



EnergyAustralia

LIGHT THE WAY

9 February 2024

The Hon Dr Jim Chalmers MP
The Treasury
Langton Crescent
PARKES ACT 2600

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Dear Minister,

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CLIMATE-RELATED FINANCIAL DISCLOSURES: EXPOSURE DRAFT LEGISLATION

EnergyAustralia (EA) welcomes the opportunity to comment on the exposure draft legislation for Climate-Related Financial Disclosures (CRFD). EA is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in New South Wales, Victoria, Queensland, South Australia, and the Australian Capital Territory. EA owns, contracts and operates a diversified energy generation portfolio that includes coal, gas, pumped hydro, battery storage, demand response, solar and wind assets. Combined, they comprise circa 5,000 MW of generation capacity.

EA is dedicated to building an energy system that lowers emissions and delivers secure, reliable and affordable energy to all households and businesses. This requires being a good neighbour in the communities we operate in. We, therefore, recognise the value of working with Aboriginal and Torres Strait Islander peoples as the traditional custodians of this land. We acknowledge and respect their continued connection to all aspects of Country.

The Draft Legislation Appears To Be Fit For Purpose

EA welcomes the Treasury's efforts in turning the earlier CRFD consultation positions into legislation. In almost all instances, draft recommendations have been faithfully reflected. Where not, additional clarity and consideration have typically been provided to balance the overarching consultation principles and achieve pragmatic policy outcomes. For example, in keeping the original approach to reporting entities and staged rollout while providing exemptions for Scope 3 and short-term modified liability relief. EA, therefore, considers the legislation fit for purpose in meeting economy-wide decarbonisation objectives and supporting a rapid, robust and orderly energy market transition.

The Group 1 Start Date Should Not Be Altered

Our one exception to this general statement of support concerns the commencement date. EA does not consider that pushing the Group 1 start date out by six months to 1 January 2025 will materially improve reporting quality in the first year. As noted above, welcome consistency has been provided between consultation recommendations and draft legislation. Combined with the 1 July 2024 target commencement date being known for more than a year, we see little reason that Group 1 Entities should not already have made plans for and be capable of meeting the reporting deadline given their

relative size and sophistication. Indeed, we see it as more likely that any change now would actually introduce new costs from potentially rescheduling auditing, data and technical resources.

One possible exclusion concerns entities that do not meet the revenue and size thresholds but are otherwise captured because of their emissions reporting obligations under the National Greenhouse and Energy Reporting (NGERs) Act 2007. These are, however, the minority of Group 1 reporting entities. Changing the implementation date on this basis would be highly disproportionate. In particular, when a more targeted intervention would be appropriate, e.g., allowing only these entities to report six months later.

In terms of other reasons for delaying the Group 1 implementation date, we previously questioned concerns that were raised around the ability of the third-party assurance sector to scale to meet disclosure demand. This has proved correct with all of the firms we work with and their peers having devoted significant resources to ensuring no advantage is lost to competitors. When coupled with the liability relief in the draft legislation, we do not see that assurance concerns are a legitimate reason for moving the implementation date.

It is a similar story concerning the argument that a delay is justified on the basis that standards' details have not been finalised by the Australian Accounting Standards Board (AASB). Although technically true, it should be noted that the SR1 Exposure Draft (ED SR1) was released in October and consistent with earlier statements, followed the International Sustainability Standards Board (ISSB) developments almost verbatim. Where not, changes have been proposed to adjust and rationalise them appropriately for the Australian context.

The ISSB disclosure standards were developed over two years across multiple rounds of consultation with strong international and domestic support¹. It should also be noted many large Australian corporates, including EA, committed to ISSB disclosures or adopted similar, pre-cursor reporting standards before AASB standard development. For example, whether Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI) or Taskforce on Climate-related Financial Disclosure (TCFD) standards.

Combined with the consistency between AASB and ISSB standards noted above, it would be disingenuous to claim final AASB standards will be so far from what has been anticipated that a further delay is warranted. In particular, given the opportunity costs of lost decarbonisation momentum any delay would create, and which would only serve to undermine the stated policy aims. Namely, to better assess and manage systemic risks to the financial system as a result of climate change, support Australia's reputation as an attractive destination for international capital and draw the investment required for a net zero transition.

Should you have any questions on this submission or would like to meet to discuss matters further, please contact me via email at bradley.woods@energyaustralia.com.au.

Regards,

Bradley Woods

Climate Change and Sustainability Strategy Principal

¹ In Australia, 20 Peak Bodies lodged a joint submission supporting the standards. Combined they represented more than 400 companies and 300 investors. The submission can be found at <https://www.asfi.org.au/publications/issb-peak-bodies-submission>