AUSTRALIAN ENERGY COUNCIL

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Submitted via email: climatereportingconsultation@treasury.gov.au.

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Climate-Related Financial Disclosure Exposure Draft Legislation

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to Treasury's consultation on *Climate-Related Financial Disclosure: Exposure Draft Legislation.*

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.

Treasury's climate-related financial disclosure regime represents one of the most significant recent reforms to corporate reporting. It is an important and necessary step in Australia's transition to a net-zero future and one in which the AEC has supported since its inception.

The magnitude of the reform is increased by the large participation scope, particularly for Group 1, which will see almost all grid-connected electricity generation facilities captured by virtue of meeting the NGER publication threshold. Even for many larger entities, these reforms are a new journey and it will take time for reporting and data discovery practices to mature.

Treasury sensibly recognised this in earlier consultations and proposed a transitional period 'to provide reporting entities with time to develop internal capabilities and internal capacity to meet the disclosure requirements'.[1] Treasury is now asking in its Policy Position Statement for stakeholder feedback on whether to shift the 1 July 2024 commencement date to 1 January 2025.

The AEC agrees that shifting the commencement date of mandatory reporting back by 6 to 12 months will improve the quality of reporting during the transition year and eliminate currently existing uncertainty with regard to final alignment with the ISSB Standards. With the AASB's consultation on the sustainability reporting standards not closing until March 2024 (with further time needed to consider feedback), providing some added time to entities will ensure implementation occurs in a manner that is not rushed, encourages more thoughtful engagement with the regime, and more likely to be enduring.

As highlighted in the Policy Impact Analysis, these reforms will add material upfront compliance costs (estimated at the level of $1.3 million per entity)[2] with ongoing costs scaling down as entities invest in long-term internal capability and data availability improves. By allowing more time for the adoption of new standards for climate disclosures, the reporting entities will benefit from having more flexibility in managing and absorbing the additional cost burden of the new standards' implementation and third-party assurance requirements.

[1] Treasury, 'Climate-related financial disclosure', Consultation Paper, June 2023, p11.
[2] Treasury, 'Climate-related financial disclosures', Policy Impact Analysis, September 2023, p24.

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While the AEC supports the broad concept of modified liability framework should apply to forward looking statements, the AEC suggests expanding the scope and relief period of the modified liability to provide further protections to directors and recognise that climate disclosure regime is still in the development stage and AASB's standards are still to be finalized.

As suggested in the prior AEC submissions, Treasury should consider that:

- There is no possibility for retrospective litigation (i.e. third-party litigation cannot be taken after the three years have passed for an act or omission within the first three years).

- Modified liability for Scope 3 emission reporting should only start once the requirement for limited assurance commences.

Additionally, the AEC suggests allowing for some level of interoperability between the sustainability report introduced in the draft legislation and the general sustainability reports containing a broad range of sustainability issues, which some bigger entities already publish. The ability to cross reference data and information between the climate statement and notes to the climate statements would potentially alleviate the burden of building internal capacity and capabilities of new reporting requirements and free up the resources of reporting entities.

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

Yours sincerely,

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