



20 February 2023

Climate Disclosure Unit
Market Conduct Division
The Treasury
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By e-mail: climatereportingconsultation@treasury.gov.au

Climate-related financial disclosure – Consultation paper

Alinta Energy welcomes the opportunity to respond to the Treasury's consultation paper on climate-related financial disclosure.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. We have a keen interest in the development, governance and regulation of standards relating to climate-related reporting in Australia.

We believe the consultation paper is an appropriate first step to assess the scope, coverage, form and metrics of climate-related financial disclosure in Australia. The energy sector has done more in this area (both through regulation and on a voluntary basis) than other sectors of the economy and welcome the opportunity to respond to the considerations Treasury has identified in the consultation paper.

Alinta Energy agrees that to support investor confidence, internationally accepted standards of climate-related reporting are required to support capital flows. While we believe Australia has made considerable progress over many years (for example the National Greenhouse and Energy Reporting requirements), it is important to keep pace with international developments such as that undertaken by the International Sustainability Standards Board.

Reform approach

We support the reform principles set out on page 6 of the consultation paper and their application to guide the development of any new requirements. A clear understanding of the purpose and use of data reported and a review objective would also be worthwhile inclusions in the principles. A review would also incorporate any changes to international standards and consistency with Paris Agreement and net zero by 2050 objectives.

Coverage

Initial application of coverage to large, listed entities and financial institutions is appropriate at this stage. Government-owned corporations should also be considered for inclusion. A

roadmap for inclusion of other types of entities to follow the initial cohort of organisations should be contemplated as part of the reform process.

Timing and structure of regulatory model

An initial year for mandatory reporting of 2024-25 would seem reasonable.

While we appreciate there are alternative structures of regulatory governance (set out on pages 17-19 of the consultation paper) available, any changes would need to account for the disruption the creation of a new or combined body may result in. There may be significant uncertainty for covered entities and weigh this against the benefits of a better model for a regulator. Alinta Energy does not oppose the creation of a more streamlined and efficient approach to regulating financial reporting and climate-related reporting if it avoids duplication.

Flexibility

We support consistency with international developments - for example, considering the treatment of scope three emissions in regulated reporting - but encourage Treasury to allow adopted reporting approaches to be flexible enough to support Australian conditions and existing standards, processes and the work of relevant bodies such as the Australian Energy Market Operator, through the Integrated System Plan.

Data and digital reporting

Data capability and digital reporting will require further consideration before a firm approach is determined. We do not believe the creation of a new digital reporting framework is necessary at this time due to the development, testing and ongoing operating costs it would involve, but it may have merit in the longer-term.

The energy industry has undergone and continues to manage significant reform changes requiring long-term investment in system and process changes. For example, five-minute and global settlement in the National Electricity Market, the Consumer Data Right and future changes arising out of the Energy Security Board's NEM 2025 design recommendations. We note that the CDR has also impacted the financial services sector in recent years.

Consultation questions

We respond to questions set out in the consultation paper below. We would welcome further discussion of this response with Treasury, please contact [REDACTED] ([REDACTED]) in the first instance.

Yours sincerely

[REDACTED]

[REDACTED]

General Manager, Regulatory Affairs and Compliance

Question	Draft response
<p>1. What are the costs and benefits of Australia aligning with international practice on climate-related financial risk disclosure (including mandatory reporting for certain entities)? In particular:</p> <p>1.1 What are the costs and benefits of meeting existing climate reporting expectations?</p> <p>1.2 What are the costs and benefits of Australia not aligning with international practice and in particular global baseline standards for climate reporting?</p>	<p>1 Alinta Energy believes it is in Australia's interest to align with international practice on climate-related financial risk and disclosure.</p>
<p>2. Should Australia adopt a phased approach to climate disclosure, with the first report for initially covered entities being financial year 2024-25?</p> <p>2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?</p>	<p>2 A phased approach is appropriate. Covered entities and auditors will need time to develop processes to report efficiently.</p>
<p>3. To which entities should mandatory climate disclosures apply initially?</p> <p>3.1 What size thresholds would be appropriate to determine a large, listed entity and a large financial institution, respectively?</p> <p>3.2 Are there any other types of entities (that is, apart from large, listed entities and financial institutions) that should be included in the initial phase?</p>	<p>3 Initial application to large, listed entities, financial institutions and government owned corporations seems appropriate as part of a phased approach.</p> <p>3.1 Alinta Energy does not have a view on the size thresholds for coverage of listed entities, though turnover or market capitalisation may be relevant measures.</p> <p>3.2 Initially, including large, listed entities, financial institutions and government owned corporations is appropriate. To the extent other entities are to be included, a timeframe to implement reporting requirements should be considered.</p>
<p>4. Should Australia seek to align our climate reporting requirements with the global baseline envisaged by the International Sustainability Boards?</p> <p>4.1 Are there particular considerations that should apply in the Australian context regarding the ISSB implementation of disclosures relating to: governance, strategy, risk management and/or metrics and targets?</p>	<p>4 Alinta Energy supports the alignment of Australia's reporting requirements with global standards. While noting the ISSB standards are in draft form, they represent a consistent and understood starting point for disclosure.</p> <p>4.1 Reference to local understanding of the energy transition in the Australian context, including government policy commitments and planning and analysis undertaken by AEMO and regulators will allow nuance to any international standards.</p>

Question	Draft response
4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered?	
5. What are the key considerations that should inform the design of a new regulatory framework, in particular when setting overarching climate disclosure obligations (strategy, governance, risk management and targets)?	5 High level obligations should reside in legislation, with detail provided through guidance and standards. We do not have firm views on the exact architecture of the regulatory framework, but where duplication with existing legislation exists or a similar standard already applies, a review would be required and determination if the existing Australian approach should not prevail.
6. Where should new climate reporting requirements be situated in relation to other periodic reporting requirements? For instance, should they continue to be included in an operating and financial review, or in an alternative separate report included as part of the annual report?	6 Alinta Energy supports an approach to reporting that limits the regulatory burden on covered entities. A degree of flexibility with existing approaches to reporting (through Director's reports, sustainability reporting etc), will support this goal.
7. What considerations should apply to materiality judgements when undertaking climate reporting, and what should be the reference point for materiality (for instance, should it align with ISSB guidance on materiality and is enterprise value a useful consideration)?	The ISSB approach of linking materiality to financial materiality is appropriate given the users of such information will be investors, financial institutions, insurers, financiers and others.
8. What level of assurance should be required for climate disclosures, who should provide assurance (for instance, auditor of the financial report or other expert), and should assurance providers be subject to independence and quality management standards?	A phased approach to assurance might be appropriate. For example, in the initial years, no mandatory assurance would be required, then assurance might apply to covered entities of a certain size, and finally to all covered entities. This would allow time for reporting systems and their audit to mature.
9. What considerations should apply to requirements to report emissions (Scope 1, 2 and 3) including use of any relevant Australian emissions reporting frameworks?	We note that the ISSB has recommended scope 3 emissions be temporarily exempted from mandatory reporting until the IFRS S2 Climate-related Disclosures standard has been finalised for 12 months. We support this approach and believe any Australian climate-related disclosures should remain consistent with international standards, with their introduction and timing considering factors relevant to the Australian context.
10. Should a common baseline of metrics be defined so that there is a degree of consistency between disclosures, including industry-specific metrics?	Consistency with international best practice serves the objective of investor confidence for Australian entities. The application of recognised Intergovernmental Panel on Climate Change metrics provides consistency within Australia and internationally. Other national emissions frameworks (NGER for example) and the potential for duplicative

Question	Draft response
	reporting needs to be considered to minimise the regulatory burden and cost to covered entities.
11. What considerations should apply to ensure covered entities provide transparent information about how they are managing climate related risks, including what transition plans they have in place and any use of greenhouse gas emissions offsets to meet their published targets?	The use of offsets and their consistency with being aligned to long-term, recognised objectives (such as net zero by 2050) will need to be transparent and comparable over time. At the same time, entities need the flexibility to determine their own strategies to implement their goals, while being credible and supported through reporting.
12. Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?	Scope 3 emissions should be phased in over time (in line with ISSB recommendations and the approach applied by the US Securities and Exchange Commission).
13. Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements? 13.1 How and by whom might any data gaps be addressed? 13.2 Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?	Alinta Energy does not believe there a specific capability or data challenges but would support an approach that is flexible and not too prescriptive in application for regulated entities.
14. Regarding any supporting information necessary to meet required disclosures (for instance, climate scenarios), is there a case for a particular entity or entities to provide that information and the governance of such information?	To the extent supporting information is relied upon for required disclosures, the authority endorsing or providing that information needs to be credible and accepted as a source by reporting entities. For example, work undertaken by AEMO in the Integrated System Plan and endorsed by industry and consumer stakeholders. For the sake of comparison across industries, a "central" or "neutral" scenario might be chosen in relation to climate scenarios.
15. How suitable are the 'reasonable grounds' requirements and disclosures of uncertainties or assumptions in the context of climate reporting? Are there other tests or measures that could be considered to ensure liability is proportionate to inherent uncertainty within some required climate disclosures?	The reasonable grounds requirements need to account for the uncertainty associated with emissions and climate. Tests of proportionality will apply differently in this context and accept that the risk of unknown outcomes and the inability to develop highly accurate forecasts of outcomes in the short, medium and long-term.
16. Are there particular considerations for how other reporting obligations (including continuous disclosure and fundraising documents) would	Alinta Energy does not have a view on this issue at this stage.

Question	Draft response
interact with new climate reporting requirements and how should these interactions be addressed?	
17. While the focus of this reform is on climate reporting, how much should flexibility to incorporate the growth of other sustainability reporting be considered in the practical design of these reforms?	Flexibility should be considered in the design of the reforms, noting that the priority should be focused on climate-related reporting and confidence in it to support investor certainty and capital flows.
18. Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?	Alinta Energy does not support the mandating of digital reporting at this stage. The investment, time and resources required to support digital reporting should be developed over time and in consultation with impacted entities and the government.
19. Which of the potential structures presented (or any other) would best improve the effectiveness and efficiency of the financial reporting system, including to support introduction of climate related risk reporting? Why?	<p>Alinta Energy supports an efficient structure of reporting and oversight that supports policy and legislative objectives while minimising the regulatory burden on those entities to whom obligations apply. Minimising duplication and efficient, best practice regulation should be an ongoing focus for all regulation.</p> <p>We do not prefer a specific model currently but support the identification and transition over time to a more efficient structure.</p>