Australian Business Climate Survey 2023

Carbon Market Institute

About the 2023 Survey

Since 2014, the Carbon Market Institute's (CMI) annual Australia Business Climate Survey has been a key barometer of business climate action and attitudes toward climate policy.

Following an eventful last 12 months involving a series of landmark domestic climate policy reforms alongside a global economic transition and several key international voluntary and compliance-based policy developments, the survey continues to take on even greater importance. While the survey includes some trend-based questions of previous years, many questions have been adjusted to reflect the implementation of these domestic and international policy changes, and therefore do not include comparative data.

Survey data reflects a broad market perspective, with a total of 301 respondents – an increase on last year. 61% of these were Senior Executives, C-Suite, or Board Members, 57% were CMI Members, and 14% of respondents worked for an organisation covered by the Safeguard Mechanism.

The Survey was conducted electronically over a four-week period, and was sent to a wide database of employees, working for entities engaged in climate policy and carbon markets across the full spectrum of the supply chain. We thank all respondents for their participation and note respondents were asked to give their personal views as individual employees, not necessarily those of their organisation.

301
respondents in total

61%
were Senior Executives, C-Suite or Board members

57%
were CMI Members

Executive Summary

LONG-TERM AMBITION, MEDIUM-TERM UNCERTAINTY

As progress on Australia's and other countries' first nationally determined contribution (NDC) under the Paris Agreement are due to be assessed in the first Global Stocktake later this year at COP28, this year's Australian Business Climate Survey revisited business perspectives on Australia's medium and long-term climate targets, as well as key policies and commitments required to reach them.

Almost half of respondents (47%) supported a net-zero economy no later than 2040, while more than two-thirds (71%) also wanted a planned phase-out of fossil fuels by no later than 2040.

Despite this ambition, there was still some conservativeness about setting a science aligned 2035 target in the medium-term, with 56% wanting a target of under 70%. This represented a significant increase in ambition on 2022 figures compared with 63% last year, but remains below the 70-75% which many in the scientific and investor community have recommended by 2035, in order to help limit global temperature rise to 1.5. Nevertheless, over a third (35%) did support stronger than 70% reductions in this year's survey - an increase from 29% last year.

In terms of the role of carbon credits in Australia's transition to net zero and net negative emissions, nearly half (45%) of respondents said there was insufficient policy and regulatory guidance on their role in corporate decarbonisation, while a total of 92% of all respondents called for the government to develop a national carbon market strategy to provide more effective guidance here.

Looking longer term, 87% of respondents also felt that the government should develop a policy framework to facilitate investment in carbon removals to support the transition to a negative emissions economy – representing a sizeable 27% increase from 2022 (60% support). more (48%) respondents in favour of the move compared to those who opposed in (38%).

> “ *Business needs bipartisan agreement and long-term [government] commitment on critical climate policies, to create certainty for investment.*
>
> **Survey Respondent**

IMPACT OF REFORMS

Over the past year, Australia's domestic climate policy suite has undergone transformational reform to better guide the integrity and growth of public and private climate action. These domestic reforms have taken place alongside an evolving ecosystem of international disclosure and best practice guidance frameworks including the finalisation of the Taskforce for Nature-Related Financial Disclosure (TNFD), and the launch of the International Sustainability Standards Board's (ISSB) inaugural standards. The growing web of interrelated frameworks presents some immediate challenges in implementing action and aligning to new reporting requirements. However, there is substantial work underway to strengthen global climate action through enhanced transparency and standard setting. This year's survey delved deeper into business perspectives on these changes, including their impact on current business operations, as well as future planning.

Following the introduction of the enhanced Safeguard Mechanism for heavy-emitting facilities on July 1 this year, 81% of Safeguard-covered respondents said it had already impacted their organisation in some capacity. Among the Safeguard sub-set of respondents, the impact of the legislation included: bringing forward on-site decarbonisation investment (38%); bringing fresh consideration of on-site decarbonisation options (49%), necessitating the development of a carbon market strategy (49%); increasing financial investment in decarbonisation and/or carbon services (27%); increasing investment in off-site carbon credit development or procurement (35%); and increasing the internal carbon price (27%).

Beyond the industrial sector, 81% of respondents supported transitioning the Safeguard Mechanism to an economy-wide scheme over time, while 79% of respondents also agreed that the government should set sectoral carbon budgets as part of a broader transition strategy. Support for specific carbon policies in other sectors was also evident, with 71% of respondents supporting the concept of a domestic jet fuel emissions trading scheme.

As the government continues to implement the recommendations of the Independent Review into Australian Carbon Credit Units (ACCUs), respondents were also asked to provide an assessment on the robustness of the current scheme. It delivered an average score of 7 out of 10 – a one point improvement from 2022 – and an indication of improved business confidence in the scheme, but also a reflection of the work still to be done in implementing the remainder of the changes in the government's ACCU Implementation Plan.

TRANSITION DRIVERS & CHALLENGES

Against the backdrop of rapid domestic climate policy reform, this year saw the first shift in the top five drivers for private sector investment in decarbonisation and climate action. In 2023, the top five nominated transition drivers were, in order: 1) Commercial opportunities; 2) Long-term strategy alignment; 3) Investor engagement; 4) Regulatory requirements; and 5) Stakeholder demand. For the first time since 2018, Reputation management and Risk management were not in the top five drivers. Rather, the elevation of Commercial opportunities suggests an increasing cohort of businesses are now exploring the financial viability of investing in decarbonisation solutions. The additional inclusion of regulatory requirements further demonstrates the impact of Government-led policy reforms on private sector decisions.

Following this theme, respondents ranked "Government policy and regulation" as the number one barrier (23%) to private sector investment in decarbonisation/climate action. This was followed by: Cost; Global economic uncertainty; Inadequate market and/or investment signals; and Technology solutions. In 2022, the number one barrier was Cost, while Government policy and regulation ranked third in the top five. The impact of the ongoing cost of living crisis, and high inflation is evident in the inclusion of Global economic uncertainty in this year's top five, bumping out Availability of finance and capital from the 2022 results.

Despite the scale of opportunity for Australia, there was strong agreement (71%) that current levels of private investment in emissions reduction and climate action are inadequate compared to the country's economic size – a figure well above that in 2022 (54%). To address this gap, the three most important nominated factors to consider were 'stronger legislation/policies' (73%), 'better access to finance' (54%), and cost-effective cleaner technologies (53%).

AUSTRALIA ON THE INTERNATIONAL STAGE

Australia's climate credibility on the international stage has been boosted over the past 12 months through its climate target commitments and renewed engagement in regional and international dialogues, however there are calls both domestically and internationally for the nation to continue to step up as a leader in the global transition. Almost two thirds of respondents (65%) supported Australia hosting a UNFCCC COP with Pacific partners in 2026, however comments indicated more robust policies are needed to support the credibility of Australia's climate diplomacy, including Australia having a firm phase-out date on fossil fuel use, greater emissions reduction targets, and a federal budget allocation for climate and nature change mitigation and adaptation.

Additionally, there has also been increasing scrutiny on developed countries' financial support of developing countries dealing with the impacts of climate change. 78% of respondents agreed that Australia should provide greater financial, and technical assistance to these countries. Separately, 70% of respondents agreed that Australia should support the development of a decarbonisation-focused Asia-Pacific grouping of nations, like the G7 'carbon club'.

CREDIT USE & VOLUNTARY CARBON MARKET DEVELOPMENTS

As corporate mandatory and voluntary frameworks are implemented, there is increasing scrutiny on how businesses are using carbon credits as part of their climate change strategies. These frameworks include guidance on disclosure and climate and nature risk management, such as the ISSB standards, which build upon the foundational work of the Taskforce on Climate-related Financial Disclosures (TCFD), as well as guidance on high-ambition climate target setting, such as the Science-Based Targets Initiative (SBTI). New guidance on the role of carbon credits in corporate claims and the integrity of carbon credits has also been released with the Voluntary Carbon Markets Integrity Initiative (VCMI), Claims Code of Practice and the Integrity Council for the Voluntary Carbon Market's (IC-VCM) Core Carbon Principles. Of all respondents, 29% and 19% of respondents respectively are already reporting under the TCFD and the SBTI frameworks, while a further 69% supported mandated corporate disclosure in line with the TNFD framework.

Regarding whether Australia's own ACCU scheme should be aligned with international benchmarking criteria such as those set out by the IC-VCM and the VCMI, there was some consensus (53%) that these standards should be adopted, however also noticeable opposition to the concept at this stage (35%), citing the current patchwork of voluntary certification schemes and integrity standards as barriers in creating a global standard.

Key Findings

71% supported a planned phase-out of fossil fuels by no later than 2040

81% of respondents covered under the Safeguard Mechanism said their organisation had already been impacted by the policy

80% said the Safeguard Mechanism should eventually expand to an economy-wide scheme

71% believed Australia's level of private investment into climate action is inadequate, proportionate to its economy

87% believed Australia should set a target for net negative emissions

92% called for the government to develop a national carbon market strategy

56% wanted a national 2035 target of over 60%

65% supported Australia imposing a Carbon Border Adjustment Mechanism

69% believed Australia should mandate corporate nature-related disclosure under the TNFD

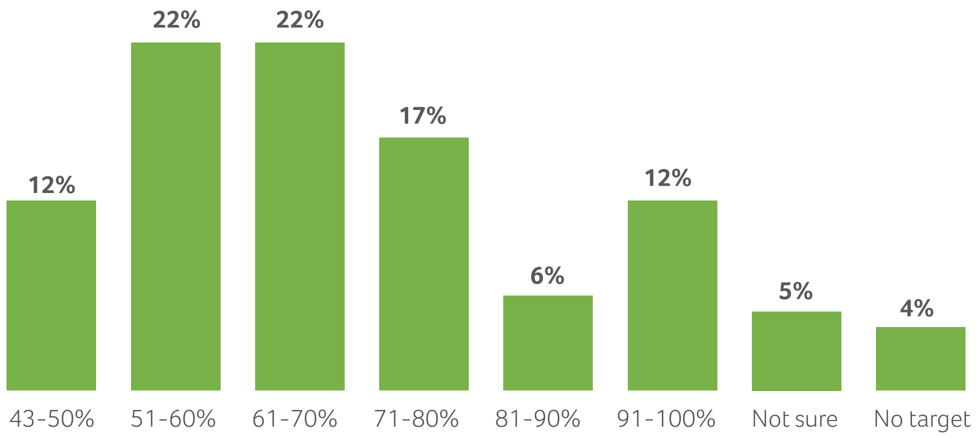
ACCUs given an average rating of 7 out of 10 for robustness, up from 6 out of 10 in 2022

Australian Climate Policy & NDC Ambition

Following the 2022 election and change of government, Australia's climate policy suite has gone through a period of transformation. As the Government now works towards its 43% emissions reduction target submitted to the UNFCCC and legislated through the Climate Change Act 2022, a suite of complementary policies is being developed and implemented to support this ambition across both producer & consumer sides of the market.

The past 12 months have seen the introduction of a reformed Safeguard Mechanism, a national electric vehicle strategy, the release of the Independent Review in Australian Carbon Credit Units and associate Implementation Plan on the Review's recommendations, and consideration of a Nature Repair Market. Alongside these domestic policy considerations, attention has also turned to Australia's 2035 emissions reduction target, with the Climate Change Authority running a consultation on what this target should be prior to the survey's launch.

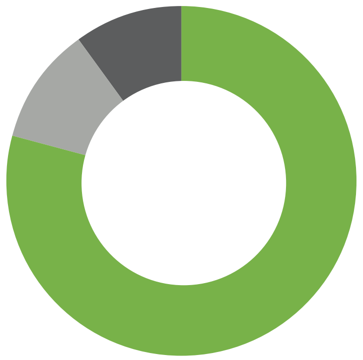
Q1. What do you think Australia's emissions reduction target for 2035 should be (below 2005 levels)?



In 2022

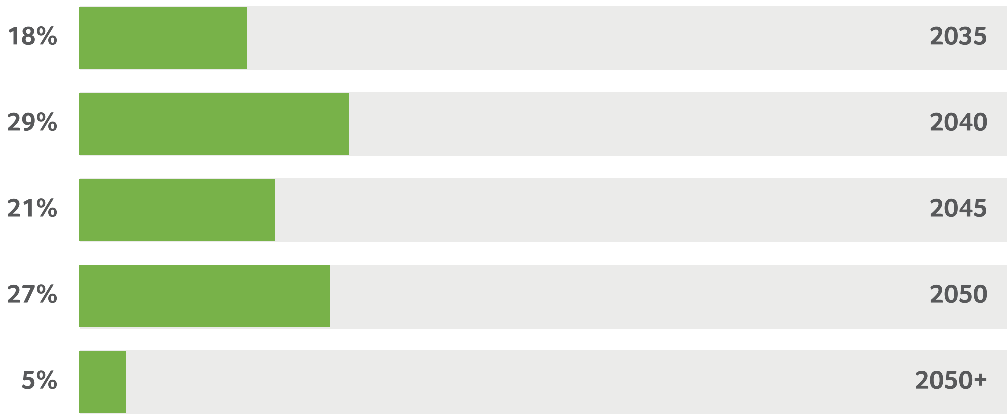
20% said 43-50%
20% said 51-60%
23% said 61-70%
16% said 71-80%
3% said 81-90%
10% said 91-100%

Q2. In developing sectoral transition plans, should the government set a carbon budget for each sector (as part of its economy-wide carbon budget)?



- Yes **79%**
- No **11%**
- Unsure **10%**

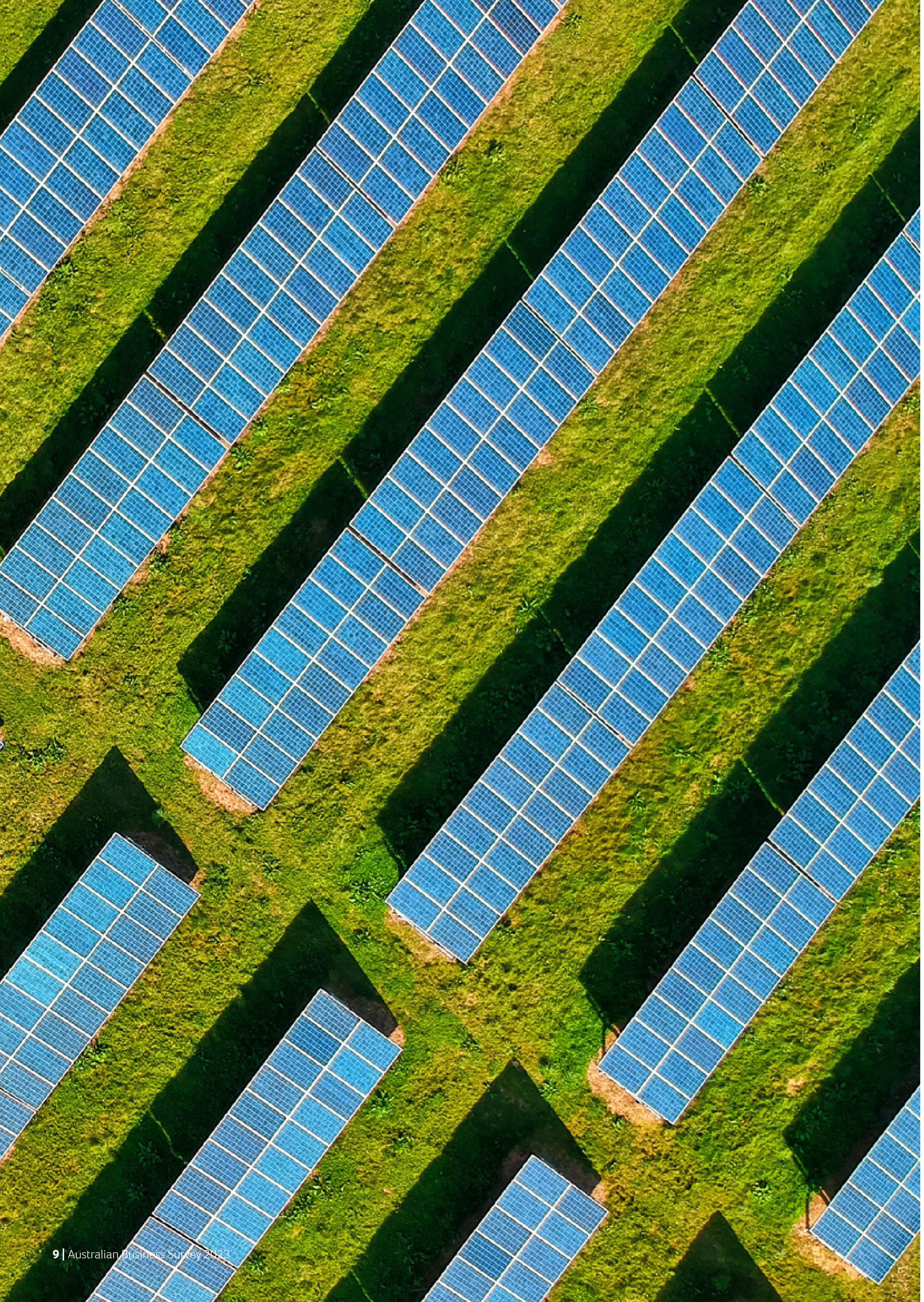
Q3. When should Australia commit to net zero emissions by?



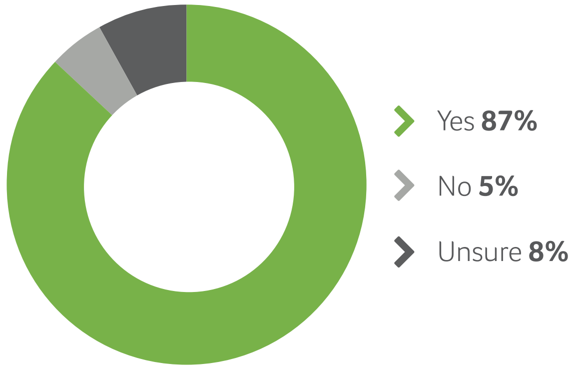
In 2022

27% said 2035
30% said 2040
14% said 2045
24% said 2050
5% said 2050+

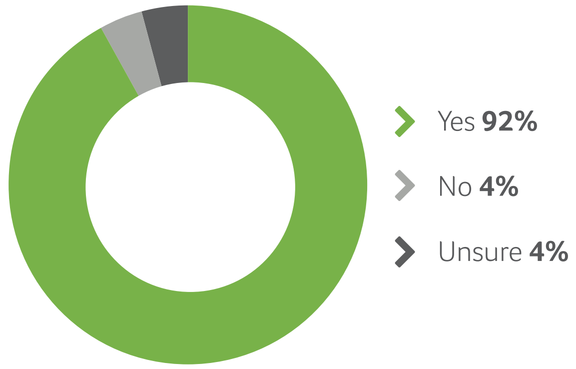
> *The current climate projections and consequential climate events are showing alarming increases that were not predicted for years in the future, so Australia needs to up the ante and lead by example*
>
> **Survey Respondent**



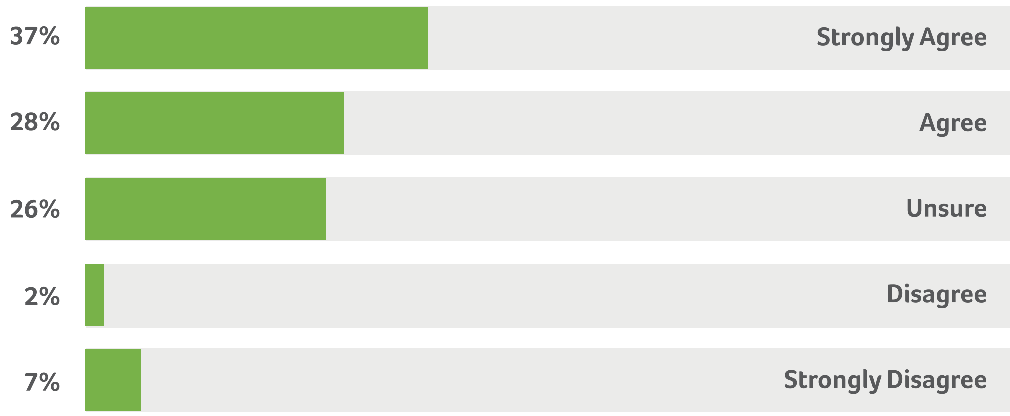
Q4. Should Australia develop a policy and governance framework to facilitate investment in carbon removals and support a negative emissions economy?



Q5. Should Australia develop a National Carbon Market Strategy to guide the role of markets in Australia's transition towards net zero and negative emissions (e.g setting out policies for integrity, offset use, potential vintage restrictions, international linkages)?



Q6. Australia (in conjunction with Pacific partners) should host a UNFCCC COP event in 2026.



The Safeguard Mechanism and complementary policies

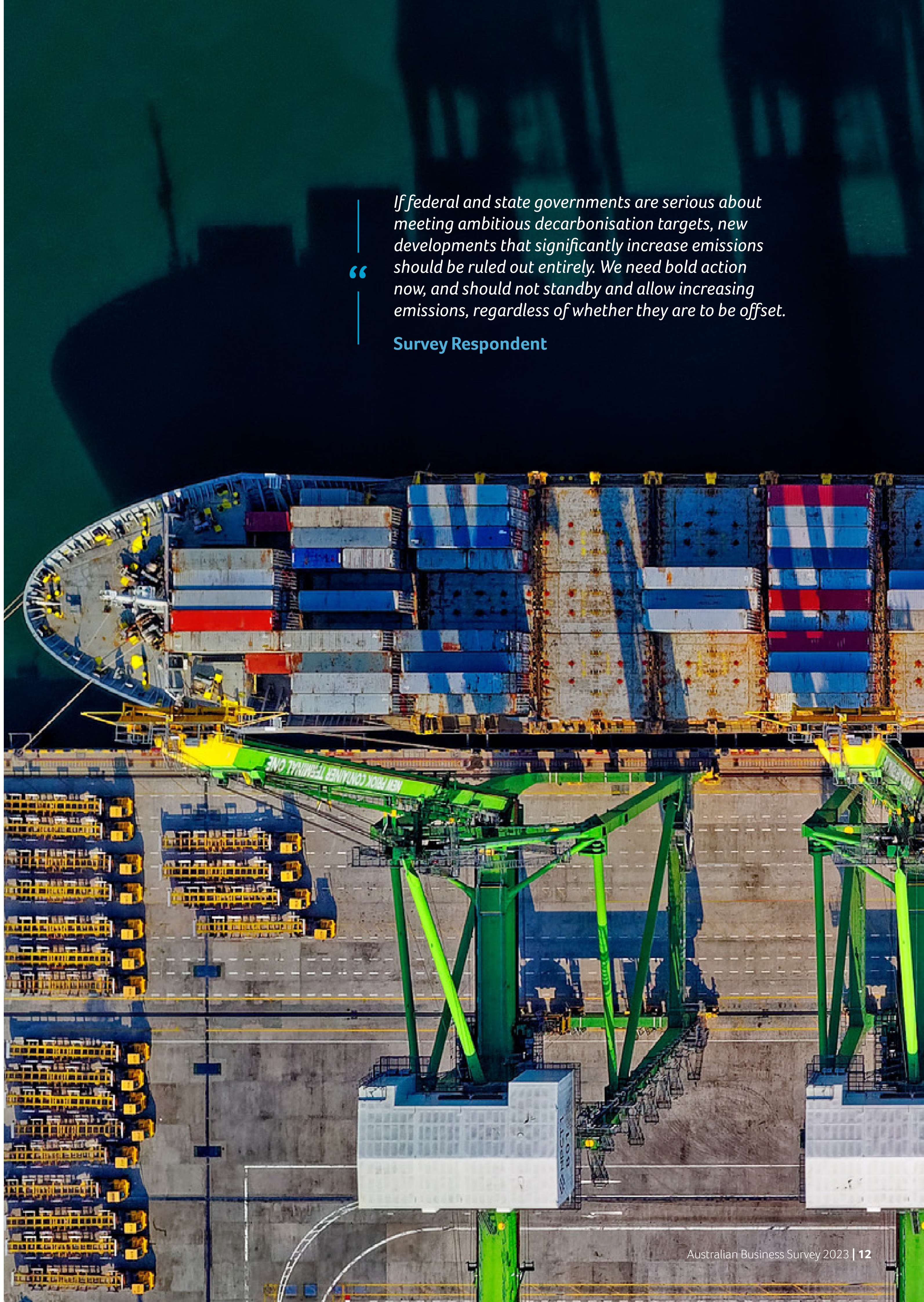
The Government's revitalised Safeguard Mechanism came into effect on July 1, 2023, setting stronger and declining legislated limits on Australia's highest-emitting industrial facilities. The reformed policy applies to facilities emitting more than 100,000 tonnes per year, with a decline rate of 4.9% per year to apply to most baselines for the first phase of the scheme ending in 2030. Facilities that go over their baseline are required to buy and surrender either one ACCU for each excess tonne of carbon dioxide equivalent, or one Safeguard Mechanism Credit (SMC) from a business that has exceeded its baseline reductions. Expansion of the Safeguard Mechanism remains a possibility with the Government intending to set sectoral emissions reduction targets as part of its expanded climate policy suite.

Q7. The passing of the Safeguard Mechanism bill and subsequent introduction of the new legislation on July 1 has impacted my organisation by (Select any that apply):

50%	It has not affected my organisation, because it is not covered by the policy
17%	Increasing financial investment in decarbonisation and/or carbon services
14%	Necessitating the development of a carbon market strategy to guide investment in carbon credits
13%	Increasing investment in off-site carbon credit development or procurement
12%	Bringing fresh consideration to on-site decarbonisation options
10%	Bringing forward on-site decarbonisation investment decisions
9%	Increasing the internal carbon price
9%	Making other changes
8%	Unsure
4%	My organisation is covered by the policy, but the changes haven't prompted us to act differently

Q8. The Safeguard Mechanism should eventually transition toward an economy-wide scheme that drives down emissions in all sectors.

44%	Strongly Agree
36%	Agree
10%	Unsure
6%	Disagree
4%	Strongly Disagree



"If federal and state governments are serious about meeting ambitious decarbonisation targets, new developments that significantly increase emissions should be ruled out entirely. We need bold action now, and should not standby and allow increasing emissions, regardless of whether they are to be offset.

Survey Respondent

Q9: The government should introduce a jet fuel emissions trading scheme for all domestic airlines, to encourage uptake of sustainable aviation fuels and/or electrification.

35%	Strongly Agree
36%	Agree
23%	Unsure
3%	Disagree
3%	Strongly Disagree

SECTION 2

Q10. To accelerate decarbonisation, which best describes the role you believe the Renewable Energy Target should play:

37%	It should be extended, but in a different form (i.e Guarantee of Origin certification)
26%	It should be extended with minimal changes
26%	I'm unsure what role the RET should play
7%	It doesn't need to be extended
4%	Other (please specify in comment box)

Q11: If designed appropriately, Australia's proposed nature repair market could provide the corporate investment required to deliver overall net gains in biodiversity.

28%	Strongly Agree
41%	Agree
21%	Unsure
4%	Disagree
6%	Strongly Disagree

Q12: Australia should introduce a form of 'climate trigger' under the Environment Protection and Biodiversity Conservation (EPBC) Act that would require approvals for new developments which significantly increase emissions.

50%	Strongly Agree
30%	Agree
11%	Unsure
2%	Disagree
7%	Strongly Disagree

International Carbon Markets and Financing

At a global level, it is estimated that $9 trillion of public and private investment is required to achieve a productive and competitive net zero economy by 2050, with over $420 billion estimated to be needed in domestic investment (NAB/Deloitte, 2022). Global investors are also increasingly considering the carbon profiles of economies and companies in their investments, and 80% of the value of Australia's major exports will be entering jurisdictions with carbon pricing mechanisms in the decade. Alongside the introduction of carbon pricing mechanisms, there are also revitalised efforts to establish financial flows from developed to developing countries for climate change adaptation and mitigation. Over the coming years, details on how carbon markets, under Article 6 of the Paris Agreement, can help facilitate these capital flows will be critical.

SECTION 3

Q13. Australia should provide greater finance, technical assistance and/or capacity building to developing countries to assist with the impacts of climate change.

35%	Strongly Agree
43%	Agree
13%	Unsure
5%	Disagree
4%	Strongly Disagree

In 2022

2% strongly disagreed
6% disagreed
5% were unsure
44% agreed
43% strongly agreed

Q14. Australia's level of private investment in emissions reduction and climate action is adequate, proportionate to its economy and role on the global stage.

4%	Strongly Agree
8%	Agree
17%	Unsure
38%	Disagree
33%	Strongly Disagree

In 2022

14% strongly disagreed
41% disagreed
20% were unsure
20% agreed
5% strongly agreed

Q15. Which of the following factors are most important in being able to scale up private investment in climate solutions? (Select any that apply)

73%	Better access to finance to develop or deploy decarbonisation solutions
54%	Cost effective cleaner technologies
53%	Greater transparency through disclosure requirements
48%	Public confidence in change processes
40%	More skilled workers
8%	None of the above
8%	Other
2%	Stronger legislation and/or policies

Q16. Australia should implement an EU-style Carbon Border Adjustment Mechanism (CBAM) to protect the competitiveness of Australian industry.

23%	Strongly Agree
41%	Agree
28%	Unsure
5%	Disagree
3%	Strongly Disagree

Q17. Australia should link its domestic carbon market to international carbon markets to allow flexibility for both import and export of carbon credits whilst not diluting the driver for decarbonisation.

24%	Strongly Agree
40%	Agree
18%	Unsure
12%	Disagree
6%	Strongly Disagree

In 2022

3% strongly disagreed
6% disagreed
7% were unsure
43% agreed
41% strongly agreed

Q18. Australia should support the development of a decarbonisation-focused climate grouping of nations in the Asia Pacific (similar to recent G7 "climate club").

25%	Strongly Agree
45%	Agree
26%	Unsure
3%	Disagree
1%	Strongly Disagree

Carbon credits

As a result of the growing public spotlight on carbon markets and their role in climate action, there is increased scrutiny of the use of markets and crediting as decarbonisation tools. In Australia, the ACCU Scheme has undergone a federal review, which found the framework to be fit for purpose, however a number of recommendations are currently being implemented to improve the scheme. To address integrity concerns internationally, the Integrity Council for the Voluntary Carbon Market (ICVCM) has released a series of Core Carbon Principles as a global benchmark for the supply of high-integrity carbon credits, and the Voluntary Carbon Markets Integrity Initiative (VCMI) has released a sister Claims Code of Practice to assist with credible demand-side use of credits.

Greater market certainty, and transparency are crucial in ensuring growth in the supply of high integrity carbon credits, which will be needed not only to complement industrial decarbonisation under the enhanced Safeguard Mechanism, but also to scale-up avoidance and removal activities in regional Australia.

> *Australia should take a demonstrable leadership role in the carbon market to drive change locally and leverage change regionally. By effect - this can help position Australia to benefit from the global changes now underway and forecasted to increase over time.*
>
> **Survey Respondent**

SECTION 4

Q19. To what extent does your organisation believe Australia's ACCUs, crediting frameworks and governance are robust? Please rate from 1 (low integrity) to 10 (very robust).

Average response of 7 from 243 respondents.

In 2022
Average response of 6 from 216 respondents

> *Continuing to communicate the important role ACCUs play to support the transition is essential to ensure their integrity to build and maintain people's faith in them.*
>
> **Survey Respondent**

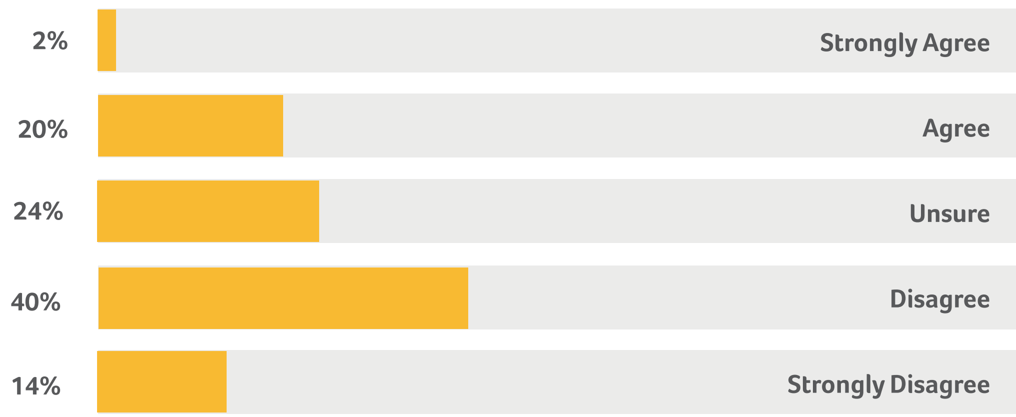
Q20. To what extent does your company regard the current integrity of international carbon credits? Please rate from 1 (low integrity) to 10 (very robust).

Average response of 5 from 243 respondents.

Q21. Should Australia's carbon crediting framework and ACCUs be reformed to align with international benchmarking criteria and tools, such as the Integrity Council for the Voluntary Carbon Market (IC-VCM) Core Carbon Principles (CCPs)?

Yes **53%**
No **12%**
Unsure **35%**

Q22. There is currently sufficient policy and regulatory guidance on the role of carbon credits in corporate decarbonisation.



Climate Commitments, Risk & Strategy

Corporate climate, nature, and disclosure commitments are evolving as we accelerate towards a net zero economy, and companies are increasingly aware of their broader supply chain impacts on climate and nature through frameworks such as the Taskforce on Climate-related Financial Disclosures, and the Taskforce on Nature-related Financial Disclosures. Alongside these increasingly mandated reporting requirements, organisations are responding to policy and market signals, as well as a heightened community and investor focus on broader impacts.

Q23. In the past 12 months, has your organisation faced any of the following?

56%	Increased shareholder action/resolutions regarding climate change?
24%	Increased legal and regulatory challenges regarding its response to climate change?
30%	None of the above

Shareholder action in 2022

Yes 40%, No 47%, Unsure 13%

Legal challenges in 2022

Yes 6%, No 80%, Unsure 14%

Q24. Which of the following does your organisation currently have in place?

Top 5 Responses

51%	A decarbonisation strategy or climate transition action plan
39%	A carbon market strategy
38%	A public net zero target
32%	A strategy to manage physical climate risk
25%	A nature positive target and/or strategy

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

> *"There needs to be greater educational collateral around how corporates, and indeed industry can and should use credits in line with best practice.*
>
> **Survey Respondent**

Q25. Does your organisation's reporting cover or align the below frameworks?

Top 5 Responses

33%	National Greenhouse & Energy Reporting (NGER) Scheme
29%	Taskforce on Climate-Related Financial Disclosures (TCFD)
27%	GHG Protocol
19%	Science-based Target Initiative guidance
12%	International Sustainability Standards Board (ISSB) disclosure standard

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

Q26. Would your company participate in the Nature Repair Market as a means of investing in and driving nature repair in Australia?

Average response of 5 from 229 respondents.

Q27. Australia should mandate corporate nature-related disclosure, data and target setting approaches in accordance with the TNFD framework. repair in Australia?

33%	Strongly Agree
35%	Agree
22%	Unsure
6%	Disagree
4%	Strongly Disagree

Q28. Australia's proposed mandatory climate disclosure requirement should ensure that company transition planning aligns with a 1.5 degree pathway.

39%	Strongly Agree
36%	Agree
14%	Unsure
6%	Disagree
5%	Strongly Disagree

Q29. What challenges (if any) does your organisation foresee in the widespread adoption of the Voluntary Carbon Markets Integrity Initiative (VCMI) Claims Code of Practice?

> *We don't need more voluntary, we need mandatory.*
> **Survey Respondent**

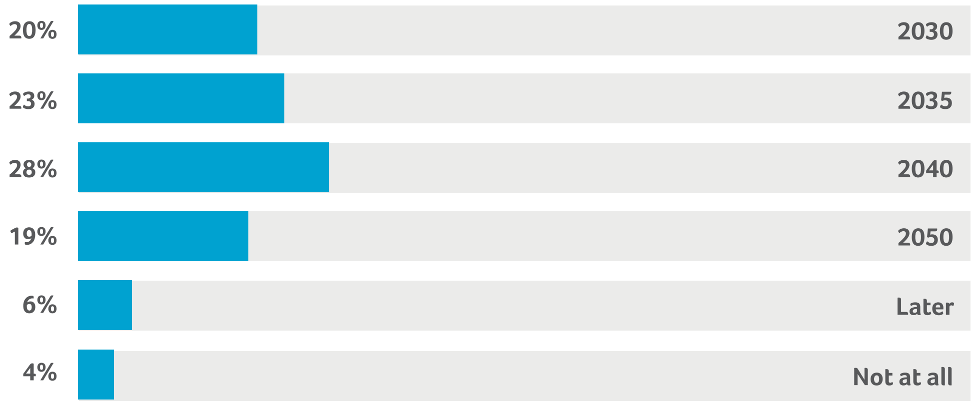
> *Lack of federal government guidance to support and require adoption/ alignment.*
> **Survey Respondent**

> *Consistent application and then consistent auditing & risk of regulatory change set by governance that is not sovereign.*
> **Survey Respondent**

Navigating the transition

The global economy is undergoing a necessary transition as governments and businesses grapple with the increasingly high-impact social, economic, and environmental impacts of climate change. While there are inherent opportunities to be found in this transition, there are also explicit near-term challenges, particularly for heavy-emitters.

Q30. International best practice, including the Intergovernmental Panel on Climate Change and the International Energy Agency, points towards the climate imperative to phase out fossil fuels. This would require careful management to support affected workers and ensure continuity in Australia's trading relationships. By what year, if ever, should Australia target a regulated, planned approach to phasing out fossil fuels?



Q31. The main transition drivers for decarbonisation and/or investments in climate action within my organisation are (Rank in order where 1 is top preference and so on):

Top 5 Responses

Rank	Top 5 Responses	Top 5 in 2022	Top 5 in 2021
1	Long-term strategy alignment	Stakeholder demand	Long-term strategy alignment
2	Regulatory requirements	Commercial opportunities	Reputation management
3	Investor engagement	Reputation management	Commercial opportunities
4	Commercial opportunities	Long-term strategy alignment	Stakeholder demand
5	Risk management	Risk management	Risk management

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

Q32. The main barriers to decarbonisation and/or investments in climate action within my organisation are:(Rank order where 1 is top preference and so on):

Top 5 Responses

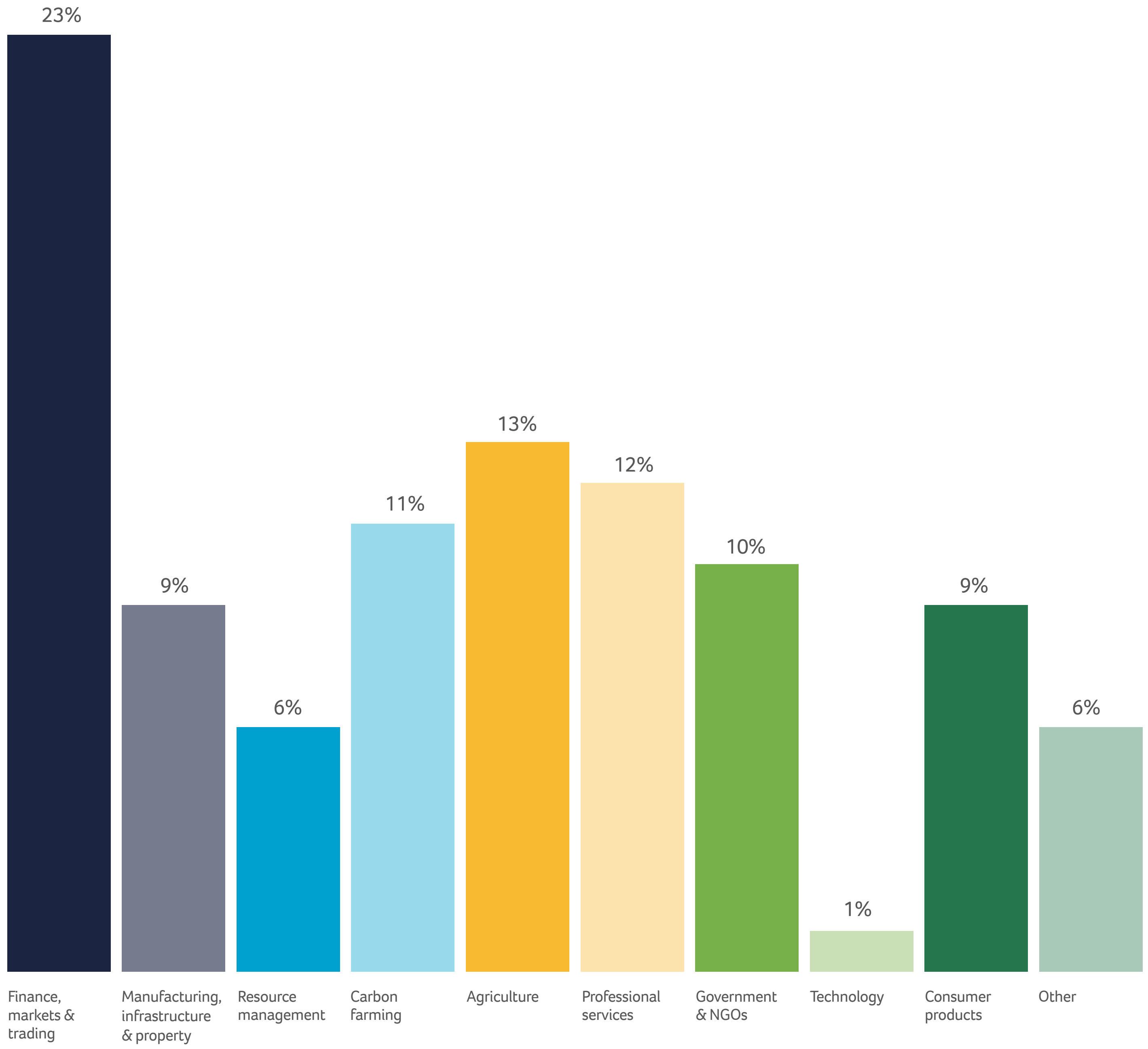
Rank	Top 5 Responses	Top 5 in 2022	Top 5 in 2021
1	Government policy & regulation	Cost	Policy or regulatory uncertainty
2	Inadequate market and/or investment signals	Inadequate market and/or investment signals	Lack of opportunities with appropriate risk return outcomes
3	Cost	Government policy and regulation	Lack of tools to accurately measure decarbonisation/ drawdown outcomes
4	Global economic uncertainty	Technology solutions	Lack of internal resources to identify opportunities
5	Technology solutions	Availability of finance and capital	Liquidity constraints (cost)

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

“ *[Carbon markets] need to be robust enough to meet their objectives. Building confidence and knowledge of them in the broader community is just as essential as for corporates.*

Survey Respondent

Breakdown of sectors responding



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