



Australian Business Climate Survey 2022



About the 2022 Survey

The Carbon Market Institute (CMI) surveys attitudes of Australian business and industry annually to gauge views on international and domestic policy, carbon markets and pricing, and corporate climate risk, disclosure and strategy. This survey is now in its ninth year, allowing CMI to track trends on business views and practices towards climate policy.

To reflect what has been a transformational year in climate policy and business action domestically and globally, several new questions have been added to the Survey in 2022. These delve deeper into Australia's climate ambition, perspectives on key reforms including the Safeguard Mechanism and ACCU Review, the impact and opportunities associated with Article 6 of the Paris Agreement, as well as the actions of the business community in leading the transition to net zero and beyond.

The survey was conducted electronically over a three-week period. It was sent to a wide database of senior executives and employees working for businesses with a large emissions profile, investors, carbon project developers, carbon market experts and professional service providers. We thank all respondents for participating.

Survey data reflects a broad market perspective and should not be attributed to the position of any single individual or organisation. 262 individuals filled in the survey, 60% of which were Senior Executives, C-Suite or Board members. 48% were CMI Members.



262
respondents in total



60%
were Senior
Executives, C-Suite
or Board members



48%
were CMI Members

Executive Summary – Survey Findings

AN APPETITE FOR EVEN GREATER AMBITION

In a year which has seen Australia's upgraded Nationally Determined Contribution (NDC) submitted to the United Nations and its 2030 target enshrined in law for the first time following the federal election, the 2022 Business Climate Survey represented a significant shift in long term business ambition.

Despite the increased NDC, 64% of survey respondents still believe Australia's current 2030 target is an inadequate contribution towards Paris Agreement climate goals, though this was a significantly smaller proportion than in 2021 (84%).

In terms of a net zero target, 71% of respondents felt 2050 wasn't soon enough, with many calling for 2040 (29%) and 2035 (27%) as more appropriate milestones for collective net zero commitments. Looking longer term, almost two thirds (61%) of respondents believe Australia should also set a target for net-negative emissions, which would mean a target beyond net zero emissions that would see Australia removing more carbon dioxide from the atmosphere than it contributes.

However, while a stronger vision beyond net zero emissions was a significant development, questions remained about the approach and targets required in the medium term, with only half (52%) of respondents pushing for a 2035 target in excess of 60% – a figure still below the at least 70-75% which many in the scientific and investor community say is more aligned to Australia's fair share of the effort to help limit global warming to 1.5°C¹.

Interestingly, respondents were relatively split on whether Australia should allow voluntary commitments to contribute to its NDC (in addition to current compliance commitments), with marginally more (48%) respondents in favour of the move compared to those who opposed in (38%).

BREAKING DOWN POLICY BARRIERS

As with recent years, policy and regulatory uncertainty remains high on the agenda for business leaders as Australian climate policy development enters its most constructive phase for over a decade. However, this year saw the cost of transition supersede the need for better investment signals, policy and regulation as the number one concern.

With a range of climate policies currently undergoing review and reform by the Albanese Government, survey respondents shared strong views on what the 'nuts and bolts' of these policies and frameworks should look like.

Calls for an economy-wide approach to reducing emissions were widespread, with 72% of respondents stating that they believe additional policy instruments are required to drive clean energy investment. An even larger proportion (87%) of respondents say Australia should set sectorial targets for net zero emissions by 2050.

On the trajectory and speed of the transition, over half of respondents (53%) believe the average annual decline rates for emissions under the Safeguard Mechanism should be 5% or greater, and 87% say that the longer Australia delays decarbonisation, the more abrupt, forceful and disruptive the policy response will need to be, especially for carbon-intensive industries.

Of the priorities suggested in the International Energy Agency's (IEA) Net zero 2050 Report, energy efficiency and technology support remained top of mind for respondents, however this was only marginally above phasing out all unabated coal and oil power plants by 2040 (82%), and the call for no new coal mines or mine extensions (73%).

“Australia's NDC should be ambitious, so that meeting it can be a combined effort of significant public and private investment.

Survey Respondent

¹<https://gcc.org.au/wp-content/uploads/2022/09/GCC-Policy-2025-PrioritiesWeb.pdf>

DECARBONISATION CHALLENGES AND DRIVERS

Aside from policy challenges which ranked as the second-biggest challenge (42%), the survey identified cost (47%) as the number one challenge to decarbonisation, while a lack of adequate technology solutions (34%) and availability of finance and capital (24%) also ranked in the top five. Additionally, three quarters of respondents (75%) have questions over Australia’s ability to leverage private investment in emissions reduction and climate action, proportionate to its economy and role on the global stage.

Key drivers identified in the survey were noticeably more tangible and ‘closer to home’ in this year’s report, with stakeholder demands (64%) and commercial opportunities (64%) overtaking reputation management (60%) and long-term strategy (53%) as the most important driver for business in the transition. Risk management (47%) completed the top five, while physical climate risks (43%) were recognised as a vital factor in decision-making for the first time.

AUSTRALIA’S ROLE ON INTERNATIONAL STAGE

As Australia continues to ramp up international engagement on climate change following the change in government and leading into COP27 later this year, business leaders stand in strong support of greater cross-border collaboration, though remain wary of some rules of engagement.

84% of respondents believe Australia should actively contribute to the development of a linking framework for international carbon markets, believing that this will improve flexibility for both import and export of carbon credits. In the case of regional ‘carbon clubs’, 43% of respondents would consider investing in bilateral engagements between Australia and other countries to develop and support these markets in developing countries, such as the Indo-Pacific Carbon Offsets Scheme.

Going a step further, an even greater proportion (86%) say Australia should provide greater finance, technical assistance and/or capacity building to developing countries to address irreversible loss and damage and assist with climate adaptation.

In terms of restrictions from trading partners, carbon border adjustment mechanisms (CBAMs) are still a concern for many respondents (71%), However, this figure dropped significantly from 2021 (81%), potentially reflecting the impact of impending domestic policy changes.

INTEGRITY

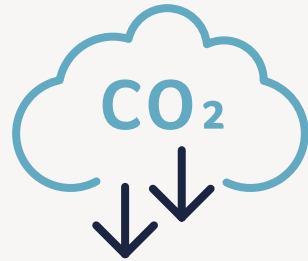
With a number of policies and frameworks currently undergoing review and reform, integrity also came into greater focus in this year’s survey. As such, a level of uncertainty was reflected in an average score of just over 6 out of 10 on the current integrity of Australia’s carbon crediting frameworks, governance and ACCUs. This follows allegations made about the integrity of different methodologies, as well as the governance of the carbon crediting system which are currently being considered by the Independent Review of ACCUs led by Professor Ian Chubb, and due to be handed down in December this year.

CREDIT SUPPLY AND PRICE OF CARBON

Despite some uncertainty about Australia’s crediting and governance framework, business still remains buoyant about the value of ACCUs into the future, with the majority of respondents (55.6%) forecasting an ACCU price of over \$60 by 2030, compared to last year’s prediction of over \$40 by the majority of respondents (66%).

In terms of local supply levels, respondents are far more cautious, with a significant proportion (48%) believing that Australia does not have enough carbon credit supply to meet domestic demand over the next 3-5 years. While this is still lower than in 2021 (52%) it highlights the importance of providing durable support and confidence to landholders, as well as to businesses considering these investments.

Key Findings



61% of respondents believe Australia should set a target for net negative emissions



71% of respondents believe Australia's net zero emissions commitment should occur before 2050



87% of respondents believe Australia should set sector-specific net zero targets for 2050

48% of respondents believe Australia does not have enough carbon credit supply to meet domestic demand over the next 3-5 years



52% of respondents pushed for a 2035 target in excess of 60%, below the 70-75% which many in the scientific and investor community are recommending

87% believe the longer Australia delays decarbonisation, the **more abrupt, forceful and disruptive the policy response will need to be**, especially for carbon-intensive industries.

On a scale from 1 to 10 (being highest), respondents gave an average score of just over 6 in regard to the current **integrity of Australia's carbon crediting frameworks, governance and ACCUs.**

73% of survey respondents believe that **a common framework of governance and assurance over environmental and social outcomes** (co-benefits) should be developed.

Cost (47%) ranked as the number one barrier to decarbonisation investments for the first time, however policy and regulatory uncertainty (42%) still remained a significant barrier.

86% believe Australia should provide **greater finance, technical assistance and/or capacity building to developing countries** to address irreversible loss and damage, and assist with adaptation.

Stakeholder demand (65%) and commercial opportunities (64%) ranked as the most important drivers for business in the transition, in respondents' top three choices, reflecting the realities of increasing consumer and investor demands.

75% of respondents disagreed or were unsure about **Australia's ability to leverage private investment in emissions reduction and climate action**, proportionate to its economy and role on the global stage.

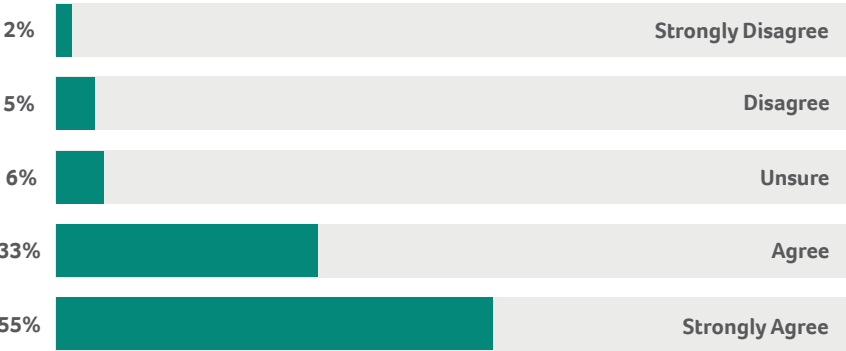
Long-Term Strategy & Domestic Policy

Following the 2022 election and change of government, Australia’s climate policy suite – to which the Emissions Reduction Fund (ERF) has historically been central – is going through a period of transition and amendment as the new ALP Government implements its Powering Australia policy.

The new government has indicated that ACCU supply and the domestic carbon markets will continue to grow and remain central drivers of Australia’s emissions reductions on the path to net zero by 2050. However, taxpayer-funded purchases of ACCUs will become less dominant and demand for ACCUs will begin shifting from the Commonwealth to the private market.

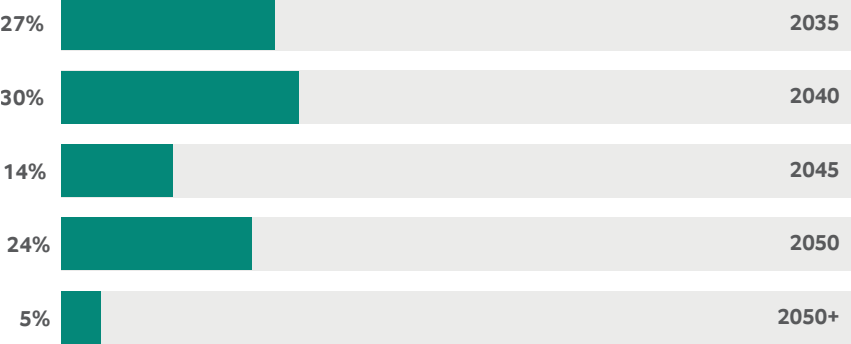
The last 12 months also saw another series of damning reports from the Intergovernmental Panel on Climate Change (IPCC), alongside Australia’s deeply concerning 2021 State of the Environment Report, outlining the severe impacts of climate change and warning of the substantial consequences of delaying deep emissions reduction and removal.

Q1. Australia should set sectorial targets for net zero emissions by 2050.



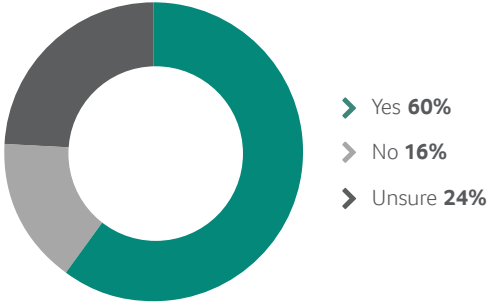
88% of respondents believe Australia should set sectorial targets for net zero emissions by 2050.

Q2. When should Australia be net zero emission by?



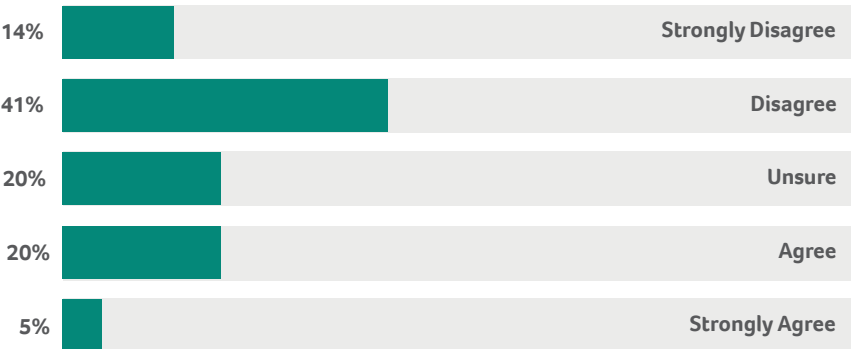
71% of respondents believe Australia’s net zero emissions commitment should occur before 2050.

Q3. Should Australia set a target for net negative emissions?



60% of respondents believe Australia should set a target for net negative emissions.

Q4. Australia’s ability to leverage private investment in emissions reduction and climate action is adequate, proportionate to its economy and role on the global stage.

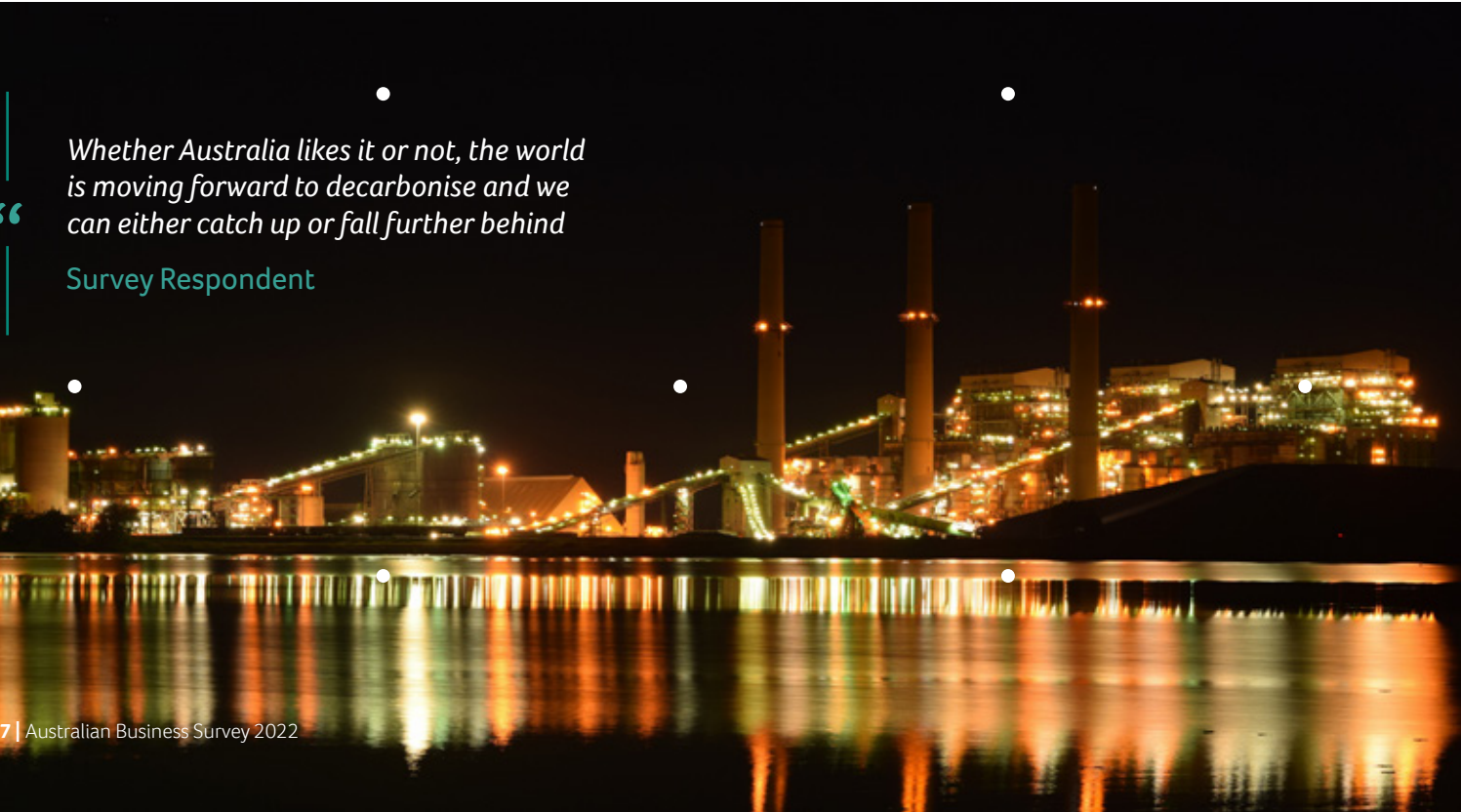


75% of respondents disagreed or were unsure about Australia’s ability to leverage private investment in emissions reduction and climate action, proportionate to its economy and role on the global stage.

Q5. Should Australia adopt the following IEA Net zero 2050 Report milestones?

Top 5 Most Important

1	Energy efficiency prioritisation including enhanced standards and national schemes (95%)
2	Support for technology development in advanced batteries (93%)
3	Support for technology development in hydrogen electrolyzers (83%)
4	Phasing out all unabated coal and oil power plants by 2040 (82%)
5	No new coal mines or mine extensions from 2021 (73%)



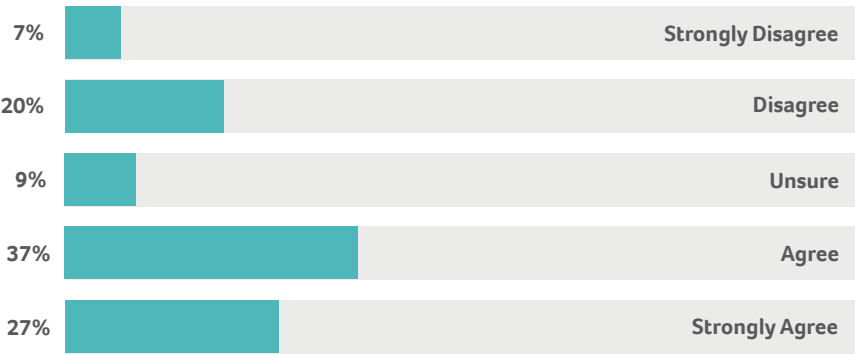
“Whether Australia likes it or not, the world is moving forward to decarbonise and we can either catch up or fall further behind”
Survey Respondent

Paris Agreement & Australia’s NDC Ambition

In 2015, Australia set its first Nationally Determined Contribution (NDC) under the Paris Agreement – to reduce emissions by 26–28% on 2005 levels by 2030. Post-Election, the Albanese Government has upgraded this commitment to target a 43% reduction in emissions by 2030, based on 2005 levels, which has now been formally submitted to the UN and legislated through Parliament.

A five-yearly global stocktake begins in 2023, and the Paris Agreement’s ratchet mechanism requires Australia to commit to a new, stronger 2035 NDC by 2025.

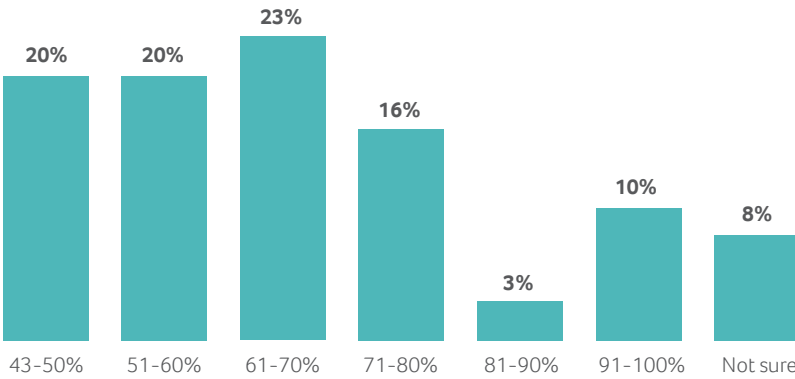
Q6. Australia’s current 2030 target of 43% reductions is an inadequate contribution towards Paris Agreement climate goals and should be increased.



64% Australia’s current 2030 target is an inadequate contribution towards Paris Agreement climate goals.

(In 2021 this was 84%)

Q7. What do you think Australia’s emissions reduction target for 2035 should be?

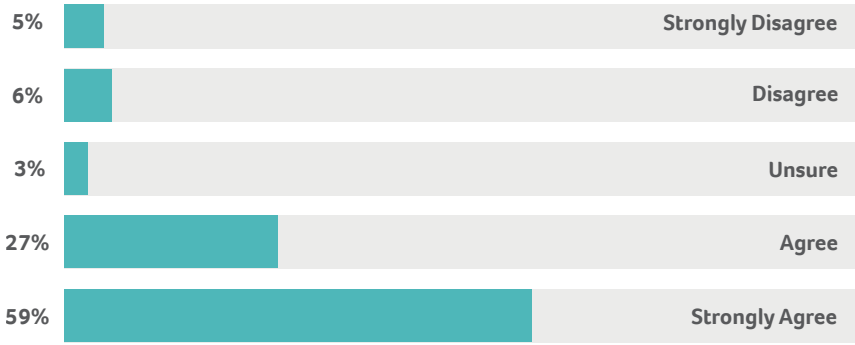


“Australia’s NDC should be ambitious, so that meeting it can be a combined effort of significant public and private investment.

Survey Respondent



Q8. The longer Australia delays decarbonisation, the more abrupt, forceful and disruptive the policy response will need to be, especially for carbon-intensive industries.



86% believe the longer Australia delays decarbonisation, the more abrupt, forceful and disruptive the policy response will need to be, especially for carbon-intensive industries.

(In 2021 this was 91%)

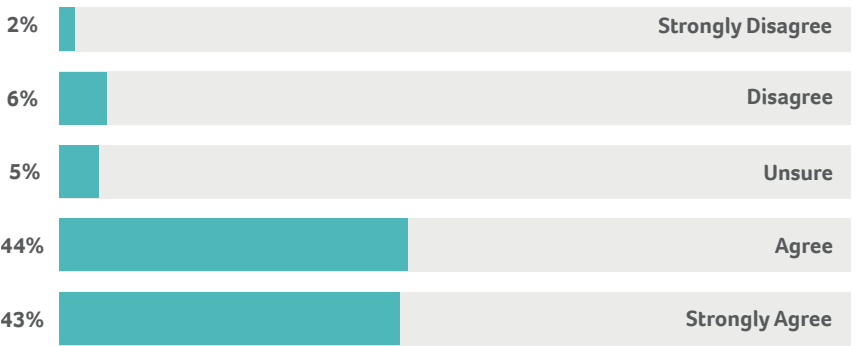
Q9: How should voluntary carbon credit purchases from business be treated in relation to Australia’s NDC?



- It should support Australia in achieving its NDC target **48%**
- It should be additional to, or not counted towards, Australia’s NDC **38%**
- Don’t know **14%**

Nearly **50%** of respondents believe voluntary carbon credit purchases should support Australia in achieving its NDC target.

Q10. Australia should provide greater finance, technical assistance and/or capacity building to developing countries and neighbours to assist with adaptation and address irreversible loss and damage.



87% of respondents believe Australia should provide greater finance, technical assistance and/or capacity building to developing countries and neighbours to assist with adaptation and address irreversible loss and damage.

International Carbon Markets and Financing

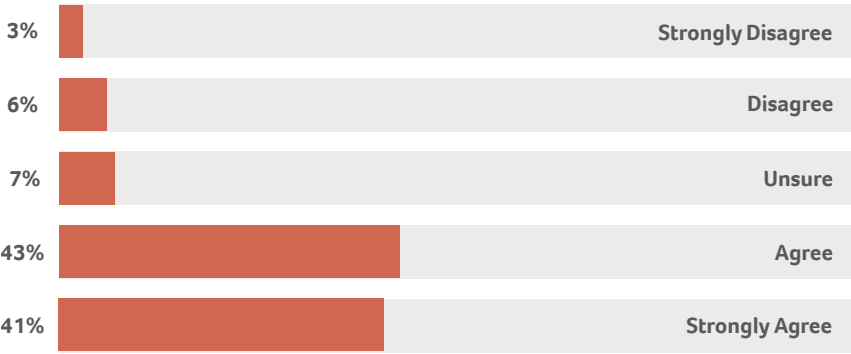
Article 6 of the Paris Agreement allows countries to voluntarily cooperate with each other to achieve emission reduction targets set out in their NDCs. This means that, a country (or countries) will be able to transfer carbon credits earned from emissions reductions to help one or more countries meet climate targets. However, Australia currently only allows the use of international carbon units under its voluntary Climate Active carbon neutral certification program and doesn't allow the export of ACCUs into the international carbon market.

It's estimated that 80% of the value of Australia's major exports are now entering jurisdictions with carbon pricing mechanisms implemented or in development. For example, the emergence of carbon border adjustment mechanisms (CBAMs) and tariffs, such as the European Union CBAM, may have growing implications for Australian exports. Global investors are also increasingly considering the carbon profiles of economies and companies in their investments.



“Any market linkage should not open the door to purchases of low-quality international offsets”
Survey Respondent

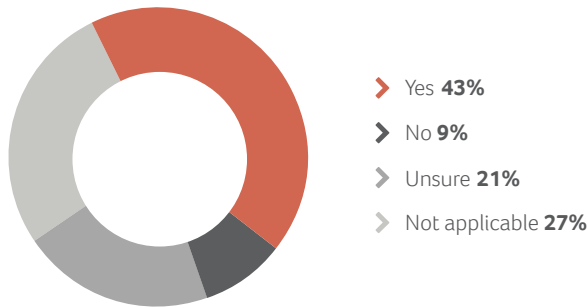
Q11. Australia should actively participate in establishing international linkage of carbon markets to allow flexibility for both import and export of carbon credits.



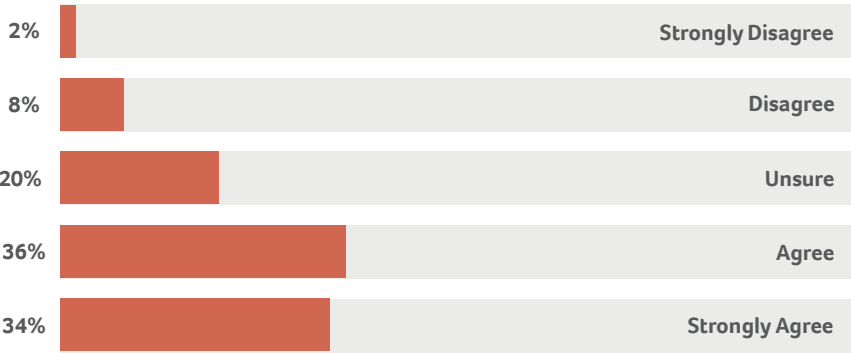
84% of respondents believe Australia should contribute to the development of a linking framework for international carbon markets, improving flexibility for both import and export of carbon credits.

(In 2021 this was 89%; 2020 this was 84%; 2019 this was 83%).

Q12. Would your company consider investing in bilateral engagements between Australia and other countries to develop and support carbon markets in developing countries (such as the Indo-Pacific Carbon Offsets Scheme)?



Q13. Carbon border tariff adjustments from trading partners are a potential risk to Australia's emissions- intensive economy and exports.



70% of survey believe that carbon border tariff adjustments from trading partners are a potential risk to Australia.

(In 2021 this was 81%; 2020 was 79%; 2019 was 70%)

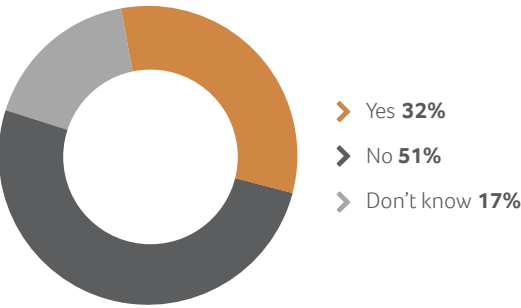
Australia’s carbon market and crediting framework

The Emissions Reduction Fund (ERF) has provided the overarching framework for Australia’s carbon markets since 2015, when it was established as the successor to the Carbon Pricing Mechanism (CPM). Under the ERF approach, emissions reduction and avoidance activities in Australia have been incentivised through three key elements: crediting, purchasing, and safeguarding emissions reductions.

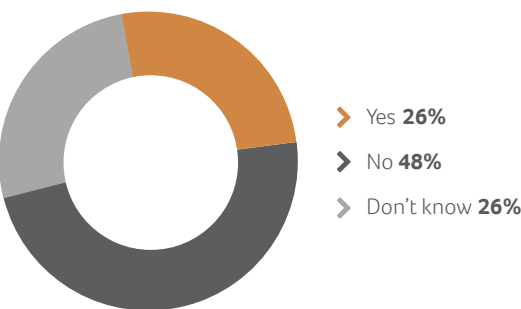
As the Albanese Government implements its Powering Australia plan, the purchasing function of the former ERF will evolve and the primary buyer of ACCUs will graduate from the Commonwealth to the private sector.

The Albanese Government has also commissioned an Independent Review of ACCUs, led by Professor Ian Chubb, which is currently reviewing carbon crediting methods and governance frameworks that have underpinned the historical ERF. This review process will ensure that Australia’s carbon markets are fit for purpose to support industrial decarbonisation, whilst continuing to contribute to the broader community, particularly in regional Australia where many of the projects take place.

Q14. ACCU ERF method activities should be the only carbon credit-generating activities allowed in Australia.



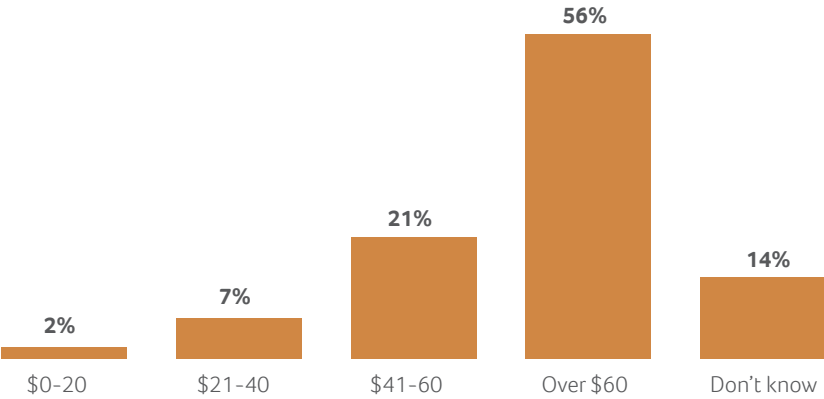
Q15. Do you believe that Australia will have enough carbon credit supply to meet domestic demand over the next 3-5 years?



48% of respondents said Australia does not have enough carbon credit supply to meet domestic demand over the next 3-5 years, though this was slightly down on last year (52%).



Q16: What price do you expect ACCUs to be receiving in 2030?



56% of respondents forecasted an ACCU price of over \$60 by 2030, compared to over \$40 predicted by the majority of last year’s respondents (66%).

Q17. To what extent does your company believe Australia’s ACCUs, crediting frameworks and governance are robust? Please rate from 1 (low integrity) to 10 (very robust).

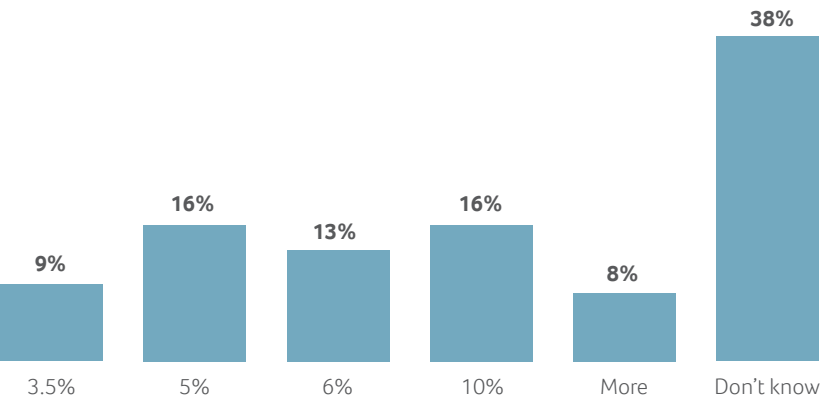
Average response of **6**, from 216 respondents.

The Safeguard Mechanism and complementary policies

The Albanese Government’s policy commitment to strengthen the Safeguard Mechanism is aimed at driving decarbonisation in the industrial sector (excluding the electricity sector). The Government has recently undertaken its first consultation to reform the Safeguard Mechanism into a ‘baseline and credit’ system. This will reduce emissions baselines predictably and gradually over time to support Australia’s 2030 NDC and 2050 net zero target. Under this proposed framework, below-baseline credits, or Safeguard Mechanism Credits (SMCs), would be awarded to facilities which reduce emissions below their annual baseline. These SMCs could be sold and used by facilities with harder-to-abate emissions, alongside ACCUs, to keep their net emissions under their assigned baselines.

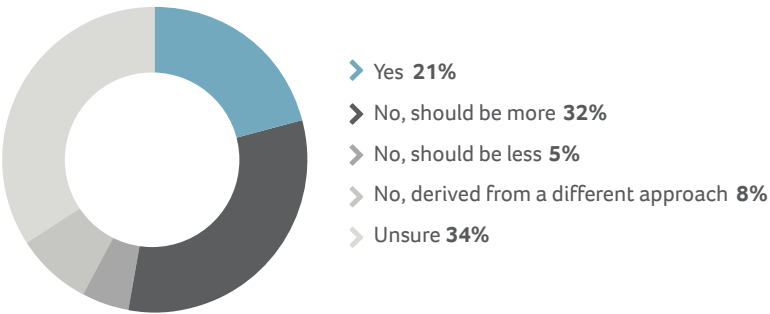
In the context of the electricity sector, there is also an ongoing policy discussion on optimal electricity market design to support emissions reduction alongside the long-term reliability and security in Australia’s National Electricity Market. While Rewiring the Nation is the Albanese Government’s \$20 billion policy commitment to modernise the grid is the centerpiece of its policy for the electricity sector, questions remain on whether complementary market-based policies may also be required to scale investment in the energy transition and address emissions in harder-to-abate sectors.

Q18. Average annual decline rates for emissions under the Safeguard Mechanism should be:

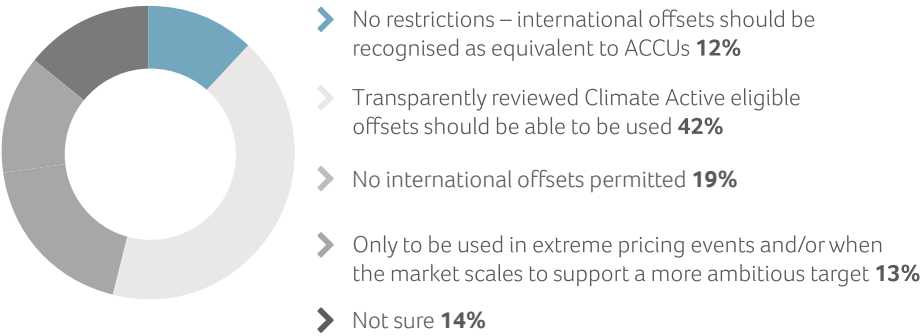


53% believe the average annual decline rates for emissions under the Safeguard Mechanism should be 5% or greater.

Q19. Should Safeguard Mechanism reforms deliver 28% of 2030 reductions, equal to Safeguard covered facilities 28% share of Australia’s emissions?

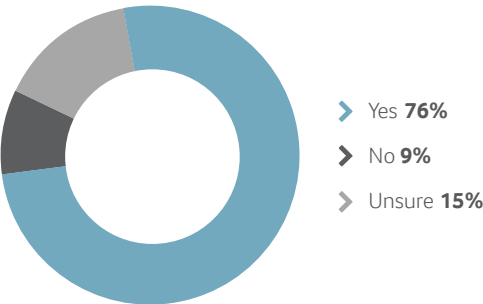


Q20. What restrictions, if any, should be applied to the use of international offsets under the Safeguard Mechanism?

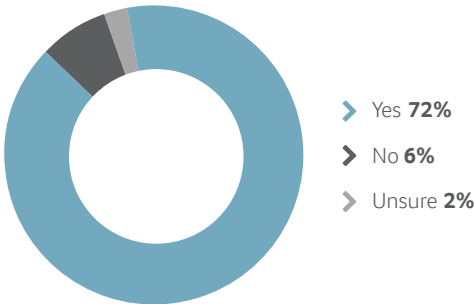


Over **40%** of respondents believe international offsets should be permitted, if eligible for Climate Active.

Q21. Should the Renewable Energy Target be reformed to accelerate decarbonisation?



Q22. Are additional policy instruments required to drive clean energy investment?



72% of respondents believe additional policy instruments are required to drive clean energy investment.

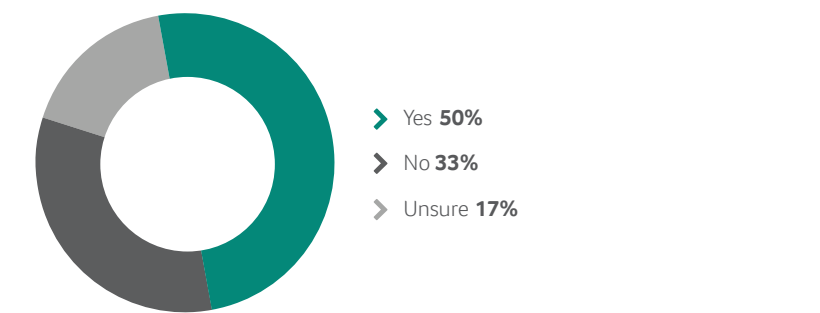


“Baselines must be set at best-practice levels - for both growth & new entrants.”
Survey Respondent

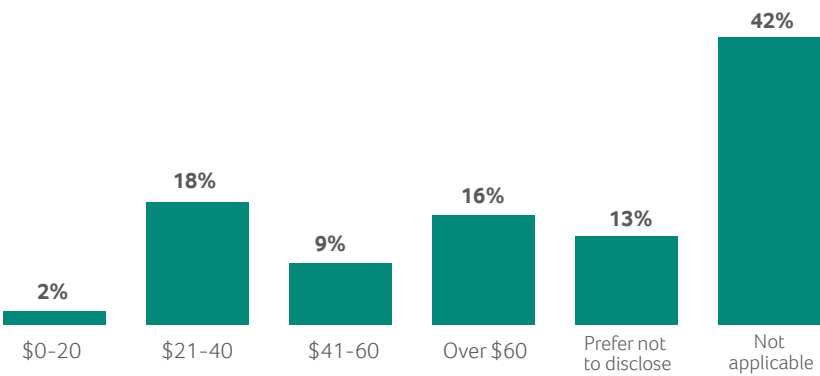
Internal Carbon Pricing

An internal carbon price is a dollar figure an organisation places on the emissions it emits, which can be used to influence business decision-making and drive positive climate action. Today, thousands of companies disclose to the Climate Disclosure Project (CDP) their current practices and plans to use internal carbon pricing.

Q23. Is your company factoring in a carbon price in investment and/or operational decisions?



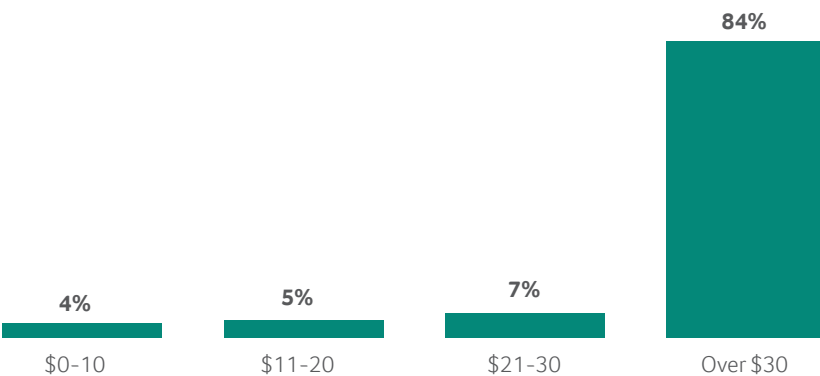
Q24. If you are factoring in an internal carbon price, at what level are you setting the carbon price?



56% of respondents are factoring in an internal carbon price of over \$20 per tonne.

(In 2021 this was 65%; 2020 was 75%; 2019 was 63% over \$20)

Q25. What do you expect Australia's national (implicit) price on carbon to be by 2030?



84% of respondents expect Australia's national (implicit) price on carbon to be >\$30 per tonne by 2030.

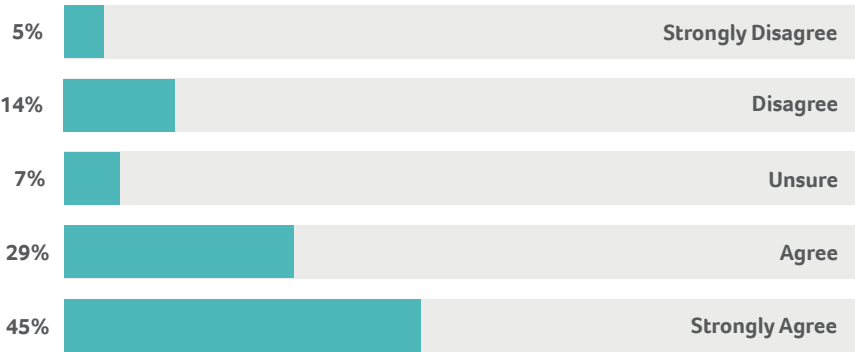
(In 2021 this was 74%; 2020 was 55%; 2019 was 58%).



Voluntary Carbon Markets

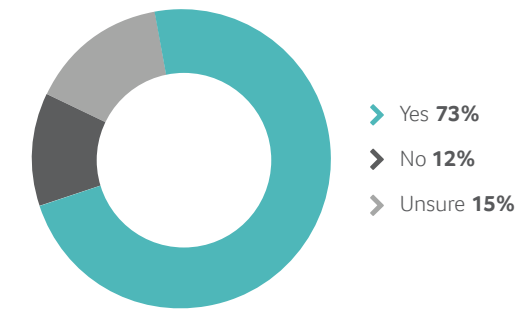
In recent years the global voluntary carbon market has grown significantly as private companies have made increasingly ambitious climate targets. However, these voluntary actors are not bound by the integrity and transparency requirements essential to verifying their contributions in the same way that compliance markets are overseen by governments. The negotiations for Article 6 of the Paris Agreement have highlighted further the need for clarity surrounding the verification of voluntary carbon mechanisms, with bodies such as the Voluntary Carbon Market Integrity Initiative (VCMI) making important steps forward in this area.

Q26. Voluntary offsetting of emissions by organisations should only be undertaken alongside direct decarbonisation activities that avoid and reduce emissions.



74% agree that voluntary offsetting of emissions by organisations should only be undertaken alongside direct decarbonisation activities that avoid and reduce emissions.

Q27. Should a common framework of governance and assurance over environmental and social outcomes (co-benefits) be developed?

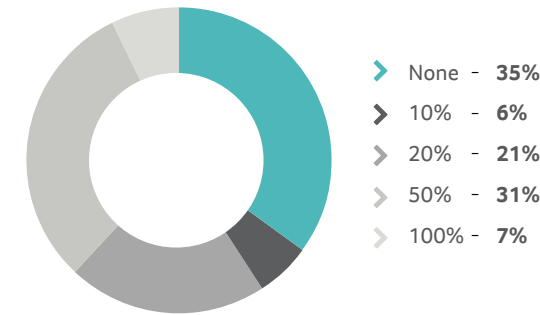


73% of survey respondents believe that a common framework of governance and assurance over environmental and social outcomes (co-benefits) should be developed.

Q28. To what extent does your company regard the current integrity of Australia's voluntary market? Please rate from 1 (low integrity) to 10 (very robust).

Average response of **6**, from 190 respondents.

Q29. What should the minimum ACCU quota be (if any) under Australian voluntary certification frameworks (e.g. Climate Active)?



65% of respondents believe there should be a minimum ACCU quota for voluntary certification frameworks (e.g. Climate Active)

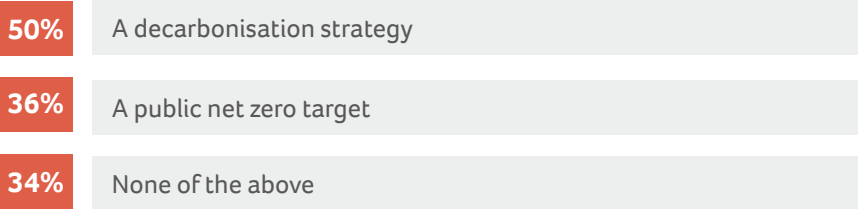


Demand for ACCUs will grow, but the ability of companies to earn them isn't keeping pace.
Survey Respondent

Climate Commitments, Risk & Strategy

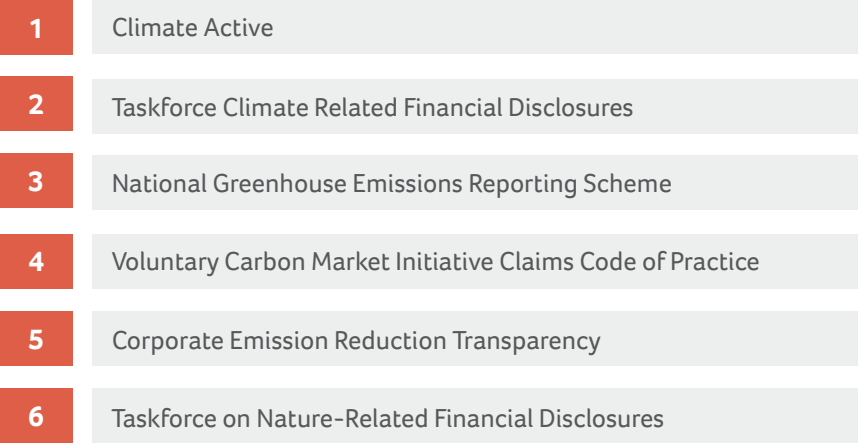
As we accelerate towards a net zero emissions economy, corporate climate commitments and disclosure practices are evolving. Organisations are responding to market signals, and there is a heightened community and investor focus on the associated financial impacts of climate change.

Q30. Which of the following does your organisation currently have in place?*



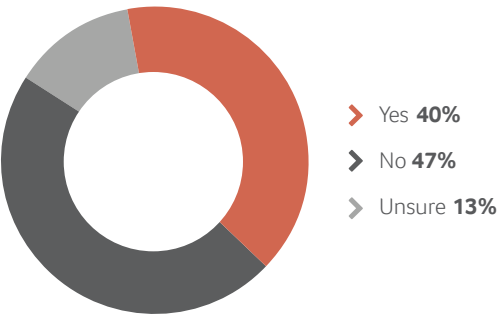
* Figures in chart represent the percentage of responses for each box

Q31. In the next 12 months, my company will/or intends to participate in*:



* Figures in chart represent the hierarchical ranking of responses by participation level

Q32. In the past 12 months, has your organisation faced increased shareholder action/resolutions regarding climate change?

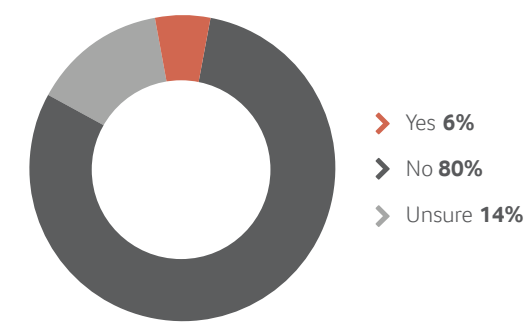


40% of respondents state that their organisation has faced increased shareholder action/ resolutions regarding climate change in the last 12 months.

(In 2021 this was 52%; 2020 was 57%; 2019 was 42%).



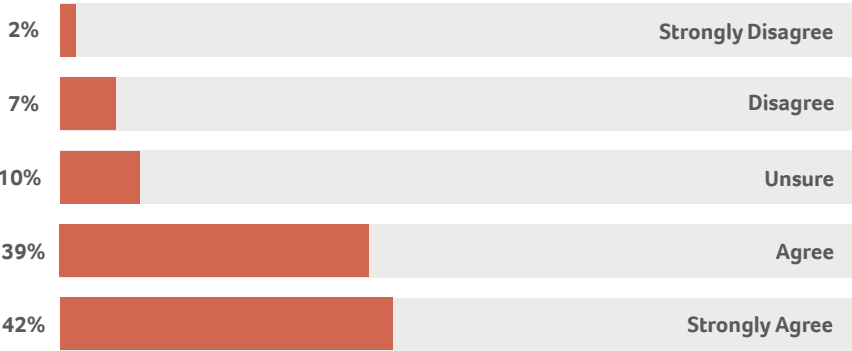
Q33. In the past 12 months, has your organisation faced increased legal challenges regarding climate change?



6% of respondents say that their organisation has faced increased legal challenges regarding climate change in the past 12 months.

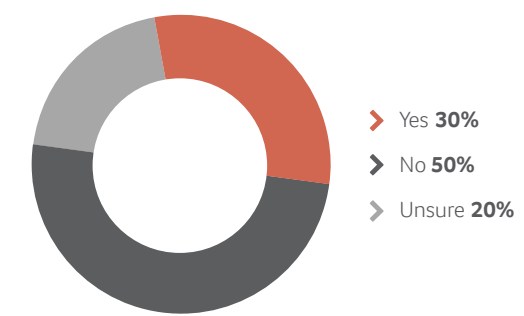
(In 2021 this was 9%; 2020 was 12%; 2019 was 9%).

Q34. Australia should introduce mandatory reporting of climate-related risks.

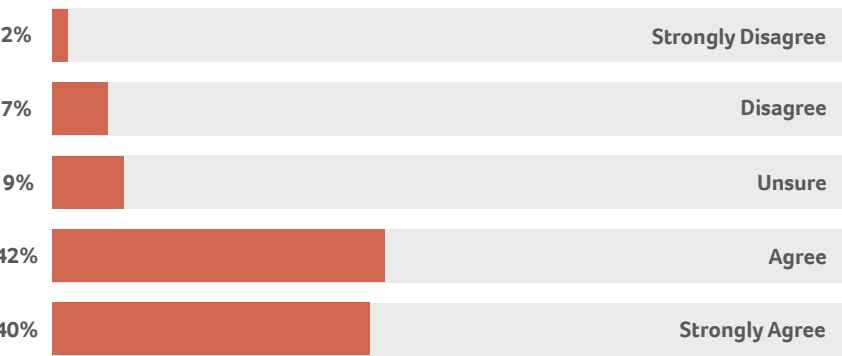


81% believe that Australia should introduce mandatory reporting of climate-related risks.

Q35. Has your company undertaken portfolio stress testing to model business resilience and adaptation in higher emissions scenarios?



Q36. Organisations with emission reduction targets should be expected to demonstrate how their targets and trajectories align to a 1.5°C future and the Paris Agreement temperature goals.



82% believe that organisations with emission reduction targets should be expected to demonstrate how their targets and trajectories align with Paris Agreement 1.5°C temperature.

Navigating the transition

The global economy is currently undergoing a generational transition as governments and businesses grapple with the social, economic and environmental impacts of climate change and plan for a net zero emissions future. This transition is already underway in most sectors but will continue to present both challenges and opportunities in the near-term.

Q37. The main drivers for decarbonisation and/or drawdown investments within my organisation are:

Top 5 Responses

1	Stakeholder demand (community, customers, employees)
2	Commercial opportunities
3	Reputation management
4	Long-term strategy alignment
5	Risk Management

Q38. The main barriers to decarbonisation and/or drawdown investments within my organisation are:

Top 5 Responses

1	Cost
2	Inadequate market and/or investment signals
3	Government policy and regulation
4	Technology solutions
5	Availability of finance and capital

Breakdown of sectors responding

