



Treasury Climate-related Transition Planning Guidance **submission**

September 2025





Treasury Climate-related Transition Planning Guidance

submission

The Carbon Market Institute (**CMI**) welcomes this opportunity to respond to Treasury on its Climate-Related Transition Planning Guidance (**Consultation Paper**), which opened for consultation on 15 August 2025.

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. Our membership includes 140+ primary producers, carbon service providers, First Nations organisations, legal and financial institutions, technology firms and emissions-intensive companies in Australia and Asia Pacific. The CMI Board updates CMI's Policy Positions¹ annually, which draw on practical insights from—but are ultimately independent of—members. CMI established the Australian Carbon Industry Code of Conduct (ACI Code) in 2018 to steward consumer protection and market integrity. The Code is now administered independently by the Australian Carbon Industry Code of Conduct Administrator Limited (CodeCo). CodeCo was launched in July 2025 to strengthen governance and oversight.²

CMI participates in the cross-sector Transition Planning Working Group (TPWG) coordinated by the Climateworks Centre and the Energy Efficiency Council, that brings together representatives from multiple industries and sectors with the aim of promoting credible transition planning. The positions put forward in this submission may be informed by member insights and participation in other working groups but remain CMI's view and do not represent any CMI individual, member company or industry sector.

Strategic outlook

CMI welcomed the Albanese Government's new commitment to an emissions reduction target range of 62–70% by 2035 (based on 2005 levels) and highlighted it should be a floor and not a ceiling to national ambition.³ To stretch Australia's climate ambition and drive additional investment from the private sector, the Australian Government should take a leadership role in guiding voluntary climate action through stronger guidance and certification programs.

CMI sees the creation of credible climate-related transition planning guidance by the end of 2025 as a priority reform that will serve to reinforce the effectiveness of Australia's mandatory climate disclosure regime alongside Australia's suite of market-based policy frameworks and broader transition programs.¹

CMI welcomes Treasury's commitment to creating guidance on transition planning to promote clarity for business and comparability for users of transition plans as part of the Sustainable Finance Roadmap⁴. We recognise the opportunity for this guidance to harmonise reporting expectations and further support credible private sector disclosures and claims.

¹ CMI (2023), 'CMI Policy Positions', https://carbonmarketinstitute.org/app/uploads/2023/11/CMI-Policy-Advocacy-Positions_FINAL-2023.pdf; CMI (2024) https://carbonmarketinstitute.org/app/uploads/2023/07/CMI-Submission_Treasury-Second-Consultation_ClimateRelatedFinancialDisclosures_July2023.pdf.

² CMI (2024), 'Australian Carbon Industry Code of Conduct', <https://carbonmarketinstitute.org/code/>.

³ CMI (2025), 'A floor not a ceiling for Australia's climate ambition' <https://carbonmarketinstitute.org/2025/09/18/a-floor-not-a-ceiling-for-australias-climate-ambition/>

⁴ Treasury (2025), <https://consult.treasury.gov.au/c2025-683229>



As well as supporting preparers of transition plans, CMI envisages that this guidance could provide value to the financial sector and other stakeholders in assessing the credibility of transition plans. Designed well, it could help to scale climate investment and support consumer confidence.

To maximise the utility of this guidance in supporting private sector decision-making and market disclosures, further explanation of the underpinning design principles is required to ensure their strategic intent carries through to the guidance document.

Greater clarity should also be provided on the intended use cases for the guidance in terms of business strategy, decision-making and market disclosures.

Finally, guidance on the use of carbon credits should be reframed and further elaborated to ensure it reflects existing market guidance and provides an authoritative source to support credible decision-making and disclosures.

We have carefully considered Treasury's Consultation Paper and provide recommendations in response to the consultation questions below. Consultation questions are cross-referenced in brackets.

Recommendations

1. Consider further explanation of the underpinning design principles to ensure their strategic intent carries through to the guidance document (Consultation Question 2)

CMI is generally supportive of the design principles proposed by Treasury of internationally aligned, supports domestic decarbonisation and adaptation, balances ambition and flexibility and climate first but not only. On each of the proposed design principles, CMI notes the following:

- Making the guidance **internationally aligned** by mirroring the International Financial Reporting Standards Foundation's Transition Planning Taskforce Disclosure Framework (IFRS TPT) current structure, which aligns with Australians mandatory climate related reporting (AASB-S2), seems a pragmatic measure to avoid contributing to the 'conveyor belt'⁵ of transition planning guidance which has emerged in recent times. Recognition of the place or use of other transition planning guidance documents could strengthen international alignment and increase utility of the guidance as companies with existing transition plans, based on other frameworks, can engage with the Treasury's guidance without concern about needing to recast their plan.
- **Supports domestic decarbonisation and adaptation** means the guidance is complementary to existing mandatory frameworks such as the reformed Safeguard Mechanism and aligned with the evolution of transition planning to include adaptation.
- **Balances ambition and flexibility**, although welcome in concept, would benefit from further explanation. Use of the word ambition is somewhat ambiguous as it is not clear whether ambition refers to targets, program of work outlined in the plan or creation of the plan. Additionally, ambition and flexibility are not intuitively items that need to be balanced but elements which could both be achieved with supportive guidance.
- Recognition of a transition plan may incorporate related objectives, including nature and a just transition, as part of the **climate first but not only** principle, well received and aligned with recent Climateworks Centre research which suggests the broader aspects of transition planning should be integrated with climate transition risks.⁵ CMI suggest nature considerations and principles of a just transition could be more prominent in the revised guidance document.

⁵ Oxford Net Zero (2024) <https://netzeroclimate.org/publications/governing-net-zero-assessing-convergence-and-gaps-in-the-voluntary-standards-and-guidelines-landscape/>



2. Clarify the intended use cases for the guidance so that it can facilitate best practice approaches to corporate transition and credible claims (Consultation Question 9a)

The provision of climate-related transition planning guidance by a trusted source such as Treasury is an important next step in the Sustainable Finance Roadmap to promote climate-related transition planning as a process, the creation of credible transition plans and consumer confidence.

CMI has previously advocated for mandating transition planning in policy like those which exist in the UK and New Zealand.⁶ Without the clarity brought by making the guidance compulsory, CMI suggest the Treasury elaborate on the envisaged use case and place within existing policy suite for the guidance. Detail on use cases could be provided in the introductory material.

Elements to consider when elaborating on use cases include:

- legal status of the document;
- boundaries of the reporting; and
- ability to rely on the guidance as a guard against greenwashing.

Signalling whether the government intends to request transition plans as part of applications for grants or other climate-related support schemes would of particular interest.

Detail on the intended use case would also be improved by considering State Government requirements to avoid duplication and unnecessary administrative burden.

3. Reframe and elaborate guidance on carbon credits by better defining high-quality credits and the credible use of carbon credits and appropriately referencing existing market guidance (Consultation Questions 9b & d)

In broad terms, CMI highlights that the guidance on carbon credits does not currently reflect international best practice guidance on carbon credits. CMI recommends the guidance is reframed to ensure it promotes business understanding of the important role of market-based mechanisms and in turn facilitates best practice market engagement and investment.

Treasury's draft guidance on use of carbon credits appears to adhere to an offset framing where carbon credits are only considered as a method of balancing residual emissions at the point of net zero or in a target year. International best practice guidance on transition planning has evolved to suggest carbon credits play a role credible role in corrective action, beyond value chain mitigation and contributing prompt action towards global net zero through climate finance as well as balancing residual emissions at the point of net zero. By way of example, the Science Based Target Initiative (SBTi)⁷ and Iso Net Zero guidelines⁸ contemplate the use of carbon credits as a means for companies to take broader action and invest beyond value chain.

CMI highlights that government recognition of this broader role for carbon credits, including in Treasury guidance, would help stimulate investment and promote understanding of market-based mechanisms. It would also serve to reinforce understanding and best practice engagement with Australia's own market-based mechanisms, notably the Safeguard Mechanism and Australian Carbon Credit Unit (ACCU) Scheme.

⁶ CMI (2024) https://carbonmarketinstitute.org/app/uploads/2024/02/02.2024_Treasury_Climate_related_financial_disclosure_Exposure-Draft_FINAL.pdf

⁷ SBTi (2025) <https://sciencebasedtargets.org/net-zero>

⁸ ISO(2025) <https://www.iso.org/netzero>



CMI also urges that greater guidance is provided on the need for high-quality carbon credits and the credible use of carbon credits.

Treasury's guidance recommends the use of high-quality credits but does not elaborate on what is meant by high quality-credits. Added definition regarding the meaning of 'high-quality', which considers the use of Australian Carbon Credit Units (ACCUs) and international credits, would support a company's documentation and understanding of the expected level of due diligence with respect to origination and double counting. Treasury could leverage other published guidance such as Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles⁹ or the Australian Carbon Industry Code of Conduct high-quality credits rather write new criteria.

Inclusion of additional guidance on the credible use of carbon-credits also warrants further attention. Commentary on credible use of credits would sit naturally in sections on setting and expressing targets (section 4.1) and tracking and reporting progress (section 4.3) but would also be a valid addition to parts of the document dealing with financial planning (section 2.3) and other strategic ambitions (section 1.2) to reinforce purchasing and using credits is best incorporated at a strategic level. The Voluntary Carbon Market Integrity Initiative (VCMI) Claims code of conduct¹⁰ and Oxford Offsetting Principles¹¹ could be leveraged to maintain international alignment and limit conflicting requirements.

The Climateworks Centre Guide to credibility for corporate climate transition plans¹² (Climateworks Guide) which draws from multiple international frameworks, may provide a more useful reference point for the Australian context, given its development in consultation with leading cross-industry Australian experts. In particular, the Climateworks Guide provides that:

- All relevant information on credits, such as, type, location, vintage, amount and applicable standards should be disclosed;
- The use of carbon credits and on-site decarbonisation initiatives and projects should be documented separately;
- Carbon credits cannot contribute to meeting short- or medium-term targets; and
- Beyond value chain mitigation is encouraged, both before and after a company meets its net zero targets, using high-quality carbon credits.

Should you have any questions about CMI's submission, please contact Kelly Smith, CMI's Net Zero Engagement Manager at kelly.smith@carbonmarketinstitute.org.

Yours sincerely

Kurt Winter
**Interim CEO &
Director Corporate Transition**

⁹ ICVCM (2025) <https://icvcm.org/core-carbon-principles/>

¹⁰ VCMI (2025) <https://vcmintegrity.org/vcmi-claims-code-of-practice/>

¹¹ University of Oxford (2024) <https://www.smithschool.ox.ac.uk/research/oxford-offsetting-principles>

¹² Climate Works (2025) <https://www.climateworkscentre.org/resource/guide-to-credibility-for-corporate-climate-transition-plans/>

for more information, please contact

Kelly Smith

Net Zero Engagement Manager

kelly.smith@carbonmarketinstitute.org

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.