



Treasury

Sustainable Finance Strategy

Consultation paper

**submission**

November 2023





# The Treasury Sustainable Finance Strategy Consultation paper **submission**

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The Carbon Market Institute (CMI) welcomes this opportunity to respond to Treasury on its Sustainable Finance Strategy Consultation paper (**Consultation Paper**), which opened for consultation on 2 November 2023.

CMI is an independent member-based institute that promotes the use of market-based solutions and supports best practice in decarbonisation to limit warming to 1.5°C. CMI's 150 strong membership includes organisations from across the entire carbon value chain, including primary producers, carbon service providers, legal and financial institutions, technology firms and emissions intensive companies.

CMI's Board annually updates the CMI's Policy Positions in consultation with, but independent of, members. Our Policy Positions were updated in November 2023 to focus on six policy pillars: strengthening national climate ambition, developing high-integrity market based approaches, accelerating corporate and industrial transition, facilitating positive community outcomes, supporting the shift towards nature positive outcomes, and increasing international capacity and cooperation.<sup>1</sup> CMI also administers the Australian Carbon Industry Code of Conduct, which was established in 2018 to promote and steward consumer protection and market integrity.<sup>2</sup>

The positions put forward in this submission are CMI's views, independent of members, and do not represent any CMI individual, member company or industry sector.

## **Strategic outlook**

CMI supports the Government's commitment to develop a Sustainable Finance Strategy (**Strategy**) to help mobilise private investment, enable Australian businesses to access transitional finance, and ensure that climate-related risks and opportunities are carefully assessed and managed.

We believe government has a key role to play in guiding deep structural transition in Australia's economy. We consider the Strategy has the potential to support scaled financial flows towards green investments, thereby accelerating corporate and industrial transition across the Australian economy.

CMI endorses the Government's proposed policy priorities that are intended to fulfil the overarching pillars, that include improving transparency on climate and sustainability, building financial system capabilities, and supporting the development of sustainable finance markets and shaping international developments in sustainable finance. We are also supportive of the key principles that are intended to guide the Strategy.

CMI welcomes the Government's commitment to require corporate transition planning disclosure as part of its broader mandatory climate-related financial disclosure reforms. We look forward to engaging further with

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<sup>1</sup> CMI 2023, 'Advocacy Policy Position Statement 2021', [https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions\\_FINAL-2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf); CMI 2025 Strategy: Accelerating climate action, <https://carbonmarketinstitute.org/app/uploads/2022/12/CMI-2025-Strategic-Plan.pdf>.

<sup>2</sup> More information can be found on the Code website: <https://carbonmarketinstitute.org/code/>.



Treasury as it develops priorities and options for strengthening transition planning in accordance with international best practice.

CMI also welcomes the Government's intent to address data and analytical challenges under priority 7 of the Strategy. While we support the proposed actions elaborated, we consider a more holistic approach to data is needed to support assurance of the integrity of real economy investments and actions, and in turn accelerate Australia's net zero transition. A net zero data roadmap could serve to build economy wide capabilities as well as inform strategic policy interventions to accelerate and ratchet national climate ambition.

We have considered each of the policy priorities elaborated in the Consultation Paper and provide further feedback in the **Attachment**.

Should you have any questions about CMI's submission, please contact me at [kurt.winter@carbonmarketinstitute.org](mailto:kurt.winter@carbonmarketinstitute.org).

Yours sincerely,

A handwritten signature in black ink that reads "Kurt Winter".

Kurt Winter

**Director, Corporate Transition**



## ATTACHMENT

### **Priority 1: Establish a framework for sustainability related financial disclosures**

CMI supports the establishment of a standardised climate disclosure regulatory framework for Australian businesses that aligns with international best practice. As we have previously highlighted in response to Treasury’s consultation on climate-related financial disclosure, an effective policy and regulatory framework to improve transparency on climate and sustainability will be a critical pillar in Australia’s climate policy suite.<sup>3</sup>

CMI endorses the Government’s proposed phased approach to these reforms, with the requirements applying to large companies and financial institutions from 1 July 2024 and to others over time, balancing the cost and complexity of compliance against the benefit that these reforms will provide to the economy and the public.

We reiterate our support for the proposal that the framework be designed with flexibility to enable the incorporation of the International Sustainability Standards Board (ISSB) standards. The framework should also be flexible enough to adapt to other emerging guidance, including the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and the ISSB’s planned extension towards social and governance disclosures.

With a view to supporting companies developing the required skills, resources and capabilities to make climate disclosures under the proposed new obligations, we reiterate the benefit of adopting a phased approach to the type of disclosure reporting required. Qualitative reporting could be required as a starting point, with a view to ultimately introduce requirements for more intensive quantitative disclosures. Quantitative disclosure reporting is contemplated under the ISSB standards but mandating this type of reporting across the board will require a material uplift in capability. This phased approach will be particularly important when extending mandatory disclosure to smaller companies with fewer resources for exhaustive quantitative reporting.

### **Priority 2: Develop a Sustainable Finance Taxonomy**

CMI appreciates the importance of an Australian sustainable finance taxonomy in supporting an assessment of the credibility of investment activities to ensure they align with good sustainability outcomes. This will help to steer sustainable finance flows and reinforce the ability of financial markets to support sustainability goals. CMI supports the Government’s proposed approach to the taxonomy, particularly that it be science-based, effectively incorporate a role for transition finance, and be flexibly designed to expand to other sustainability objectives in future (such as nature and circularity in the economy).

### **Priority 3: Support credible net zero transition planning**

CMI welcomes the Government’s proposal to require corporate transition planning disclosure as part of its broader mandatory climate-related financial disclosure reforms. As we previously highlighted, mandating transition plan disclosures in a manner akin to the UK approach – where the UK Financial Conduct Authority introduced rules for listed companies and large regulated asset owners and asset managers and the UK Transition Plan Taskforce developed authoritative guidance – has the potential to strengthen the integrity of business approaches to effectively managing climate risk.

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<sup>3</sup> See further CMI, Treasury Climate-related financial disclosure Consultation paper (June 2023), available at [https://carbonmarketinstitute.org/app/uploads/2023/07/CMI-Submission\\_Treasury-Second-Consultation\\_ClimateRelatedFinancialDisclosures\\_July2023.pdf](https://carbonmarketinstitute.org/app/uploads/2023/07/CMI-Submission_Treasury-Second-Consultation_ClimateRelatedFinancialDisclosures_July2023.pdf); Treasury Climate-related financial disclosure Consultation paper submission (February 2023), available at [https://carbonmarketinstitute.org/app/uploads/2023/02/Carbon-Market-Institute\\_TSY-consultation\\_climate-related-financialdisclosure-framework.pdf](https://carbonmarketinstitute.org/app/uploads/2023/02/Carbon-Market-Institute_TSY-consultation_climate-related-financialdisclosure-framework.pdf).



CMI looks forward to engaging further with Treasury as it develops priorities and options for strengthening transition planning in accordance with international best practice approaches. We believe the Government has a critical role to play in facilitating best practice approaches to credibility and integrity in transition plans, including alignment with a 1.5°C pathway.

As we previously highlighted, Australia's development of national sectoral emissions reduction pathways will be a critical element of Australia's structural economic adjustment and should figure within transition planning guidance to support compliance with Australia's mandated climate-related financial disclosure framework.

We also encourage Treasury to consider a range of other emerging international guidance, including the International Organisation for Standardization's (ISO) Net Zero Guidelines,<sup>4</sup> which provide a common reference for governance organisations on the meaning of net zero transition, and the VCMI Claims Code of Practice, that is intended to support high integrity engagement with carbon markets.

### **Priority 7: Addressing data and analytical challenges**

CMI welcomes the Government's intent to address data and analytical challenges. We are supportive of the Government's proposed actions to improve data sources and analytical tools in priority sectors, strengthen the measurement of natural capital, and invest in high quality climate information and services.

Nevertheless, we consider a more holistic approach is needed to data to support assurance of the integrity of real economy investments and actions, and in turn enable and accelerate Australia's net zero transition. CMI would urge Government to consider the development of a net zero data roadmap to build economy wide capabilities and inform strategic policy interventions to accelerate and ratchet national climate ambition.

In the context of Australia's carbon crediting framework, CMI support efforts to facilitate greater transparency at both the project and market levels to strengthen public trust and confidence in scheme arrangements. As we recently advocated in our response to the ACCU Implementation Plan Consultation, the Government should expedite the development of a national data platform (ACCU Review Recommendation 4.2) and begin consultation on this by March 2024; this could be integrated with Environment Information Australia.<sup>5</sup>

More broadly, the availability of key data points across all sectors that are subject to the government's proposed national sectoral emissions reduction pathways will be vital to assuring individual entities' transition plans and their contribution towards national efforts.

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<sup>4</sup> See further ISO Net Zero Guidelines, Available at <https://www.iso.org/netzero>.

<sup>5</sup> The Government announced \$15.5 million to establish Environment Information Australia in the May 2023 Budget – see: DCCEEW 2023, 'Budget 2023-24: Protecting, repairing and better managing the environment', May, <https://www.dcceew.gov.au/sites/default/files/documents/protectingrepairing-and-better-managing-the-environment-fs.pdf> See further CMI, Department of Climate Change, Energy, the Environment and Water ACCU Review Discussion Paper (October 2023), Available at [https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10\\_CMI\\_ACCU-Review-Discussion-Paper\\_submission.pdf](https://carbonmarketinstitute.org/app/uploads/2023/10/2023.10_CMI_ACCU-Review-Discussion-Paper_submission.pdf).

## **for more information please contact**

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CMI develops independent, non-partisan, evidence-based and pragmatic policy positions through engagement with its members and broader industry. CMI works constructively with governments to encourage clear, longer-term priorities and enabling policies that support businesses to deliver climate action at scale.