Submission to Sustainable Finance Strategy Consultation

Parents for Climate
c/o ELA, Upper ground floor, 55 Brisbane st
Surry Hills NSW 2010
Email: info@ap4ca.org

30 November 2023

Sustainable Finance Unit
Climate and Energy Division
Treasury
Langton Cres
Parkes ACT 2600
Phone: +61 2 6277 3526
sustainablefinanceconsultation@treasury.gov.au

Parents for Climate (P4C) represents over 17,000 parents, grandparents and carers from across Australia including over 500 in the Northern Territory. We are Australia's leading organisation for parents advocating for a safe climate. Our supporters are from across the political spectrum, across all Australian electorates, and from varied socio-economic backgrounds. We seek non-partisan responses to climate change and its impacts.

We advocate for Australian governments and businesses to take urgent action to cut Australia's carbon emissions to net zero as quickly as possible. We encourage Australia to take a leadership role on the world stage, leading by example and calling for other nations to take the necessary action to protect our children's futures.

For more information, visit www.parentsforclimate.org

This submission was prepared by volunteers David McEwen and Milos Karapandzic. It has been approved by Nic Seton, Chief Executive Officer of Parents for Climate.

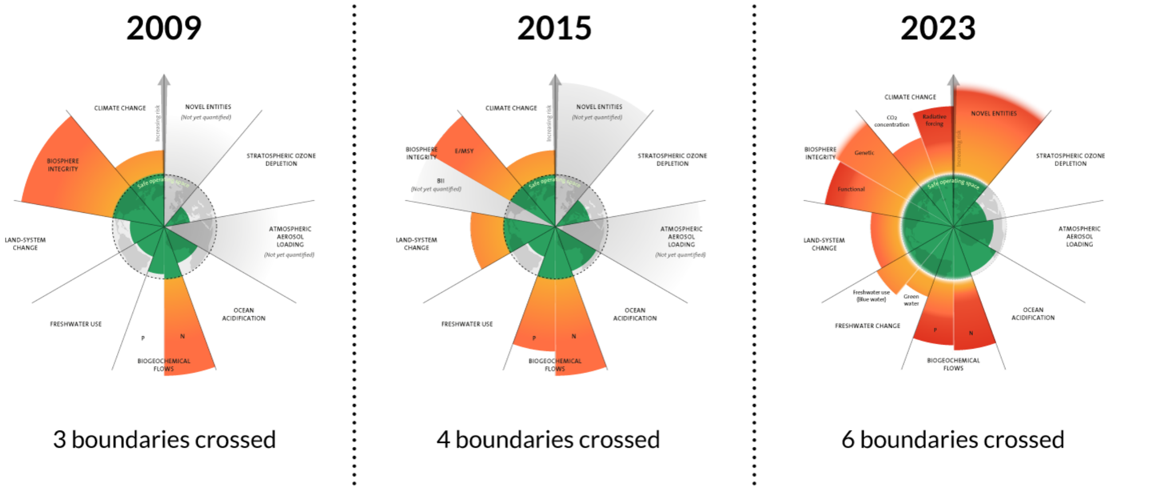
Introduction

As parents, we want a safe future for our children.

We expect not just sustainable finance in the narrow sense, but finance which ensures a safe future for our children, and therefore incentivises and supports the restoration of the climate and the environment.

Investment in sustainable green technologies - both public and private - as well as mitigation and adaptation, must be scaled up, and fast, to tackle the global ecological and climate crisis which is accelerating and changing from dangerous to catastrophic. Because according to the best scientific advice available[1], this year we crossed 6 out 9 of the boundaries marking our planet's critical thresholds beyond which the stability and resilience of the Earth system, and the human civilisation which depends on it, are in grave danger, with much higher risk of large-scale, abrupt or irreversible changes.

In 2009 we had crossed only 3.



Voluntary climate and sustainability disclosures would not work in so called 'normal' times, let alone now. We are encouraged that the Treasury intends to take a more proactive approach in what is the cornerstone of any economy. But as it stands, it is not enough. As parents, we are a significant cohort of both consumers and businesses and we would like to see a far more ambitious tightening of the financial rules, much better enforcement, far more resources dedicated to reform and with much more haste, plus adopting wherever possible the best practices available around the world, particularly the EU.

The proposed draft brings Australia significantly forward but it falls short of what an advanced economy and stable democracy such as ours should aspire to. Despite the stated

[1] [Planetary Boundaries - Stockholm Resilience Centre, Stockholm University]()

ambition to be a global leader in sustainability, we still have a long way to go to match the progress made in the European Union. We should lead from the front.

Firmer Principles

The principles outlined in the Strategy are sound at first glance but as parents who want a safer future for our children, they leave more room for interpretation than we are comfortable with.

Ease of use, simplicity and accessibility of information for the consumers is paramount. Yet, for the purposes of regulation of companies and the rules on emissions reporting and claims of sustainability (to name but two), a certain depth of detail and complexity must be required. This is in order to properly address the depth and complexity of the problem - the ecological and climate crisis - as well as to match the urgency and the high cost of failure. Speaking plainly, if a safe future for our children needs more onerous rules for companies today, then so be it.

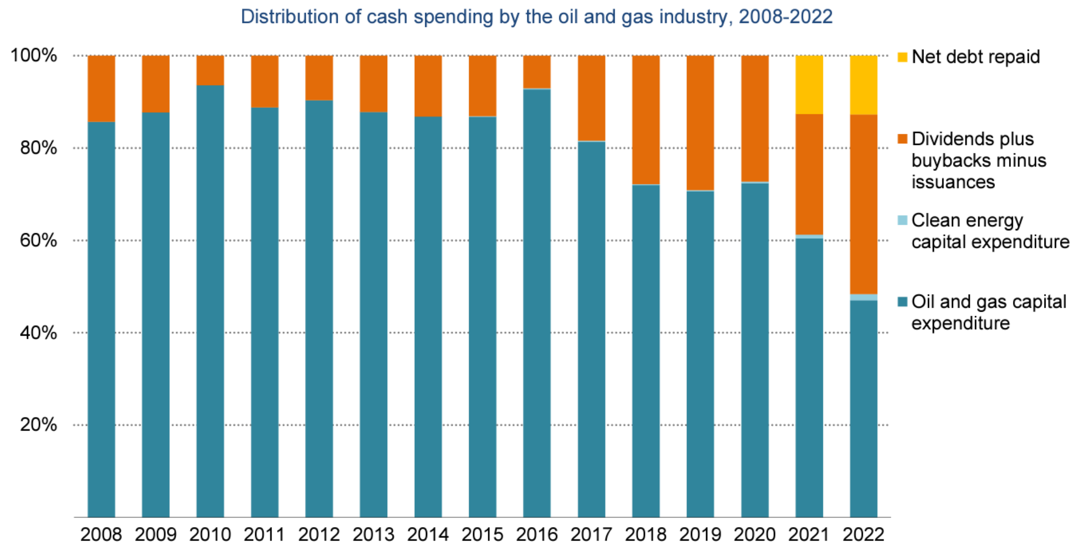
“Collaboration and shared responsibility”, with “cooperation and partnership across community, business, investors and policymakers” to “promote co-development of new frameworks and models for cross-sector collaboration” are essential. Yet the voices of the citizens and the communities, in particular First Nations, must be heard first.

The fossil fuel industry has known for decades about the dangers their products pose to humans and ecosystems alike, and chose to remain a part of the problem. Instead of making genuine changes to their businesses, for decades and continuing today, they orchestrated a misinformation campaign to hide that truth and deflect blame, as has been recognised by the International Panel for Climate Change (IPCC) Sixth Assessment Report, 2022:

> “A good number of corporate agents have attempted to derail climate mitigation by targeted lobbying and doubt-inducing media strategies. Corporate advertisement and brand building strategies attempt to deflect corporate responsibility to individuals, and/or to appropriate climate care sentiments in their own brand building; climate change mitigation is uniquely framed through the choice of products and consumption, avoiding the notion of the political collective action sphere.”[2]

Even with heavy government subsidies and the recent record profits extracted in the wake of the Russia-Ukraine war, they chose to reduce sustainable investments and slow down their transition to greener technology. The IEA World Energy Investment Report 2023[3], sets out the stark difference when comparing fossil fuel industry’s cash spend to income, and not in a good way: “record income in the oil and gas sector was used to increase shareholder returns and pay down debt, with only a fraction of free cash flow [the tiny light blue sliver in the IEA’s graph below] directed towards clean energy investments”.

[2] Climate Change 2022: Mitigation of Climate Change - IPCC
[3] World Energy Investment 2023 - IEA



When it comes to industries whose primary motive is to profit from the status quo, their word is not their bond. In their case, it is well past time for 'consultation'; we recommend less carrot, more stick.

Progressive, carefully staged and sequenced implementation should not mean slow implementation; quite the contrary. We must act with haste. We have a lot of catching up to do and plenty of lessons learned from other jurisdictions, especially the EU.

The principles also allow divergence from global standards "to reflect Australia-specific economic and policy priorities" and yet no such priorities are specified. This is worrying. The ecological and climate crisis is an urgent global problem which requires global coordination. With complex trade and supply chains spanning the world, not to mention multinationals who have a penchant for and plenty of practice with tax evasion, what Australia-specific priorities might be more important? And how will they be decided and enforced and by whom?

The Strategy principles include alignment with "science-based global climate and sustainability goals, and with Australia's policy targets and commitments." Australia's current Nationally Determined Contribution (NDC) of 43% by 2030 and net zero by 2050, whilst an improvement on its predecessor, is demonstrably not based on the best available science[4]. It is also at odds with our emissions, both per capita and cumulative, which are some of the highest in the world, and with our status as the world's third largest fossil fuel exporter, making up 7% of all fossil fuel exports, behind only Russia and Saudi Arabia[5].

Furthermore, adherence 'as far as practical with existing regulatory thresholds, frameworks and models' seems oddly out of sync with high ambition. Our whole economy needs a reset from its current focus on traditional mining and energy towards more sustainable industries and practices, stopping pollution, the wholesale restoration of the climate and our natural environments and social equity.

[4] Shifting the Burden: Australia's Emissions Reduction Tasks over the Coming Decades - Climate College, University of Melbourne
[5] New Analysis: Australia Ranks Third for Fossil Fuel Exports - The Australia Institute

Double Materiality

As parents, it seems obvious that a company's materiality is not limited solely to its own financial performance but that it also must include its impacts on the world our kids grow up in.

But the draft Strategy does not include the double materiality approach, as outlined in the EU's Corporate Sustainability Reporting Directive (CSRD)[6]:

"This means that companies have to report not only on how sustainability issues might create financial risks for the company (financial materiality), but also on the company's own impacts on people and the environment (impact materiality)."

We would like to see the AASB adopt the double materiality approach, as per the EU's CSRD.

Sustainable Accounting Standard

As parents, and a significant portion of the consumer cohort, we face daily choices when buying everyday products and services - which ones will be sustainable and have minimal negative effect on the future of our children, the climate and the natural environment? These are very difficult choices for parents in Australia today.

So we support the intent to adopt the global accounting (ISSB) standard and align Australia with best practices overseas.

Such a standard is welcome and necessary, because currently when we shop we see terms such as 'sustainable', 'green' or 'carbon neutral' used almost everywhere, without any reliable evidence that they are true. Greenwashing is rife;[7] offsets are offered extensively despite being fundamentally flawed and of very limited potential to reduce emissions. It is almost impossible for parents choosing products to tell whether companies are in fact genuinely reducing their emissions.

P4C has filed a claim in the Federal Court of Australia against EnergyAustralia for misleading over 400,000 consumers about the climate impact of its products[8]. We allege that EnergyAustralia is misleading customers by marketing its Go Neutral product as "carbon neutral" and having "a positive impact on the environment" when it is primarily generated by burning fossil fuels, which the company claims to have offset simply by buying carbon credits. We are taking a stand against EnergyAustralia's greenwashing on behalf of Australia's parents and our children.

Yet the energy companies are by no means alone; they are joined by the fossil fuel, fashion/textiles and fast moving consumer goods (FMCG) industries, to name but three of

[6] Sustainable Finance, European Parliament
[7] P4C submission to Greenwashing Inquiry by the Australian Senate

[8] Australian Parents for Climate Action Sue Energy Australia for Greenwashing - AP4CA

the most egregious offenders. There is now a global shift towards tackling greenwashing and it is encouraging to see that the Australian government and regulators, including the Treasury, ASIC and APRA are joining in.

We hope this new financial standard will make such bad practices impossible or at least very much curtailed. We hope this standard will establish clear and binding financial rules, reporting and enforcement mechanisms that will reward and encourage genuine emissions reductions, accelerate the transition to net zero and put the long term health and wellbeing of Australian communities and natural environments first. We hope we will be able to make the right choices all the time, every time.

Taxonomy with Bark and Bite

We are very encouraged to see the government is proposing to develop a sustainable finance taxonomy, especially as it's intended to be "science-based" and to "provide a foundation for further regulatory measures to address greenwashing, such as sustainability disclosures by firms and issuers of investment products". This is well overdue and would give consumers as well as businesses a clear line of sight towards sustainability.

Given the experience of other jurisdictions, in particular the EU, the government must not allow any wriggle room within the taxonomy for any 'transition solutions' which are an excuse for delay to actually reducing emissions. The taxonomy should define sustainability in the strictest, science- and evidence-based terms, free from any vested interests, thereby excluding such red herrings as carbon capture and storage (too little too late), gas (too leaky and polluting) and nuclear (expensive, polluting, dangerous), to name a few.

The initial focus on climate is of course welcome, however, it is not clear why the taxonomy should not include all other areas of sustainability. Biodiversity, pollution, circular economy and social equity are inextricably linked with climate and dependent on each other, and together provide the one support system humanity has ever had or needed. There are examples to follow in other countries, including, once again, the EU. Given the urgency of the ecological and climate crisis, we urge you to develop the taxonomy for these areas now.

If it is to succeed in its ambition to "provide consistent, scientifically rigorous criteria to evaluate whether economic activities are aligned with or contribute to climate and other sustainability outcomes" then the taxonomy must be enforced. If it is indeed intended to "evolve to reflect changes in technology, policy and market factors" then it must be tracked and improved over time; the old adage of 'what gets measured gets improved' holds especially true for an essential pillar of sustainability.

In order to have that legislative bite and power, the taxonomy must be mandatory and include a clear, detailed mechanism of enforcement. As such, it should provide a basis for and be explicitly linked to the other elements of the strategy such as sustainable investment, product labelling, the green bond programme and beyond to competitive behaviour and consumer protection.

Further Suggestions

From our research and discussion with experts in other countries, we suggest further key considerations for the Strategy:

- Include incentives designed to suppress the use of fossil fuels and encourage the adoption of renewable energy sources, as soon as practically possible. Burning fossil fuels should be seen for what it is - bad for the world, and particularly pernicious because we are all dependent on them. Even in purely financial terms, the cost of stopping the use of fossil fuels is far outweighed by the cost of continuing to burn them, let alone in terms of the health of our children and all living things, the planet itself.
- Eliminate subsidies and tax breaks for the fossil fuel industry and industries heavily reliant on fossil fuels, currently to the tune of $11 billion per annum. Redirect these funds towards renewable energy initiatives and sustainable practices would not only serve to discourage the use of environmentally harmful resources but also promote the growth of clean energy sectors.
- Finance must incentivise all Australians to reduce their emissions and pursue cleaner, healthier, more sustainable options for products and services. A carbon/emissions pricing scheme, however politically difficult, remains amongst the most effective ways to steer the whole economy towards genuine sustainability and green practices. The Safeguard Mechanism (see our submission to the relevant consultation with DCCEEW[9]) remains ineffective, with too many loopholes to ensure genuine and substantive levels of aggregate emissions reduction: it does not have an enforceable aggregate cap, it does not sufficiently address Scope 2 and 3 emissions and it allows for 100% use of carbon offsets. Whilst we recognise that developing a reliable emissions price scheme is complex, we strongly urge you to consider the Carbon Fee and Dividend approach as developed by the University of New South Wales[10]. It spans the political divide as it provides, on the one hand, market-based incentives to reduce carbon emissions and, on the other, addresses the economic well-being of low-income Australians.
- The government should support education, from vocational to tertiary, and other forms of capability building, in sustainable finance. From a basic understanding of what business activities are sustainable (or not) to specialist expertise in the use of scenario analysis to assess climate risk, there is a raft of skills essential to the net zero transition. Being a relative novelty for us, such specialist skills and expertise are likely to be lacking in Australia[11], yet they are crucial to support corporates which are well-intentioned and keep the others on the straight and narrow.
- Make sustainability data publicly accessible to improve consistency and ensure greater visibility of emissions - Scope 1 to 3 - for companies and consumers. Disclosures should be trustworthy and reliable; making them public would ensure proper scrutiny and validation, perhaps even foster competition.
- Use of offsets should be avoided at all costs. We can't continue polluting as usual, let alone start new projects, then buy offsets to cancel out the impact of that pollution. They were only ever intended to be the very last resort, and for sectors where emissions reduction is difficult. They are complex and difficult to enforce, let alone at the very long

---

[9] Submission on Safeguard Mechanism to DCCEEW - Parents for Climate
[10] The Australian Carbon Dividend Plan - UNSW
[11] Green Skills Report - LinkedIn

timescales required. And lastly, there aren't enough genuine offsets available: additional, permanent, removal-based, backed by robust, long term measurement, reporting and verification.

The Good Fight

We realise this is a difficult fight, facing some formidable, vocal, well-organised and well-funded opponents. To quote Vaclav Havel, who knew a thing or two about fighting a good fight: "hope is not the conviction that something will turn out well, but the certainty that something makes sense, regardless of how it turns out". We know the right thing to do, you just have to have the courage to do it.