

30 November 2023

Sustainable Finance Unit
Climate and Energy Division
Treasury

By email to: sustainablefinanceconsultation@treasury.gov.au

To whom it may concern,

RE: Sustainable Finance Strategy – Consultation Paper Submission

The Northern Australia Infrastructure Facility (NAIF or the Facility) welcomes the opportunity to make a submission to the Sustainable Finance Strategy – Consultation paper.

In providing financial assistance for the economic growth of northern Australia, NAIF is committed to delivering public benefit, materially improving the lives of First Nations people, and demonstrating the Facility's contribution in Australia's transition to net zero. Aligned with the NAIF's role and purpose, the Facility therefore welcomes a comprehensive Sustainable Finance Strategy (the Strategy).

The issues identified in the Strategy - Consultation paper are complex, and many interface with related policy areas and initiatives already underway, where outcomes and expectations remain uncertain.

To assist with the development and implementation of the Strategy, the NAIF would like to provide feedback in relation to a few a few key areas. These have been grouped by pillar, however only priority areas most directly related to the activities of the NAIF are addressed.

Pillar 1: Improve transparency on climate and sustainability.

A sound and consistent sustainability disclosure framework will assist NAIF to assess risk and opportunities (including related to climate risk) in making Investment Decisions. As such, NAIF has previously offered full support for the phased introduction of consistent and standardised sustainability related disclosures aligned with those developed by the International Sustainability Standards Board (ISSB).

This support includes empowering the Australian Accounting Standards Board (AASB), the Auditing and Assurance Standards Board (AUASB) and the Financial Reporting Council as entities responsible for developing the aligned sustainability standards (including the TNFD recommendations), developing audit and assurance standards for sustainability purposes; and providing strategic oversight respectively. NAIF also supports work underway for the development of Australian sustainable finance taxonomy.

This work in aggregate – if accompanied by the necessary investment in capability and cross jurisdictional collaboration to eliminate any legislative inconsistencies - will help ensure that Australia does not fall behind global developments and will support proponents active across northern Australia in managing sustainability related risks and opportunities, as well as importantly, attract much needed private sector investment.

In addition to the outline climate initiatives, NAIF stresses the importance of other sustainability goals. NAIF considers the integration of First Nations perspectives critical across all related environmental and social goals, including climate, but also protecting natural landscapes, ecosystems, and biodiversity, as well as Priority Reforms of the National Agreement on Closing the Gap.

Pillar 2: Financial system capabilities.

The Consultation paper correctly identifies significant gaps in data quality, availability, and capacity, particularly around scope 3 emissions reporting and scenario analysis. This presents similar challenges for NAIF as the private sector, given reliance on proponents in different industries, with varying size, sophistication, and resources. While the accuracy of Scope 3 financed emissions reporting will increase as more entities become subject to mandatory disclosure requirements, NAIF notes that during the transition period, further standardized tools, and guidance with respect to materiality, assumptions and boundaries for Scope 3 estimation will be of benefit. Over time, NAIF expects digital reporting and publicly accessible data repositories would improve the integrity, interoperability, and comparability of sustainability lodgements.

The role of Special Investment Vehicles (SIVs), such as NAIF, in mobilizing private capital to support the energy transition and achieve other sustainability objectives, could be materially enhanced if capital weightings encouraged bank lending for sustainability objectives. This could be in the form of adjusting risk weightings for category and time of sustainability linked assets, or alternatively mechanisms to encourage commercial bank participation in projects supported by SIVs. NAIF therefore encourages Treasury to work with the Australian Prudential Regulation Authority (APRA) and the Basel Committee on Banking Supervision (BCBS) to explore in detail the full range of capital risk weighting options and incentives for sustainable loans.

Pillar 3: Government leadership and engagement.

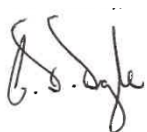
All SIVs, including NAIF and the CEFC can play an important role to support the scaling up of sustainable investment in Australia. In this respect, aligning with NAIF's Mandate, NAIF would urge the formal inclusion of First Nations perspectives and considerations into all SIVs formal investment decision making processes.

The operating model and Investment Mandate appetite of each SIV provides an opportunity for enhanced government leadership, where different risk appetites and investment criteria can be used in concert to maximise the value of the taxpayer's contribution. In this regard, NAIF is proud of the Facility's success in using blended finance as a tool to accelerate project delivery and public benefit across Northern Australia, for projects which have proven difficult to realise through commercial financing alone.

Following the inclusion of the Indian Ocean Territories – Christmas and Cocos (Keeling) Islands into NAIF coverage area, NAIF can provide financial assistance up to the frontier of the Indo-Pacific. Indeed, Small Island Developing States (SIDS), including those in the Indo-Pacific, face many similar financing challenges as northern Australia. NAIF's combined commercial and public benefit investment model could further assist in addressing the financing gap and delivering desired policy outcomes.

Finally, thank you again for the opportunity to provide feedback on the consultation paper. NAIF looks forward to ongoing engagement with Treasury and the prospect of further consultation in relation to areas where the NAIF's experience – particularly with respect to First Nations outcomes - can help investment decision making across the economy.

Yours sincerely,



Craig Doyle
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Northern Australia Infrastructure Facility