate net zero-aligned pathways, and where a plan / strategy is being developed, and there is increasingly meaningful progress, and convergence on an appropriate pathway. Providing finance to these companies and activities can help finance the changes needed to get on appropriate pathways.

iv) **managed phaseout of high carbon assets**, where the continued operation of the assets ultimately becomes inconsistent with a 1.5- degree pathway, and where finance is provided to secure significant emissions savings and their early retirement, with careful management of service continuity and community impacts.

These definitions - which can be applied to entities or activities access sector - therefore take an economywide approach as noted in the final example of Box 3, page 14, but at the same time, the definitions imply taking a forward-looking approach to assessing the contribution to transition, including informed by transition planning (and progress against such plans). This approach to identifying transition finance opportunities differs from some existing taxonomic approaches therefore not only in the breadth of the activities considered but also in the way the relevant activities are identified. It could, however, meet many of the objectives set out in the box on page 13 of your consultation. It could also help to ensure that the approach taken in Australia can also support cross-border flows of finance, where Australian financial institutions are financing transition opportunities in EMDE countries that may be at different points on differing transition pathways.

This was also addressed in our 2023 work to develop forward-looking metrics to capture the expected future decarbonization impact associated with the set of transition finance strategies. To support strategies that require “going where the emissions are”, such as to support transition for hard to abate sectors or the early phaseout of high emitting assets, robust forward-looking measures are needed to capture the expected decarbonization contribution.

For further information please see:

[Recommendations and Guidance on Net Zero Transition Plans. November 2022](#)

[Scaling Transition Finance and Real-economy Decarbonization: Supplement to the 2022 Net-zero Transition Plans. December 2023](#)

### **Priority 3: Support credible net zero transition planning**

Given the importance of transition planning - and the need to embed it across the economy and financial system in a way that ensures global consistency - we would encourage the Australian government and other national regulators to reference the common global frameworks for transition planning that are already being used by major corporates and financial firms across different jurisdictions on a voluntary basis. Referencing common market-based approaches – and noting, for example, that the GFANZ Net-Zero Transition Planning Framework is increasingly being referenced as a leading global market best practice – can help ensure that existing and growing voluntary implementation is encouraged and accelerated. It can also help ensure that in moving to mandatory standards, global consistency is delivered and fragmentation avoided.

As noted above, GFANZ has strongly supported enhanced climate disclosures, and in our own work we build on - and seek consistency with - the foundations provided by the Task Force for Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB), as well as other major regional and national disclosure frameworks. To support widespread transition planning, in particular, GFANZ has worked with a diverse set of financial institutions, technical bodies and other stakeholders globally, to build on the early guidance that the TCFD provided on transition plan disclosures (and which are also reflected in the ISSB standards). We delivered this work, through a CEO-chaired workstream, and ran a global consultation and incorporated over 1,000 points of feedback.

At COP27 in November 2022, we delivered the common GFANZ Net-Zero Transition Planning Framework which was specifically designed to be globally applicable, pan-sector and principles-based, in order to allow for regional interpretation while at the same time promoting global consistency. The GFANZ framework identifies and elaborates across five core themes that to be addressed to deliver credible, comprehensive and consistent transition plans, namely:

- Governance: a set of measures to oversee, incentivise and support implementation of a plan
- Foundations: an articulation of the organization's overall approach to net-zero (for financial institutions, this includes general strategy for scaling transition finance across the four financing strategies)
- Implementation strategy: to align business activities, products, services, and policies with the net-zero objectives
- Engagement strategy: to engage with external stakeholders in support of net zero objectives
- Metrics and targets: using a suite of metrics & targets to assess and monitor progress towards the net-zero objectives

2023 has been the “year of the transition plan,” and we are pleased with the momentum from the financial sector in developing and disclosing transition plans on a voluntary basis. Major financial institutions globally have published their first plans using the GFANZ framework, and we expect at least 250 to be published over the next year. For more detail on how different organisations have integrated the different themes and components of the GFANZ framework into their transition plans and transition planning efforts, please see the recently launched [GFANZ Transition Planning Examples](#) tool, which shows how different organisations across the financial sector and real-economy have approached net-zero transition planning.

Policymakers and standard setters have also begun to highlight the importance of transition planning including - alongside Australia - the G7, ISSB, European Union, Hong Kong, Japan, Singapore, Switzerland, the United Kingdom, and the United States. US Treasury, for example, has released voluntary net-zero finance principles that emphasize the strategic imperative for transition are well-aligned with GFANZ’s work. Meanwhile, the UK Transition Plan Taskforce recently launched their final guidance, which builds on the global GFANZ framework for best practice transition planning and delivers a domestic framework for transition plan disclosures that explicitly utilizes the same five core themes as the GFANZ framework. In drawing on global market best practices, TPT stands as a leading example of how domestic regulators can utilize the GFANZ principles-based framework to develop transition plan disclosures that work domestically but are consistent with global efforts.

The work Australia is undertaking in relation to defining national and sectoral transition pathways is an extremely important step, and effective transition planning, and allocation of transition finance, has a strong dependency on such pathways being available and in a manner that allows for their use by the private sector and other stakeholders. In relation to target setting, we note that financial institutions that have made net zero commitments through one of the net-zero alliances follow the sector-specific target setting protocols developed by those alliances.

### **Pillar 3: Australian Government leadership and engagement**

#### **Priority 11: Promoting international alignment**

#### **Priority 12: Position Australia as a global sustainability leader**

We welcome Australia’s leadership on transition finance, and note that as a G20 economy, Australia has a critical role to play in helping to ensure that global bodies and standard setters leverage the enormous progress already being made in the private financial sector, to develop the frameworks, approaches and tools that can support real economy decarbonisation. Globally consistent approaches - which can then refer to differing national and sectoral net zero transition pathways - will play a critical role for advanced economies but also in ensuring that EMDEs can attract the finance that they need to transition also.

A series of additional - and well documented - barriers to the flow of finance globally exist, and need attention if we are to deliver on national and shared climate objectives. We highlight three here for consideration, given our own work in these areas:

- Ensuring that the managed phaseout of coal assets can take place in Asia Pacific and other EMDEs, recognising that absent policy and financing solutions, if coal fired power stations are left to run their economic and contractual lives, they will exhaust two thirds of the remaining carbon budget. Australia has domestic expertise in this area, and could support efforts to ensure that the managed phaseout of coal assets is a recognised policy and financing solution. The GFANZ APAC network delivered Guidance on this topic for COP28 (See [Guidance on the Managed Phaseout of Coal Fired Power Stations in Asia Pacific](#)).
- The importance of ensuring that the reform agenda around public finance for climate - and in particular in relation to MDBs - supports the mobilisation of private capital at scale given public capital cannot meet the necessary financing needs. We note here that our recently commissioned [BNEF](#) analysis confirms that finance is not yet flowing to EMDEs at the scale needed for their energy transitions, and are working through a number of avenues - including supporting the World Bank Private Investment Lab - and bringing a private finance perspective to the Indonesian and Vietnam JETPs. Australia's support in progressing this important agenda could be important, particularly in supporting transition in APAC.
- The importance of scaling high integrity voluntary carbon markets, building on the recent progress made in developing supply and demand side environmental integrity standards, for these markets, by the Integrity Council for the Voluntary Carbon Markets (ICVCM) and the Voluntary Carbon Markets Initiative (VCMI), which are now being implemented in the market, including through applications by major credit developers for ICVCM accreditation. As key events at COP [highlighted](#), an intensification of collaboration is needed on this agenda, to complete the work on environmental integrity - and national and international authorities may wish to assess and confirm that these standards meet their expectations - and to build on early work by G20 standard setting bodies on financial integrity.