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bp Australia response to the consultation paper on Climate-related financial disclosure

bp welcomes the opportunity to provide comment on the more detailed proposal set out in the consultation paper on Climate-related financial disclosure.

We support the government's commitment to provide Australians and investors with greater transparency and accountability regarding businesses' climate-related plans, financial risks and opportunities. We further support the proposal to develop standardized, internationally aligned reporting requirements for businesses to make climate-related disclosures regarding governance, strategy, risk management, targets, and metrics. We recognize the growing demand for this type of information and have already seen that bp's climate-related disclosures have played an important role in enhancing our engagement with investors and wider stakeholders.

Our submission focuses on:

- maintaining alignment with international standards and having regard to interoperability with disclosure frameworks in other markets
- allowing for substituted compliance where an Australian companies' parent company already meets relevant disclosure standards in its home country.
- reconsidering the timeline for implementation to allow sufficient time for necessary systems and processes to be developed and to ensure adequate assurance capability can be developed to meet the resulting increase in demand.
- the realities of reporting of scope 3 emissions and need for appropriate assurance.
- allowing companies to use climate scenarios that best help them to assess climate related risks
- focusing on transparency of transition plans, rather than prescribing certain transition planning activities or a level of ambition that companies should meet.

Our comments draw on bp's experience with climate-related reporting (both mandatory and voluntary), and we hope the Treasury will find them informative and helpful in finalizing an Australian climate-related disclosure system.

About bp

bp has been operating in Australia for over 100 years. While we are not listed in Australia, we employ around 5,200 employees and long-term contractors across Australia and have operations in every State and Territory. We have a large network of retail sites providing fuel



and other convenience to our customers. In 2022, we started the rollout of our electric vehicle charging network across Australia, initially targeting 600 charge points across Australia, and are working with partners exploring other decarbonized transport solutions like hydrogen for mobility. After successfully operating the Kwinana refinery for more than 65 years, we are now exploring options to produce renewable fuels and hydrogen at the site. We are also exploring another hydrogen project near Geraldton and have taken an equity share and operatorship of the Australian Renewable Energy Hub in the Pilbara that, if developed, will provide green electrons and hydrogen to support the decarbonization of the region and for export. We also have a 50 per cent share in Lightsource bp, one of Australia's largest renewable energy developers, are a joint venture partner in the North-West Shelf LNG Project, Browse Joint Venture, and are exploring options with partners for a large-scale, multi-user Carbon Capture and Storage Hub in the Pilbara.

Globally, bp's purpose is to reimagine energy for people and our planet. Our ambition is to become a net-zero company by 2050 or sooner; and to help the world get there, too. Globally bp aims to be net-zero across our operations (scopes 1 & 2), for the carbon in our oil and gas production (scope 3) and for the energy products we sell (life-cycle emissions intensity). For each of these, we have also set short-term targets (2025) and medium-term aims (2030).

bp aims to be recognized as an industry leader in the transparency of its reporting. Our parent company, BP p.l.c. already provides disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures in its annual report in accordance with United Kingdom requirements. Our Australian companies are captured in this reporting.

Welcome international alignment

bp is encouraged by the proposal to align with international standards. Climate-related disclosure obligations are being implemented by various governments globally and we strongly encourage alignment between these different systems. Alignment better facilitates those stakeholders (particularly investors) to compare decision-useful information across different markets, as well as helping to reduce the reporting burden on those making disclosures, particularly for those where disclosure is relevant to more than one market, as it allows for the same systems and reports to be used to meet disclosure objectives of different countries.

We do note however the ISSB has only recently finalized the IFRS S2, so various international and other country regulators are still working through how these will be adopted and implemented. Having regard to these developments in finalizing the Australian arrangements will help to ensure interoperability. We also note the need to align the legislation with the standards to be developed by the Australian Accounting Standards Board starting in the second half of 2023.

Coverage and need for clarity around boundary for reporting

bp notes the intention to cover both listed and unlisted companies that meet the thresholds within the disclosure framework, starting with the larger companies and expanding over time. We understand the government's objective is to improve decision-relevant information for investors and other users on climate related risks across the economy.



Several of bp's Australian companies would be captured by the proposed thresholds. They are already captured in our disclosures made by our parent company in the United Kingdom. The consultation paper does not indicate how subsidiaries like bp's Australian entities would be treated under the Australian disclosure framework. We strongly recommend allowing for substituted compliance where those companies' parent company already meets relevant disclosure standards in its home country. In these circumstances a company should be able to rely on the disclosures made at the group level. Where decision useful information is already provided for investors and other stakeholders, duplication or separate reporting on a local entity level is not warranted. We note that other jurisdictions do not require separate reporting at the entity level for subsidiaries in such circumstances.

Phase-in should allow more time for companies to implement systems and processes.

bp understands the Australian government's desire to commence disclosures from the 2024-25 reporting year, with additional companies phased-in over the following two reporting years. We caution the proposed start date of 2024-25 as companies are likely to need more time to implement necessary systems and processes to support their disclosures.

They will need to develop internal systems and processes to collect, and sufficiently assure for purposes of disclosure, the new categories of data needed for the climate-related disclosures. Based on our experience with developing internal systems and processes to allow disclosure in the UK, Australian companies will likely need more than the 6 months allowed by the timelines for legislating and development later this year of the more detailed standards by the AASB. Even those that have been voluntarily disclosing information will likely need more time to update their systems and processes for the latest ISSB standard and the specific Australian standards still to come. These systems need to be in place at the start of the reporting period and will necessarily need to be calibrated to the Australian standards.

Allow time for assurance capability to develop

We note the acknowledgement in the consultation paper that the new disclosure framework will require a capability uplift in Australian assurance providers to meet the resulting increase in demand for climate-related assurance services. We agree with the proposal to phase and scale assurance requirements over time but are concerned the proposed pace is too ambitious.

Given the number of reporting entities to be captured, it will likely take the assurance industry more than a year or two to develop the skills, capacity and processes needed to support all reporting entities. We also note the increased demand for these same skills over the same period to support entities to comply with other government policies such as the reforms to safeguard mechanism and for the various state based environmental protection regimes.

Reporting of scope 3 emissions and level of assurance

bp supports the proposal for reporting of material scope 3 emissions using reasonable and supportable information that is available without undue cost or effort and incorporates the use of estimation. We support disclosure of GHG emissions data, including Scope 3 emissions data, where that information is decision-useful for investors due to materiality or where the information is the subject of a company's targets. Where the company in question is part of a corporate group, materiality should be considered at the group level, and the company should be able to report on emissions and targets at the group level.



We appreciate the acknowledgement in the consultation paper the challenges with reporting scope 3 emissions and the proposal to phase in assurance for this reporting. We do note that the proposed timeline to have reasonable assurance of reported scope 3 emissions after just two years of disclosures is very ambitious.

Common climate scenarios

bp supports the proposal to require assessments against at least two possible future states, with one scenario consistent with the global temperature goals set out in the Climate Change Act, that is 'holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'.

We note that given the many uncertainties with how the global climate, economy, behaviors and technologies might change, there are many different scenarios that would be consistent with the global temperature goals set out in the Act. We recommend that businesses have the flexibility to define their climate scenarios to best suit their circumstances and views of potential future states.

We do see value in the government developing common data sets and scenarios to support businesses in assessing risks and preparing their disclosures. This can help build capability and reduce costs associated with disclosures. However, businesses should have flexibility to develop and use scenarios that are most useful to assess risks for their business.

Disclosure of transition plans

We support the proposed approach to disclosure of transition plans (again, a company should be able to report these at the level of the corporate group) to focus on transparency, rather than prescribing certain transition planning activities or a level of ambition that firms should meet. We also support the proposal to require disclosure of the use of offsets towards a company's transition and whether these are verified through a recognized standard.

We note the reference to further work as part of the Government's Sustainable Finance Strategy later this year, on arrangements that could strengthen the development and disclosure of company transition plans. We believe any such arrangements will need to remain flexible, to recognize the range of business models that they describe and avoid undermining the accountability of a company's board in setting its own transition strategy.

Closing remarks

We reiterate our support for standardized, internationally aligned reporting requirements for businesses to make climate related disclosures. We appreciate the opportunity to provide input and look forward to working with the government as it finalizes the design.