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**Submission on the Sustainable Finance Strategy
consultation paper**

1 December 2023

Overview

The Energy Efficiency Council (EEC) welcomes the opportunity to make a submission on the Australian Government's Sustainable Finance Strategy.

The EEC is the peak body for Australia's energy management sector. A not-for-profit membership association, the EEC works to:

- Drive world-leading policy on efficiency, electrification and demand flexibility;
- Ensure we have the skilled workforce to deliver Australia's energy transition; and
- Support businesses and households to rapidly decarbonise.

The EEC supports the Government's intention to deliver a Sustainable Finance Strategy, in particular the elements of climate-related financial disclosure and transition planning.

The EEC supports the Government's approach to the Strategy. In particular, the key principles outlined in the consultation paper signal an appropriate approach to implementing sustainable finance reform. Similarly, prioritising reform of climate-related finance is a reasonable approach, due to the pressing importance of addressing climate change to maintain a chance of limiting climate change to 1.5°C.

Pillar 1: Improve transparency on climate and sustainability

The EEC strongly supports the introduction of climate-related financial disclosures and transition planning as a means to help Australian businesses manage their emissions and make the transition to thriving a net zero economy. Without understanding their climate risk and laying out an actionable plan to achieve net zero emissions, Australian companies risk losing competitive advantage in the clean energy future.

The EEC has consistently advocated for Australia's climate-related financial disclosure regime and the transition planning element to be aligned as closely as possible with international standards. This will help Australia remain competitive in the international race for capital to deliver the net zero transition. Frameworks that are internationally consistent as far as possible will also make it easier for companies to access global expertise and talent necessary for decarbonisation.

In particular, the EEC strongly supports the Government's intention that transition planning will be included in the climate-related financial disclosure regime from the beginning. Transition planning – ideally aligning with the recommendations of the UK's Transition Plan Taskforce – is a critical step to help businesses operationalise their journey to net zero, and to begin the task of decarbonising their own operations.

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 Government's indicated approach to climate related financial disclosures is relatively ambitious and will cover a significant portion of the economy by the

time of full implementation. However, we anticipate that there could be challenges in supplying the expected need of advisors and service providers to assist companies in meeting their obligations. The EEC continues to note that Government has an important role in helping develop the workforce that will deliver the clean energy transition, which includes professionals assisting companies with their transition. Government should consider whether a sufficient pool of net zero professionals – including advisors, auditors, consultants and others – will be available in time to assist all entities covered by the CRFD regime to acquit their obligations. While some aspects of climate risk disclosure and transition planning are financial, others will require expertise in energy and emissions management and mitigation. At present, there are pressures on this workforce, and expansion of the workforce is likely to be necessary as the regime scales up.

It is likely to be necessary for Government to develop a range of guidance and resources for companies in the interim. By the time that climate related financial disclosure and transition planning requirements apply to smaller businesses (in stage 3), there should be a range of resources available to help them successfully discharge their obligations. The EEC suggests that experience and lessons could be drawn from successful previous efforts in these areas, with targeted resources and communications designed to assist specific types of businesses – such as the EEC’s [Energy Briefing](#) guidance on tax incentives and other policies.

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?

The development of transition planning and CRFD is likely to be a substantial challenge. While Australian businesses subject to the National Greenhouse and Energy Reporting Scheme have some familiarity with emissions reporting, and larger companies with ESG requirements may already be engaging with climate risk and transition planning, the majority of Australian businesses subject to CRFD will have no expertise in this space.

While the CRFD requirements are cast in a financial framework, the actual substance of transition plans must be developed by a range of professionals who will help businesses implement their practical journey to net zero. This means that a range of net zero business advisors will be required, who will have expertise in areas such as energy, engineering, environment, systems design and business planning amongst others. Should companies be permitted to express their plans to address climate change in financial terms only, the real value of the transition planning exercise will be lost.

This means that a community of skilled professionals that can bridge the whole spectrum of transition planning will need to be stood up over the next few years. Government support and facilitation to help develop a community of net zero business advisors, through investment in training, professional development and guidance to the market, would be an important part of the initial development of CRFD and transition planning frameworks.

To what extent will ISSB-aligned corporate disclosure requirements improve the transparency and credibility of corporate transition planning?

As the EEC has noted previously, given the large number of multinational companies involved in emissions-intensive business activities in Australia, aligning Australian requirements with international standards is highly desirable.

This will not only facilitate internationally consistent transition planning, enabling benchmarking between companies, but also allow access to a wider range of skilled expertise to help operationalise net zero pathways.

Pillar 2: Financial system capabilities

The EEC has limited comment on this section. However, the EEC strongly supports the Government's intention under Priority 7. Improved data availability and providing high quality climate information – including standardised climate risk scenarios – is very important for equipping companies to respond to climate change. Similarly, the data generated through mandatory climate related financial disclosure and transition planning will give businesses and policy makers a clearer picture of where Australia is performing well in the transition, and where further policy interventions are needed.

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

There are several current needs for data that would support further investment in decarbonisation:

- Establishment of residential energy performance ratings is a key measure to enable access to green finance for residential housing development and retrofitting. Millions of Australian homes will require retrofitting to become comfortable, climate safe, low energy and zero emissions-ready. Development of the Nationwide House Energy Rating Scheme whole-of-home rating system for existing homes is a crucial step towards filling a data hole to allow investors to confidently invest in green residential property.
- Reform of the NGERs framework is also required. Increasing the public availability of NGERs data, publishing it in a format that is more usable, and aligning reporting requirements to be consistent with ISSB standards would increase the utility of the data that is available, and reduce the reporting burden for firms covered by NGERs.

Pillar 3: Australian Government leadership and engagement

The EEC supports the Government's intention to position Australia as a global leader. However, substantial and continuing policy measures to address climate change and other sustainability issues are required to provide clear signals that Australia is a safe place for green investors, and is planning to adequately deal with the effects of climate change through corporate and government transition planning.

The EEC strongly supports:

- International alignment of climate-related financial frameworks as far as possible;
- Using the CEFC to provide clear guidance to the market through strategic financial interventions in areas for investment that will support Australia's transition, and
- Understanding our areas of net zero-compatible competitive advantage, and supporting those industries with clear and strong policy measures that provide signals to international investors about Australia's intentions.