50 Camberwell Road Hawthorn East VIC 3123

Clean Energy Investor Group

8 February 2024

Hon Dr. Jim Chalmers MP
Treasurer
Commonwealth government
Lodged Electronically: ClimateReportingConsultation@treasury.gov.au

Dear Treasurer,

CEIG response to the Commonwealth Treasury's consultation on Climate-related financial disclosure (exposure draft legislation)

The Clean Energy Investor Group (CEIG) warmly welcomes the opportunity to provide comments on the Commonwealth Treasury's (Treasury) exposure draft (the exposure draft) on *Climate-related financial disclosure* released on 12 January 2024.

CEIG represents domestic and global renewable energy developers and investors, with more than 16GW of installed renewable energy capacity across more than 76 power stations and a combined portfolio value of around $38 billion. CEIG members' project pipeline is estimated to be more than 46GW across Australia. CEIG strongly advocates for an efficient transition to clean energy with a focus on the stakeholders who can provide the long-term cost-effective capital required for this transition.

Key Points

- **CEIG supports the exposure draft,** noting its benefits to transparency and accountability.
- CEIG encourages judicious consideration of the **measurement and presentation of transition risk** to transparently inform investor cohorts in objective and measurable ways.
- CEIG encourages the **expedient inclusion of scope 3 data,** while ensuring the preparedness of the market.

General Comments

This consultation process is a subsequent step following the government's formal announcement regarding the policy framework for corporate disclosures related to climate-related financial matters, as comprehensively outlined in the Policy Statement.

The proposed legislative changes, presented in the exposure draft, are designed to bring about amendments to specific parts of two significant pieces of legislation: the *Australian*

Securities and Investment Commission Act 2001 and the *Corporations Act 2001 (Cth*). The primary objective of these amendments is to establish and enforce new mandatory requirements.

These requirements will compel large business entities and financial institutions to transparently disclose information regarding the risks and opportunities they face in relation to climate change. This move is seen as a critical step towards enhancing corporate accountability and promoting a more transparent and sustainable approach to business practices in the context of evolving environmental challenges.

CEIG believes that the proposed changes will have positive impacts on climate informed investing, and will promote renewable energy investment. The mandatory climate-related financial disclosures are a positive step towards ensuring greater transparency, promoting sustainable investment, and managing climate risks effectively. These disclosures not only align with the interests of clean energy investors but also provide crucial data for all stakeholders in the energy market to make more informed decisions that support the transition to a cleaner, more sustainable energy future.

The critical benefits of climate-related finance disclosures

Enhanced Transparency in Climate Risks and Opportunities

The new reporting requirements will provide investors and stakeholders with detailed information on how companies are addressing climate change, their climate strategies, governance processes, and emissions data (scope 1, 2, and eventually 3).

Standardisation of Disclosures

By aligning with the Australian Accounting Standards Board (AASB) taxonomy and disclosure standards in development, the reports will offer a consistent format, making it easier for investors and other stakeholders to compare and assess the climate-related risks and opportunities across different companies.

Improved Financial Decision Making

With access to standardised and detailed climate-related information, investors can make more informed decisions, leading to a more efficient allocation of capital towards sustainable initiatives.

Driving Corporate Accountability and Action

Mandatory reporting pushes companies to be more proactive in managing their climate impact, leading to potentially better environmental practices and innovation in sustainability. Critical standardization regarding Transition risk, and objective measurement methods pertaining to transition risk would further enhance the framework.

Alignment with Global Best Practices and Facilitating Transition to Net Zero

The policy aligns Australian businesses with global standards, which is crucial for attracting international investors and maintaining competitiveness in a global market increasingly focused on sustainability. Moreover, by providing clear information on how companies are transitioning to lower emissions, the climate related financial disclosure reports can support Australia's broader goals of reducing emissions and achieving net zero by 2050.

Ensuring the success of the reporting framework

The process of implementation, iteration and oversight are critical to the success of the regime. The following are broad considerations for the framework's deployment, to ensure its viability, vitality, and success. Sector-specific adjustments will be critical, particularly the representation and measurement of transition risk. While at the earliest vestiges this has not been a core focus of the CRFD process, consideration of industry-specific impacts and risks in the reporting standards can enhance the relevance and usefulness of the disclosures for different sectors.

The provision of a timeline for the inclusion of scope 3 emissions data will also support firms in their preparation for the disclosure regime. The inclusion of scope 3 remains pivotal to the success of the framework, as a key decision input for many investors. With regard to promoting access and data dissemination the benefits of the eXtensible Business Reporting Language (XBRL) standards should also be acknowledged, and their use encouraged. XBRL is used broadly in many jurisdictions and may assist with the accessibility and dissemination of reports.

The successful implementation of this policy hinges on a balanced approach that considers the diverse capabilities and resources of businesses, fosters gradual adaptation to new standards, and remains flexible to evolving sustainability practices and climate knowledge. Regular reviews, stakeholder engagement, and effective oversight will be key to ensuring that the policy remains relevant, effective, and in line with global best practices.

Commonwealth Treasury's assessment of the benefits of the regime

CEIG agrees with the Commonwealth Treasury's assessment of the benefits of the regime. The mandatory climate-related financial disclosures will put Australian firms and our disclosure regime on par with advanced OECD economies, and will establish a financial sector model and investment climate conducive to stronger investment in renewable energy assets.

These disclosures will also serve to ably represent the contributions of entities having carriage of critical clean energy assets, presenting climate and transition risks fairly and equitably. With future iterations, regulatory pronouncements and revisions should consider how firms actively and advantageously addressing complex transition risk should be set against those that do not have regard for such risk, employing objective measures of asset risk. With time, these measures, and their standardisation will enhance the disclosure model and support the transition to a sustainable energy market and energy futures.

CEIG thanks the Treasury for the opportunity to provide feedback on the exposure draft and looks forward to continued engagement on those issues. Our Policy Director can be contacted at marilyne.crestias@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

Marilyne Crestias
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