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### **Sustainable Finance Strategy**

The Minerals Council of Australia (MCA) supports establishment of a Sustainable Finance Strategy that maintains and grows investment in mining. The sector extracts materials essential to achieving the federal government's 2030 and 2050 emissions targets. This strategy should support continued investment in mining during and beyond the transition to net zero.

The consultation paper notes that: 'maximising alignment with global frameworks for sustainable finance is necessary to ensure comparability and minimise compliance burdens and costs for Australian and international firms and investors.'<sup>1</sup>

This is crucial for the mining sector. While other key principles listed in the paper are also important, without adequate investment (estimated at \$20 billion per year), Australia may not be able to deliver the materials necessary for the global transition to net zero.<sup>2</sup>

Ensuring the minimisation of regulatory burden wherever reasonable, while building an achievable and deliverable sustainable finance framework can unlock Australia's world class mineral assets.

Australia needs a strong mining industry. In FY22, exports of minerals, metals and energy commodities were worth \$413 billion and accounted for 69 per cent export revenue.

The industry is critical for regions and communities, providing 1.1 million jobs in Australia supported by the mining, mining equipment, technology and services sectors.

Australia must manage this transition in a manner which reflects technology readiness and cost. The pathway will not be linear for all industries, but great progress is being made across the mining sector.

The MCA looks forward to continuing to work with government on the development of a Sustainable Finance Strategy. Responses to priorities relevant to the mining industry are provided herein.

Yours sincerely

A handwritten signature in blue ink, reading "Tania Constable".

**TANIA CONSTABLE PSM**  
**CHIEF EXECUTIVE OFFICER**

## **Pillar 1 – Priority 1: Establish a framework for sustainability related financial disclosures (SRFD) (p.10)**

Ongoing investment is essential to the Australian mining sector. It is crucial to ensure conditions for foreign investment and domestic policy make Australia a competitive destination for investment.

Continuing current production levels relies on sustaining capital investment of approximately \$20 billion per annum.<sup>3</sup> Capturing the opportunity presented by the transition to net zero requires Australia to attract an order of magnitude more, and the mining industry recognises the need for transparency across all financial disclosures to remain an attractive investment destination in a competitive international environment.

In multiple submissions to the adjacent Climate-Related Financial Disclosures (CRFD) consultation, the MCA identified a potential lack of available accounting resources.<sup>45</sup> It is therefore reasonable to suggest the additional requirements of Sustainability-Related Financial Disclosures (SRFD) will place further strain on a finite, skilled workforce.

### **Recommendation**

- **Extend timelines for implementation of CRFD and SRFD to improve the quality of disclosures to ensure they facilitate the required investment in the mining sector for global transition.**

## **Pillar 1: – Priority 2: Develop a Sustainable Finance Taxonomy (p.12)**

The MCA maintains a preference for Australia's sustainable finance policies to be closely aligned with international standards. Adopting global standards in the Australian context, while allowing for minor amendments to manage Australia-specific issues, is essential to ensuring international competitiveness.

Given the global nature of capital investment, this position should be taken with the underpinnings of a green taxonomy for Australia. The requirement to adapt this model for Australian conditions is clear, especially given the importance of Australian mining exports to the economy and the global transition to net zero.

The EU Taxonomy Regulation is a useful model and sets overarching conditions that an economic activity must meet to qualify as environmentally sustainable, including the 'Do No Significant Harm' philosophy.<sup>6</sup>

The MCA broadly supports this framework. However, an area of concern is the interpretation of the EU's 'Do No Significant Harm' philosophy. This provision is applied to all sustainable investments, with the condition that the investment does not have adverse effects on other environmental objectives.<sup>7</sup> However, such a determination needs to be risk based and include transparent analysis of the risk of carbon leakage and the possibility of a less sustainable outcome should an investment not proceed.

Importantly, the framework must ensure Australia can continue to provide long-term, competitive, and reliable supply of energy commodities for domestic use and for key trading partners.

The scale of decarbonisation is enormous and will require the use of all available technologies. In the EU, the Sustainable Finance Taxonomy includes nuclear energy and, in Canada, the Green Bond framework includes nuclear energy.<sup>8 9</sup>

While current government policy is to exclude civilian nuclear from the energy mix (despite bipartisan support for nuclear-powered submarines for defence purposes), this distinction highlights a failure to align with other OECD countries and demonstrates the need for the taxonomy to remain flexible enough to embrace other technologies consistent with Australia's economic partners.

The global decarbonisation challenge is proving more difficult than imagined, and Australia needs every technology option. Civilian nuclear energy is complementary to renewable technologies, and should be available in the national effort to achieve net zero by 2050.

#### **Recommendation**

- **Any assessments made on a ‘Do No Significant Harm’ basis must be based on transparent analysis within the Australian context**
- **The Sustainable Finance Framework must Ensure recognition of Australia’s competitive advantages in the global transition to minimise unintentional economic impacts for the mining industry and associated communities, and**
- **Civilian nuclear energy is complementary to renewables, and should be included in Australia’s Sustainable Finance Taxonomy.**

#### **Pillar 1 - Priority 3: Support credible net zero transition planning (p.18)**

The Australian mining sector remains committed to the goals of the Paris Agreement, and recognises its competitive advantage to assist with global energy and industrial security through the transition to net zero. Australia’s minerals and metals are essential to building the low-emissions technologies required for global decarbonisation.

Of particular interest to strategic trading partners is Australia’s critical minerals resources. It is essential to de-risk investment into Australia from strategic partner countries and their investors by removing obligations and risks for strategic partner country investors under the Foreign Investment Review Board (FIRB) and the *Foreign Acquisitions and Takeovers Act 1975* (FATA). No foreign investment conditions should apply to mining, processing, manufacturing and associated infrastructure where it is part of a strategic partnership (ie AUKUS, the ‘Quad’). Risks such as call-in powers, delays, approval reversal and uncertainty add risk and therefore cost.

Government should urgently establish, within the Department of Prime Minister and Cabinet (PM&C), a specialist project facilitation team to secure investment along the supply chain in Australia. The unit’s primary focus must be to facilitate investment from strategic partner jurisdictions into the Australian mining and processing sectors, and associated common infrastructure. In the short term, government should maintain its focus on refining the safeguard mechanism, Hydrogen Headstart and the Capacity Investment Scheme. The MCA also notes additional comments by Minister Bowen at COP 28 regarding the phaseout of unabated fossil fuels.<sup>10</sup> This highlights the role of Carbon Capture & Storage (CCS) for future decarbonisation, and government should look to restore the \$250 million of funding for CCS cut in the October 2022 mini-budget.<sup>11</sup>

In the medium term, the MCA remains concerned that decarbonisation of the economy is an enormous challenge and banning proven technologies creates a risk to achieving the ultimate target of net zero by 2050. To assist with the decarbonisation of the grid, government should amend legislation to facilitate civilian nuclear energy as an option for Australia’s transition.

### Recommendation

- Review and remove domestic policy constraints that restrict collaboration, trade and investment to facilitate export of critical minerals to Australia's strategic partners
- Establish, within PM&C, a specialist project facilitation team to facilitate investment from strategic partner jurisdictions into the Australian mining and processing sectors, and associated common infrastructure. It must work across layers of government to unlock investment aligned with the government's priorities and those of its sovereign strategic partners
- Restore funding for development of Australia's carbon capture and storage projects, and
- Remove the prohibition of civilian nuclear energy in the *Environmental Protection and Biodiversity Conservation Act 1999*.

### Pillar 3 – Priority 11: Promoting International Alignment (p.35)

Alignment with international frameworks is crucial. Doing so achieves two key outcomes: an improved ability to compare Australian SRFDs with those from other jurisdictions facilitates the inflow of capital investment, and the ability of multinational companies to produce consistent and transparent disclosures across operating jurisdictions reduces their regulatory burden.

The MCA has been clear in multiple submissions that it maintains a preference for Australia's sustainable finance policies to be closely aligned with international standards. Adopting global standards in the domestic context, while allowing for minor amendments to manage Australia-specific issues, is essential to ensure international competitiveness.

### Recommendation

- Government should seek international alignment wherever possible to ensure continued investment in Australia's mining sector to support an orderly global transition to net zero.

### Pillar 3 – Priority 12: Position Australia as a global sustainability leader (p.37)

Australia has strong competitive advantages as a global sustainability leader through the development of its mineral resources. Key trading partners will look to Australia for supply of key commodities required for the global transition to net zero.

The US Inflation Reduction and European Green Deal are examples of how policies in large economies can have a significant impact on the investment environment and Australia's economic outcomes.<sup>12</sup> A Sustainable Finance Strategy must ensure it can adapt to such policy shifts to ensure Australia remains an attractive investment destination.

This includes reducing regulatory burden including state and federal duplication, advancing policies that support competitive project returns, delivering efficient public infrastructure and services, and focusing fiscal policy on productivity.<sup>13</sup>

Doing so will attract the necessary investment to deliver sustainability outcomes, namely through the provision of materials for low emission energy technologies, and to build the transmission required to bring that energy to market.

Similarly, there should be a focus on ensuring the mining sector is able to operate as safely and efficiently as possible to deliver these resources. The Australian mining industry understands the need to manage and disclose operational and financial risks associated with climate change, however there has been pressure on the industry through a misunderstanding of the role mining plays in the global transition.

An example of this is by restricting access to finance and insurance products. In doing so, financial institutions are creating counter-productive impacts which have the potential to limit the ability of Australian resources companies and suppliers to uphold the highest standards on sustainability.

#### **Recommendation**

##### **A Sustainable Finance Strategy must:**

- **Ensure Australia remains an attractive investment destination by reducing regulatory burden, advancing policies that support competitive project returns, delivering efficient public infrastructure and services, and focusing fiscal policy on productivity.**
- **Demonstrate to financial institutions that Australian mining is a crucial pillar in the global transition, and**
- **Avoid policies that present risk to the increased development of Australia's mineral resources crucial to decarbonisation.**