

Green Bonds and Transition Guidance Unit  
Climate and Energy Division  
The Treasury

Submitted via email: [SustainableFinanceConsultation@treasury.gov.au](mailto:SustainableFinanceConsultation@treasury.gov.au)

24 September 2025

### **Climate-related Transition Planning Guidance**

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to Treasury's consultation on *Climate-related Transition Planning Guidance* ('Consultation Paper').

The Australian Energy Council is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

For the past year, the AEC has collaborated with the University of Adelaide on a project to bolster climate governance across the energy sector. This project has involved many workstreams related to Treasury's climate disclosure framework with scenario analysis and transition planning representing a core focus. An end product of this collaboration has been the publication of the AEC's [Scenario Analysis Practice Guide](#) that energy industry participants can use when assessing their climate risks and opportunities.

The development of the Practice Guide enabled knowledge sharing across energy businesses about their approaches to scenario analysis and seeks to encourage consistency where possible to improve the comparability of individual transition planning. There are, however, constraints to having total consistency across reporting entities due to the inherent uncertainty of future scenario analysis and the different commercial and generation portfolios of energy businesses.

Treasury will need to consider how to balance this tension between discretion and specificity when establishing the value add of its Transition Planning Guidance. The AEC agrees with the proposal in the Consultation Paper for any Guidance to be voluntary – imposing prescription now where entities have already started their transition planning would be unreasonable and likely lead to businesses prioritising compliance over robustness. Some prescription may have value in future iterations of Treasury's guidance once a better understanding emerges of what is good practice and where uplift is needed.

Until then voluntary guidance from Treasury will still have weight and so it is important it does not confuse or contradict the existing abundance of guidance material available. The AEC considers Treasury's guidance will be most practical if it can clarify key concepts and definitions used in sustainability reporting and gives reporting entities choice with respect to how they develop their transition planning. Treasury should also seek to maximise the use of examples and case studies to illustrate what is good practice.

The AEC has listed some suggestions below for where the Guidance can provide most value.

Reporting area	Why guidance is needed
Language choices	<p>Reporting entities currently face some legal uncertainty with respect to how to describe any target setting in their transition planning. Terms such as “aim”, “ambition”, “commitment”, etc. may not necessarily be used with the intent to express a particular legal meaning, but nonetheless may convey a particular legal meaning.</p> <p>For example, an electricity generation business might plan to be net-zero by 2035 based on the closure of a legacy coal-fired power station. However, since electricity is an essential service, the closure of that power station depends on enough substitute generation being built in time. If there is not enough generation ready in time, then the coal-fired power station may have its life extended, and the company target is not met.</p> <p>In terms of communication, how should the business express its plan to be net-zero by 2035? E.g. does calling it an “aim” or “ambition” carry a different meaning to “commitment” or “target”?</p>
Time horizon examples	<p>How a business establishes its short, medium, and long-term risks depends on its commercial and generation asset structure, and transition risks are likely to have different time periods to physical risks.</p> <p>While this makes prescription difficult, Treasury could still issue guidance on benchmarks for businesses to use to choose their time horizons.</p> <p>For example, the AEC’s Practice Guide suggests:</p> <ul style="list-style-type: none"> <li>• The transition risks could follow climate target setting (e.g. short term to 2030, medium term to 2035, and long term to net-zero by 2050), or the time windows used in the NEM Wholesale Market Settings Review.</li> <li>• The physical risks could follow the National Climate Risk Assessment’s time horizons (e.g. short-term to 2030, medium-term to 2050, and long-term to 2090).</li> </ul>
Emissions reporting, especially Scope 3	<p>As part of the AEC’s collaboration with the University of Adelaide, an <a href="#">Emissions Reporting Guide</a> was developed to assist energy industry participants in calculating their emissions inventories.</p> <p>The Guide is particularly valuable in the context of Scope 3 emissions, where accounting methodologies can vary significantly and are often open to interpretation, which can reduce comparability.</p> <p>The Emissions Reporting Guide aims to layout a consistent methodology for energy businesses to use to report their</p>

	<p>Scope 3 emissions to improve the comparability of emissions inventories across the energy sector and support more robust and transparent reporting practices, including transition plans.</p>
Model CTAP	<p>To improve comparability, industry would benefit from Treasury publishing a “model” CTAP that illustrates the content depth and presentation format that all analysis, graphics, tables and discussion examples should take.</p> <p>This “model” CTAP would start out voluntary and could develop elements of prescription over time as it becomes clearer what represents good practice.</p> <p>Industry would welcome the opportunity to work with Treasury to develop a “model” CTAP.</p>
1.5C scenario analysis	<p>The legislation currently prescribes that reporting entities must prepare a climate transition scenario aligned with 1.5C.</p> <p>This does create some challenges with respect to how to present a credible 1.5C scenario. Existing modelled scenarios rely on ambitious assumptions that are not necessarily plausible in the context of director’s duties.</p> <p>It would be helpful for Treasury to provide guidance on how reporting entities can approach and communicate the limitations in meeting a 1.5C scenario. This could include the development of some standardised positioning.</p>
Transitional activities	<p>While Treasury has suggested it will defer to the Australian Sustainable Finance Taxonomy for transitional activities, the AEC’s <a href="#">view</a> is that the taxonomy’s classification of gas-powered generation is not consistent with AEMO’s Step Change scenario, which is what the Federal Government has used to model its 2035 target range.</p> <p>It would be helpful for Treasury to provide an example of how a reporting entity could include gas-powered generation as part of robust transition planning.</p>

Any questions about this submission should be addressed to Rhys Thomas, by email [Rhys.Thomas@energycouncil.com.au](mailto:Rhys.Thomas@energycouncil.com.au) or mobile on 0450 150 794.

Yours sincerely,

**Rhys Thomas**  
Policy Manager  
Australian Energy Council