Climate Integrity

Climate Disclosure Unit
Climate & Energy Division
Treasury

Submitted to: ClimateReportingConsultation@treasury.gov.au

9 February 2024

Submission on climate-related financial disclosure: exposure draft legislation

About Climate Integrity

Climate Integrity is an initiative working to close the corporate climate integrity gap in Australia, by championing science, transparency and accountability in the transition to zero emission. Climate Integrity convenes stakeholders and experts from a range of disciplines to drive the collaborations needed to raise ambition, increase integrity in the transition, and accelerate business climate action in line with science.

Submission Summary

Climate Integrity welcomes the opportunity to respond to the exposure draft legislation for climate-related financial disclosure. Our response is focused on the following key areas:

- Global alignment and high standards reporting
- Phasing of Group reporting
- Alignment to the science of 1.5 degrees
- Modified liability for climate disclosure & safe harbour arrangements
- Timeline for review

Global alignment and high standards reporting

As Australia moves towards mandatory disclosures, the Australian Government should be at the forefront of setting an ambition-raising regulatory landscape where credible transition planning is clearly defined, reporting is consistent, and business transition plans can be easily reviewed and verified. While Climate Integrity welcomes efforts to align Australia with global frameworks such as the ISSB for improved interoperability, more detailed guidance is still required about the best reporting format, structure or content of transition plans. Treasury should be aligning expectations and business guidance with international best practice on transition planning, such as the recommendations outlines in *Integrity Matters: Net Zero Commitments By Businesses, Financial Institutions, Cities And Regions*[1].

Recommendation: The legislation covering mandatory disclosures includes enforceable standards on the following to increase transparency, accountability and ensure a high-standard for Australian business transition plans:

- A clear, consistent and comparable format for reporting basic data including emissions data, emissions reductions in relation to baseline and target, as well as progress against plans.
- A clear, consistent and comparable format for disclosure of planned, quantified emissions reductions to achieve targets and the allocation of capital to achieve targets.

---

[1] *Integrity Matters: Net Zero Commitments By Businesses, Financial Institutions, Cities And Regions*, accessed at: https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf

- Uniform standards for independent verification of targets, plans and reported progress.

Phasing of Group reporting

For Australia to meaningfully contribute to science-aligned climate action then all business guidance must be raising the bar on what business is required to do to ensure real progress towards global 2030 emission reduction goals, to which Australia must contribute fairly. The Government must also take all necessary steps to meet its own legislated commitment to reduce emissions by 43% by 2030 as set out in the Climate Change Act 2022 (Cth). Mandated business climate action is a key driver in reducing emissions and any delay in commencement puts at risk the ability to achieve the real and deep business emission cuts needed by 2030, and as such Group 1 reporting should not be delayed another year until 2025.

Recommendation: Group 1 entities should commence reporting from 1 July 2024

Alignment to the science of 1.5 degrees

A recent report commissioned by Climate Integrity to assess major Australian companies' net zero pledges and associated transition plans[2] showed that the existing net zero plans of some of Australia's biggest businesses don't align with the science of 1.5 degrees and many are using voluntary carbon credits to count towards their emissions reduction targets. The Government should consider how scenario mapping requirements could address widespread concerns about unsustainable use of and overreliance on carbon dioxide removals (CDR) in net zero pledges in lieu of achievable emissions reduction. With many businesses still relying on future large-scale, land-based CDR to avoid making the deep and necessary emissions cuts now, the risk of more biodiversity loss and overshooting 1.5 degrees becomes much higher[3]. Continue and unsustainable use of CDR will pose major economic and social challenges, could threaten food security and human rights, and risk overstepping multiple planetary boundaries[4].

Treasury has outlined their expectations that scenarios mapped by corporations must include a 1.5 degrees aligned transition pathway, however this does not go far enough to raise the ambition of business action and allows alternate scenarios to be mapped that will not put Australia on track to reach 1.5 degrees with limited overshoot. There are also limited legislative powers to enforce this requirement and the suggested approach does not align with the commitments made under the Climate Change Act 2022 (Cth).

Recommendation: The government to legislate the requirement that all entities map a pathway that limits warming to 1.5°C to ensure that businesses do not cherry pick scenarios that continue to favour profit ahead of climate action, by amending the Corporations Act 2011 (Cth) and not leaving it to the Australian Accounting Standards Board to determine.

Modified liability for climate disclosure & safe harbour arrangements

The current exposure draft outlines that:

> *entities will be provided relief for a fixed three-year period for disclosures relating to Scope 3 emissions and certain climate-related forward-looking statements, and that for reports issued between 1 July 2025 and 30 June 2028, only the regulator will be able to bring action relating*

---

[2] *Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies*

[3] Alexandra Deprez et al., *Sustainability limits needed for CO2 removal*. Science 383, 484-486(2024). https://doi.org/10.1126/science.adj6171

[4] Ibid.

to breaches of relevant provisions made in disclosures of scope 3 emissions and climate-related forward-looking statements, and the remedies available to the regulator will be limited to injunctions and declarations.

The report *Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies* highlighted that many of the companies assessed had not set out a comprehensive, quantified or independently verified plan for reducing their emissions. It also showed that many companies are not on track to meet their own emissions reduction targets, despite having made public net zero commitments.

Providing a three year relief window will only see a continuation of these reporting trends and delay much needed climate action, as the power given to the regulator during this period is unlikely to provide an effective deterrent for poor reporting practices or misleading net zero pledges. The liability protections also deny third parties enforcement rights at a time when greenwashing is widespread[5].

Recommendation: Reconsider the three year relief window to ensure all entities are accountable for their stated climate action plans.

Recommendation: Limited liability provisions should not extend to statements about an entity's climate resilience to avoid misleading or deceptive conduct concerning net zero pledges and transition plans.

Recommendation: ASIC should be sufficiently resourced to work with companies to develop reporting capabilities who are not already undertaking voluntary reporting, to improve transparency and accountability and prevent greenwashing.

Timeline for review

The Government is proposed to conduct a review of climate disclosure requirements in 2028-29. Strengthened near term climate action is the most effective way to stay on track for 1.5 degrees of warming with limited overshoot. A review period so close to 2030 will not allow enough time should further legislative changes and regulatory actions be needed to drive business action on a 1.5 degree pathway.

Recommendation: The review period is brought forward to 2027-28, follows the third year of reporting of Group 1 entities to better ensure that the legislative changes and reporting requirements are fit for purpose, leading to real and deep emissions cuts and climate action to met Australia's domestic and international emissions reduction obligations and are aligned with the latest science.

For more information on this submission, or for a copy of the company assessment report referred to in our submission, *Net Zero Integrity: Assessment of the Net Zero Pledges of Australian Companies*, please contact:

Claire Snyder
Project Director
Climate Integrity
claire@climateintegrity.org.au

Sam Blake
Impact Director
Climate Integrity
sam@climateintegrity.org.au

---

[5] ACCC 'greenwashing' internet sweep unearths widespread concerning claims. Access at: https://www.accc.gov.au/media-release/accc-greenwashing-internet-sweep-unearths-widespread-concerning-claims